

BOYNE FALLS PUBLIC SCHOOL
BOYNE FALLS, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2013

BOYNE FALLS PUBLIC SCHOOL

JUNE 30, 2013

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BOYNE FALLS PUBLIC SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

We have audited the accompanying financial statements of the government activities, each major fund, and the aggregate remaining fund information of Boyne Falls Public School as of and for the year ended June 30, 2013, 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 of material misstatement.

An audit includes 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 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 opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 reasonable basis for our audit opinions.

Opinions

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

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 3 through 8 and page 25 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 Boyne Falls Public School's basic financial statements. The comparative schedules of revenues, expenditures and other financing uses, and the statement of changes in deposits held for others are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative schedules of revenues, expenditures and other financing uses, and the statement of changes in deposits held for others are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of revenues and expenditures are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2013, on our consideration of Boyne Falls Public 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 Boyne Falls Public School's internal control over financial reporting and compliance.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
September 16, 2013

Management's Discussion and Analysis

As management of the Boyne Falls Public School (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,448,391 (*net position*). Of this amount, \$1,155,765 (*unrestricted net position*) may be used to meet the District's ongoing obligations, \$424,026 is restricted for debt service.
- The District's total net position increased by \$212,474.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,622,183, a increase of \$57,124 in comparison with the prior year. Approximately 63%, or \$1,018,573 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,018,573 or 43 % percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, community services, and care and custody of children.. The District has no business-type activities as of and for the year ended June 30, 2013.

The government-wide financial statements can be found on pages 9-10 of this report.

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

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

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

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service funds, and the other non-major governmental fund (the special revenue fund – food service).

The District adopts an annual appropriated budget for its general and special revenue fund. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-24 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Boyne Falls Public School, assets exceeded its' liabilities by 2,448,391 at the close of the most recent fiscal year.

A portion of the District's net position, \$868,600, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Position

Governmental Activities

	<u>June 30,2013</u>	<u>June 30,2012</u>
Assets		
Current and Other Assets	\$ 1,979,892	\$ 1,920,595
Capital Assets, Net	<u>6,728,976</u>	<u>6,973,998</u>
Total Assets	<u>8,708,868</u>	<u>8,894,593</u>
Liabilities		
Long Term Liabilities Outstanding	5,435,376	5,853,082
Other Liabilities	<u>825,101</u>	<u>805,594</u>
Total Liabilities	<u>6,260,477</u>	<u>6,658,676</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	868,600	715,916
Restricted	424,026	484,620
Unrestricted	<u>1,155,765</u>	<u>1,035,381</u>
Total Net Position	<u>\$ 2,448,391</u>	<u>\$ 2,235,917</u>

An additional portion of the District's net position \$424,026 (17%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, \$1,155,765.

The District's net position increased by \$212,474 during the current fiscal year. Most of this increase is attributable to an excess of revenue, which decreased from the prior year, over expenses that remained primarily flat. The District's blended enrollment was approximately 206 students.

District's Changes in Net Position

Governmental Activities

	<u>2012-2013</u>	<u>2011-2012</u>
Revenue		
Program Revenue		
Charges for Services	\$ 31,928	\$ 41,266
Operating Grants and Contributions	392,152	399,068
General Revenue:		
Property Taxes	2,494,000	2,671,016
State School Aid	25,451	160,130
Interest and investment earnings	3,861	4,488
Other	<u>249,265</u>	<u>247,773</u>
Total Revenue	<u>3,196,657</u>	<u>3,523,741</u>
Expenses		
Instruction	1,502,472	1,465,339
Support Services	842,152	854,252
Community Activities	688	550
Food Service	119,509	112,291
Amortization - Bond Discounts	6,654	6,655
Depreciation - unallocated	245,022	263,945
Interest on Long Term Debt	<u>267,686</u>	<u>282,949</u>
Total Expenses	<u>2,984,183</u>	<u>2,985,981</u>
Increase (Decrease) in Net Position	212,474	537,760
Net Position, Beginning of Year	<u>2,235,917</u>	<u>1,698,157</u>
Net Position, End of Year	<u>\$ 2,448,391</u>	<u>\$ 2,235,917</u>

Governmental activities. Governmental activities increased the District's net position by \$212,474.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,622,183, an increase of \$57,124 in comparison with the prior year. Approximately 64% of this total amount (\$1,018,573) constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because the underlying assets are included in debt retirement and food service and are not available for current expenditure. *Committed fund* balance is \$12,500 for a future bus purchase. *Assigned fund balance* of \$128,171 is for 2013-14 budget purposes.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,018,573. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 43% and 49% respectively of total general fund expenditures.

The fund balance of the District's general fund increased by \$120,882 during the current fiscal year. Revenues decreased \$294,742 and expenditures increased by \$21,265 compared to the prior year.

The food service fund has a total fund balance of \$38,913, which decreased by \$3,164 this year.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor, with expenses only adjusting down by 1.4% in total from beginning to final. The excess of revenues over expenditures budgetary figure was more than the actual results by \$123,876 for the General Fund. As additional information became known during the fiscal year, budget amendments were made to recognize the increase in revenue and/or planned expenditures related to various District programs.

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2012, amounted to \$6,728,976 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

There were no capital asset acquisitions or disposals during the current fiscal year.

District's Capital Assets (net of depreciation)

	<u>June 30, 2012</u>	<u>June 30, 2012</u>
Land	\$ 5,000	\$ 5,000
Land Improvement	245,887	274,209
Buildings	6,044,099	6,196,330
Vehicles	31,256	43,186
Equipment	<u>402,734</u>	<u>455,273</u>
Total	\$ <u>6,728,976</u>	\$ <u>6,973,998</u>

Additional information on the District's capital assets can be found in note 5 on page 21 of this report.

Long-term debt. The district currently has a 2004 Bond issue with an outstanding balance of \$1,825,000 in bonds and a 2007 Bond issue (refunding of a portion of the 1999 Bond issue) with an outstanding balance of \$4,095,000. Additional information on the District's long term debt can be found in Note 7 on page 22 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2013-2014 fiscal year:

- Due to significant increases in the Boyne Falls Public School District's non-principal residence taxable values in prior years, the District became an out of formula district with the State of Michigan. The district is no longer dependant on the State of Michigan to provide per pupil funding, as this will all be collected from the local non-principal residence millage. The future revenue growth for the district will be dependant solely on the increasing non-principal residence property values within the district which have begun to decrease and are forecasted to continue to decline.
- With the increased costs of utilities, health insurance and other contractual obligations the district has adopted a budget projecting a deficit of \$128,171.
- Operating as an out of formula district allows the Boyne Falls School the opportunity to utilize it's facilities and schools of choice program to the maximum benefit of the district's students without facing funding implications from the State of Michigan School Aid Fund.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Boyne Falls Public School
Superintendent's Office
P.O. Box 356
Boyne Falls, MI 49713

BOYNE FALLS PUBLIC SCHOOL
BASIC FINANCIAL STATEMENTS

BOYNE FALLS PUBLIC SCHOOL
DISTRICT WIDE - STATEMENT OF NET POSITION
JUNE 30, 2013

		<u>Governmental Activities</u>
<u>ASSETS</u>		
Current Assets		
Cash and investments (Note 3)	\$	1,869,551
Accounts receivable (Note 4)		54,191
Due from governmental units (Note 4)		54,188
Inventory		1,962
Total current assets		<u>1,979,892</u>
Noncurrent Assets		
Capital assets (Note 5)		9,713,901
Less: accumulated depreciation		<u>(2,984,925)</u>
Total non current assets		<u>6,728,976</u>
Total assets	\$	<u><u>8,708,868</u></u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities		
Accounts payable	\$	55,859
Salaries payable		185,855
Accrued interest		42,392
Unearned revenue (Note 4)		115,995
Bonds payable, Due within one year (Note 7)		425,000
Total current liabilities		<u>825,101</u>
Noncurrent Liabilities		
Bonds payable (Note 7)		5,421,805
Compensated absences (Note 7)		13,571
Total noncurrent liabilities		<u>5,435,376</u>
Total Liabilities		<u>6,260,477</u>
Net Position		
Invested in capital assets, net of related debt		868,600
Restricted for debt service		424,026
Unrestricted		1,155,765
Total Net Position		<u>2,448,391</u>
Total Liabilities and Net Position	\$	<u><u>8,708,868</u></u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
DISTRICT WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues		Governmental Activities
Functions/programs	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Instruction	\$ 1,502,472	\$ 4,467	\$ 298,515	\$ (1,199,490)
Support services	842,152	4,369	404	(837,379)
Community activities	688	-	-	(688)
Food services	119,509	23,092	93,233	(3,184)
Interest on long term debt	267,686	-	-	(267,686)
Amortization - bond discounts	6,654	-	-	(6,654)
Depreciation - unallocated	245,022	-	-	(245,022)
 Total Governmental Activities	 \$ 2,984,183	\$ 31,928	\$ 392,152	(2,560,103)
 General Revenues				
Taxes				
Property taxes, levied for general operations				1,879,040
Property taxes, levied for debt service				614,960
State of Michigan aid, unrestricted				25,451
Interest and investment earnings				3,861
Other				249,265
 Total General Revenues				 2,772,577
 Change in Net Position				 212,474
 Net position - beginning of year				 2,235,917
 Net position - end of year				 \$ 2,448,391

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL	2004 DEBT SERVICE	2007 DEBT SERVICE	NONMAJOR GOVERNMENTAL SPECIAL REVENUE FOOD SERVICE FUND	TOTALS
ASSETS					
Cash and investments	\$ 1,429,041	\$ 142,136	\$ 269,000	\$ 29,374	\$ 1,869,551
Accounts receivable	49,443	-	-	-	49,443
Due from other governmental units	41,089	5,169	7,930	-	54,188
Due from other funds	10,294	-	-	12,831	23,125
Inventory	-	-	-	1,962	1,962
Total Assets	<u>\$ 1,529,867</u>	<u>\$ 147,305</u>	<u>\$ 276,930</u>	<u>\$ 44,167</u>	<u>\$ 1,998,269</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 54,334	\$ 71	\$ 120	\$ 1,334	\$ 55,859
Accrued salaries and withholdings	185,855	-	-	-	185,855
Unearned revenue	115,995	-	-	-	115,995
Due to other funds	14,439	6	12	3,920	18,377
Total Liabilities	<u>370,623</u>	<u>77</u>	<u>132</u>	<u>5,254</u>	<u>376,086</u>
FUND BALANCES:					
Nonspendable - inventory	-	-	-	1,962	1,962
Restricted for debt retirement	-	147,228	276,798	-	424,026
Restricted for food service	-	-	-	36,951	36,951
Committed for bus purchase	12,500	-	-	-	12,500
Assigned for 2013-14 budget	128,171	-	-	-	128,171
Unassigned - General Fund	1,018,573	-	-	-	1,018,573
Total Fund Balances	<u>1,159,244</u>	<u>147,228</u>	<u>276,798</u>	<u>38,913</u>	<u>1,622,183</u>
Total Liabilities and Fund Balances	<u>\$ 1,529,867</u>	<u>\$ 147,305</u>	<u>\$ 276,930</u>	<u>\$ 44,167</u>	<u>\$ 1,998,269</u>

Total Governmental Fund Balances	\$ 1,622,183
Elimination of due to and due from governmental funds	
Due to	18,377
Due from	(18,377)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.	
The cost of capital assets is	\$ 9,713,901
Accumulated depreciation is	<u>(2,984,925)</u>
	6,728,976
Long term liabilities are not due and payable in the current period and are not reported in the fund	
Bonds payable	(5,846,805)
Compensated absences	(13,571)
Accrued interest is not included as a liability in governmental funds	(42,392)
Net Assets of Governmental Activities	<u>\$ 2,448,391</u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>GENERAL</u>	<u>2004 DEBT SERVICE</u>	<u>2007 DEBT SERVICE</u>	<u>NONMAJOR GOVERNMENTAL SPECIAL REVENUE FOOD SERVICE FUND</u>	<u>TOTALS</u>
REVENUES:					
Local sources	\$ 1,906,939	\$ 228,330	\$ 387,473	\$ 23,112	\$ 2,545,854
State sources	132,454	-	-	5,733	138,187
Federal sources	191,916	-	-	87,500	279,416
Interdistrict sources	233,200	-	-	-	233,200
Total Revenues	<u>2,464,509</u>	<u>228,330</u>	<u>387,473</u>	<u>116,345</u>	<u>3,196,657</u>
EXPENDITURES:					
Current:					
Instruction	1,501,832	-	-	-	1,501,832
Support services	841,107	-	-	119,509	960,616
Community activities	688	-	-	-	688
Debt service	-	221,431	454,579	-	676,010
Capital outlay	-	-	-	-	-
Intergovernmental payments	-	143	244	-	387
Total Expenditures	<u>2,343,627</u>	<u>221,574</u>	<u>454,823</u>	<u>119,509</u>	<u>3,139,533</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>120,882</u>	<u>6,756</u>	<u>(67,350)</u>	<u>(3,164)</u>	<u>57,124</u>
OTHER FINANCING SOURCES (USES):					
Loan payments	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	120,882	6,756	(67,350)	(3,164)	57,124
FUND BALANCES - Beginning of year	<u>1,038,362</u>	<u>140,472</u>	<u>344,148</u>	<u>42,077</u>	<u>1,565,059</u>
FUND BALANCES - End of year	<u>\$ 1,159,244</u>	<u>\$ 147,228</u>	<u>\$ 276,798</u>	<u>\$ 38,913</u>	<u>\$ 1,622,183</u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	57,124
Amounts reported for governmental activities are different because:		
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.		
Depreciation expense	\$	(245,022)
Capital Outlay		<u>-</u>
		(245,022)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		
		2,666
(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds		
		(640)
Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		
		<u>398,346</u>
Change in Net Position of Governmental Activities	\$	<u><u>212,474</u></u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
 FIDUCIARY FUND
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2013

		<u>2013</u>
<u>ASSETS</u>		
Cash	\$	69,251
Due from other funds		<u>-</u>
Total Assets	\$	<u><u>69,251</u></u>
 <u>LIABILITIES</u>		
Due to other funds	\$	4,748
Deposits held for others		<u>64,503</u>
Total Liabilities		<u>69,251</u>
Net Position	\$	<u><u>-</u></u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Boyne Falls Public School ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the District:

REPORTING ENTITY

The District is governed by an elected seven member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the school district. Based on the application criteria, the District does not have any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds 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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

Fund Based Statements - Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 severance pay are recorded only when the payment is due.

(Continued)

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(continued)

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the District.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

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

The 2004 Debt Service Fund is used to record tax, interest and other revenue for the payment of principal, interest, and the payment of principal, interest, and other expenditures of the 2004 bond issue.

The 2007 Debt Service Fund is used to record tax, interest and other revenue for the payment of principal, interest, and the payment of principal, interest, and other expenditures of the 2007 bond issue.

Additionally, the District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of this fund. The School Service Fund maintained by the District is the Food Service Fund.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District maintains a Student Activities Fund to record the transactions of student and parent groups school-related purposes. The funds are segregated and held in trust for the students and parents.

ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2012 taxable value of the District was \$38,835,429 principal residence and \$101,357,530 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead and 4.0500 mills debt service purposes on all property for 2012.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

The District is an out of formula district and does not receive and revenue from the state foundation allowance.

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

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the General Fund and the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 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. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized. The District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	10 years
Furniture and other equipment	10-20 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts. Vacation days are required to be used annually.

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.

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. Issuance costs are reported as other bond expenditures.

Fund Equity - Governmental fund equity is classified as fund balance. Government fund report *nonspendable* fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted* fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, *committed* fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the School Board. The District reports *assigned* fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted or committed. *Unassigned* fund balance is the residual classification for the General Fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, and finally unassigned fund balance.

BOYNE FALLS PUBLIC SCHOOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

Estimates - The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Deferred Outflow/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow 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 or expenditure) until then. The District does not have deferred outflows of resources.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The District did not incur expenditures in excess of the amended budget.

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
NONE			

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>District Total</u>
Cash and investments	\$ 1,869,301	\$ 69,251	\$ 1,938,552
Total	<u>\$ 1,869,301</u>	<u>\$ 69,251</u>	<u>\$ 1,938,552</u>

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

Deposits (checking, savings)	\$ 1,938,347
Investments (Michigan Liquid Asset Fund)	5
	<u>\$ 1,938,352</u>

The total of cash and investments on the Statement of Net Position includes petty cash of \$250.

As of June 30, 2013 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool	\$ 5	<u>31 days</u>

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; 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). As of June 30, 2013 the District did not have any investments in commercial paper or corporate bonds.

Concentration of credit risk

The District will minimize the 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 portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2013 the District's investments were in a pooled investment fund.

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. At June 30, 2013, \$1,342,040 of the District's bank balance of \$2,025,514 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$1,938,539.

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 did not have any custodial credit risk on its investments at June 30, 2013. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/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.

BOYNE FALLS PUBLIC SCHOOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

NOTE 4 - RECEIVABLES

Receivables as of year-end for the District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>2004 Debt Service Fund</u>	<u>2007 Debt Service Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Accounts receivable	\$ 49,443	\$ -	\$ -	\$ -	\$ 49,443
Intergovernmental	<u>41,089</u>	<u>5,169</u>	<u>7,930</u>	<u>-</u>	<u>54,188</u>
Total receivables	<u>\$ 90,532</u>	<u>\$ 5,169</u>	<u>\$ 7,930</u>	<u>\$ -</u>	<u>\$ 103,631</u>

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	<u>Unearned</u>
Grants and categorical aid payment not considered available	\$ -
Payments received prior to meeting all eligibility requirements:	
Vocational education millage	<u>115,995</u>
Totals	<u>\$ 115,995</u>
 Total unearned revenue	 <u>\$ 115,995</u>

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the District's Governmental activities were as follows:

<u>Assets</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Subtotal	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Capital assets being depreciated:				
Land improvements	566,432	-	-	566,432
Buildings & improvements	7,611,564	-	-	7,611,564
Buses	182,904	-	-	182,904
Furniture & equipment	<u>1,348,001</u>	<u>-</u>	<u>-</u>	<u>1,348,001</u>
Subtotal	<u>9,708,901</u>	<u>-</u>	<u>-</u>	<u>9,708,901</u>
<u>Accumulated Depreciation</u>				
Land improvements	292,223	28,322	-	320,545
Buildings & improvements	1,415,234	152,231	-	1,567,465
Buses	139,718	11,930	-	151,648
Furniture & equipment	<u>892,728</u>	<u>52,539</u>	<u>-</u>	<u>945,267</u>
Subtotal	<u>2,739,903</u>	<u>245,022</u>	<u>-</u>	<u>2,984,925</u>
Net capital assets being depreciated	<u>6,968,998</u>	<u>(245,022)</u>	<u>-</u>	<u>6,723,976</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 6,973,998</u>	<u>\$ (245,022)</u>	<u>\$ -</u>	<u>\$ 6,728,976</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 10,294	General Fund	\$ 14,439
Other Nonmajor Govern.	12,831	2004 Debt Service	6
		2007 Debt Service	12
		Other Nonmajor Govern.	3,920
		Fiduciary fund	<u>4,748</u>
Total	<u>\$ 23,125</u>	Total	<u>\$ 23,125</u>
<u>Transfer In</u>		<u>Transfer Out</u>	
None		None	

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 7 - LONG-TERM DEBT

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge full faith and credit of the school district.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
General Obligation Bonds:				
2004 Issue	\$ 1,960,000	\$ (135,000)	\$ 1,825,000	\$ 140,000
2007 Issue	4,365,000	(270,000)	4,095,000	285,000
Compensated absences	12,931	640	13,571	-
Unamortized bond discount	<u>(79,849)</u>	<u>6,654</u>	<u>(73,195)</u>	<u>-</u>
Total Governmental Activities	<u>\$ 6,258,082</u>	<u>\$ (397,706)</u>	<u>\$ 5,860,376</u>	<u>\$ 425,000</u>

Annual debt service requirements to maturity for the General Obligation Bonds are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 425,000	\$ 254,355	\$ 679,355
2015	440,000	237,355	677,355
2016	465,000	216,615	681,615
2017	490,000	194,597	684,597
2018	515,000	171,223	686,223
2019-2023	2,930,000	517,740	3,447,740
2024	<u>655,000</u>	<u>27,775</u>	<u>682,775</u>
Total	<u>\$ 5,920,000</u>	<u>\$ 1,619,660</u>	<u>\$ 7,539,660</u>

General Obligation Bonds payable at June 30, 2013 are comprised of the following issues:

General obligation bonds:

2004 bonds due in annual installments \$ 1,825,000
ranging from \$130,000 to \$225,000 through
May 1, 2024; interest rates ranging from
3.70% to 4.70%

2007 bonds due in annual installments 4,095,000
ranging from \$255,000 to \$430,000 through
May 1, 2024; interest rates ranging from
4.00% to 5.00%

Total General obligation bonds \$ 5,920,000

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

NOTE 9 - NEW GASB STANDARDS

Effective July 1, 2012 the District adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement 65, "Items Previously Recognized as Assets and Liabilities". These statements establish and clarify new components of the Statement of Position. "Deferred Inflows of Resources" and "Deferred Outflows of Resources". At June 30, 2013 the District did not have items that fit the criteria for a deferred outflow of resources or a deferred inflow of resources. GASB 63 also changes the term "net assets", which was previously made up of assets, less liabilities, to "net position" which is now made up of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Accordingly any reference to "net assets" has been changed to "net position".

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 10 - PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The District participates in the Michigan Public School Employees' Retirement System (MPSERS) a state-wide, cost sharing, multiple-employer defined benefit public employee retirement system administered by the State of Michigan, Department of Management and Budget, Office of Retirement Services ("ORS"). Effective December 1, 2012, members could elect to no longer contribute to the pension fund, and begin contributing to a defined contribution plan. MPSERS provides retirement, survivor and disability, death and post-employment health benefits to plan members and beneficiaries. Member Investment Plan ("MIP") participants receive enhanced benefits compared to Basic Plan participants. Benefits are safeguarded by Article IX, Section 24 of the Michigan Constitution. Public Act 300 of 1980, as amended, assigns authority to establish and amend benefit provisions to the State Legislature. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MPSERS, P.O. Box 30171, Lansing, MI 48909-7611, by calling (517) 322-5103 or on the State of Michigan website at www.Michigan.gov.

Funding Policy - Defined Benefit Plan - Plan members who participate in MIP are required to contribute 3% to 7% of their annual salary; plan members who participate in the Basic Plan contribute 3%; and the District is required to contribute at an actuarially determined rate using the individual entry age actuarial cost method. The rates were 24.46% and 23.23%, dependent on the entrance date, for the period of July 1, 2012 to September 30, 2012. From October 1, 2012 through January 31, 2013 the rates were 27.37% and 26.14% dependent on entrance date. Beginning February 1, 2013, the rates ranged between 20.96% and 24.32% based on individual retirement elections made by each employee. The contribution requirements of plan members and the District are established and may be amended by the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2013, 2012, and 2011 were \$271,970, \$260,621 and \$230,852 respectively.

Funding Policy - Defined Contribution Plan - Plan members who participate in the plan may contribute up to the maximum amounts permitted by the Internal Revenue Service to their 457 account. The District is required to contribute up to 4% to a tax deferred 401(k) account. The District's contributions to the defined contribution plan was \$1,762 for the year ended June 30, 2013.

Post Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental, and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

NOTE 11 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, all known liabilities for claims paid by the Agency are recorded as accounts payable.

REQUIRED SUPPLEMENTAL INFORMATION

BOYNE FALLS PUBLIC SCHOOL
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2013 Original	2013 Final		
REVENUES				
Local sources	\$ 1,930,261	\$ 1,867,084	\$ 1,906,939	\$ 39,855
State sources	96,400	135,727	132,454	(3,273)
Federal sources	171,404	192,012	191,916	(96)
Interdistrict sources	240,983	236,839	233,200	(3,639)
Total Revenues	<u>2,439,048</u>	<u>2,431,662</u>	<u>2,464,509</u>	<u>32,847</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,298,116	1,258,346	1,221,773	(36,573)
Added needs	262,185	285,020	280,059	(4,961)
Support services:				
Pupil services	57,206	54,475	53,372	(1,103)
Instructional staff	90,824	91,980	90,565	(1,415)
General administration	180,781	183,902	176,681	(7,221)
School administration	97,110	93,475	92,913	(562)
Business	74,400	72,400	65,175	(7,225)
Operation & maintenance	272,497	249,497	213,828	(35,669)
Transportation	103,395	110,024	104,144	(5,880)
Central/Other	45,182	48,349	44,429	(3,920)
Community Activities	-	688	688	-
Total Expenditures	<u>2,481,696</u>	<u>2,448,156</u>	<u>2,343,627</u>	<u>(104,529)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Outgoing transfers & other transactions	13,500	13,500	-	13,500
Total Other Financing Sources (Uses)	<u>13,500</u>	<u>13,500</u>	<u>-</u>	<u>13,500</u>
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)	(29,148)	(2,994)	120,882	123,876
Budgetary fund balance - July 1, 2012	<u>601,473</u>	<u>1,038,362</u>	<u>1,038,362</u>	<u>-</u>
Budgetary fund balance - June 30, 2013	<u>\$ 572,325</u>	<u>\$ 1,035,368</u>	<u>\$ 1,159,244</u>	<u>\$ 123,876</u>

OTHER SUPPLEMENTAL INFORMATION

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
REVENUES		
Local Sources:		
Current property taxes	\$ 1,879,040	\$ 2,032,217
Earnings on investments	2,998	2,521
Miscellaneous	24,901	43,241
Total Local Sources	1,906,939	2,077,979
State Sources:		
Grants - Unrestricted:		
State Aid	25,451	160,130
Grants - Restricted:		
Special education	52,946	53,185
Other	45,248	-
Received through ISD:		
Other	8,809	677
Total State Sources	132,454	213,992
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	16,544	17,054
Received through State:		
Education Jobs Fund	4,337	57,418
Title I	44,140	31,249
Title II	14,747	14,930
Received through ISD:		
Medicaid	404	305
21st Century	109,400	128,400
Other grants	2,344	831
Total Federal Sources	191,916	250,187
Interdistrict Sources:		
Vocational education millage	163,370	147,411
Special education	59,015	63,614
Other	10,815	6,068
	233,200	217,093
 TOTAL REVENUES	 \$ 2,464,509	 \$ 2,759,251

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2013

INSTRUCTION:	2013	2012
Basic Programs:		
Elementary:		
Salaries	\$ 367,963	\$ 310,586
Employee benefits	225,123	208,067
Purchased services	21,068	17,442
Supplies & materials	7,975	9,591
Other expenses	610	1,088
Capital outlay	-	-
Total Elementary	622,739	546,774
Middle School:		
Salaries	86,071	166,728
Employee benefits	46,058	101,231
Purchased services	15,842	16,874
Supplies & materials	11,384	7,537
Other expenses	281	476
Total Middle School	159,636	292,846
High School:		
Salaries	250,479	208,888
Employee benefits	129,699	107,233
Purchased services	6,942	6,724
Supplies & materials	16,184	4,317
Other expenses	22,566	10,492
Capital outlay	-	-
Total High School	425,870	337,654
Pre-School		
Supplies & materials		119
Other expenses		292
Total Pre-School	-	411
Summer School:		
Salaries	5,800	6,413
Employee benefits	1,894	1,876
Purchased services	5,790	15,800
Supplies & materials	44	508
Total Summer School	13,528	24,597
TOTAL BASIC PROGRAMS	1,221,773	1,202,282
Added Needs:		
Special Education:		
Salaries	111,726	108,986
Employee benefits	61,412	65,487
Purchased services	2,345	3,451
Supplies & materials	1,406	859
Total Special Education	176,889	178,783
Compensatory Education:		
Salaries	37,616	32,211
Employee benefits	35,091	28,141
Purchased services	-	19
Total Compensatory Education	72,707	60,371

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2013

INSTRUCTION:	2013	2012
Added Needs (continued)		
Career Technical Education:		
Salaries	\$ -	\$ 460
Employee benefits	-	145
Purchased services	302	32
Supplies & materials	30,161	24,010
Capital outlay	-	-
Total Career Technical Education	30,463	24,647
TOTAL ADDED NEEDS	280,059	263,801
TOTAL INSTRUCTION	1,501,832	1,466,083
SUPPORT SERVICES:		
Support Services - Pupil:		
Guidance:		
Salaries	30,851	9,778
Employee benefits	13,114	6,428
Purchased services	373	12,562
Supplies & materials	3,401	2,993
Other expenses	-	-
Total Guidance	47,739	31,761
Health Services:		
Supplies & materials	18	100
Total Health Services	18	100
Other Pupil Services:		
Salaries	1,257	1,044
Employee benefits	391	341
Purchased services	3,967	4,419
Other expenses	-	-
Total Other Pupil Services	5,615	5,804
Total Support Services - Pupil	53,372	37,665
Support Services - Instructional Staff:		
Improvement of Instruction:		
Salaries	7,225	7,125
Employee benefits	2,392	2,008
Purchased services	182	1,068
Supplies & materials	-	10
Other expenses	-	-
Total Improvement of Instruction	9,799	10,211
Educational Media Services:		
Salaries	-	-
Employee benefits	-	-
Purchased services	-	-
Supplies & materials	553	574
Other expenses	-	-
Total Educational Media Services	553	574
Technology Assisted Instruction:		
Salaries	-	5,469
Employee benefits	-	2,644
Purchased services	40,131	42,943
Supplies & materials	37,358	2,652
Total Technology Assisted Instruction	77,489	53,708

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES - (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
SUPPORT SERVICES:		
Support Services - Instructional Staff: (continued)		
Supervision & Direction of Instructional Staff:		
Salaries	\$ 2,061	\$ 2,243
Employee benefits	663	632
Purchased services	-	-
Supplies & materials	-	-
Other expenses	-	-
Total Supervision & Direction of Instructional Staff	2,724	2,875
Total Support Services - Instructional Staff	90,565	67,368
Support Services - General Administration:		
Board of Education:		
Salaries	1,075	1,850
Employee benefits	121	272
Purchased services	13,631	14,867
Supplies & materials	1,223	219
Other expenses	2,559	1,838
Capital outlay	-	-
Total Board of Education	18,609	19,046
Executive Administration:		
Salaries	97,000	95,670
Employee benefits	56,120	44,332
Purchased services	2,621	4,434
Supplies & materials	899	302
Other expenses	1,432	1,724
Capital outlay	-	-
Total Executive Administration	158,072	146,462
Total Support Services - General Administration	176,681	165,508
Support Services - School Administration:		
Office of the Principal:		
Salaries	40,756	45,639
Employee benefits	25,144	27,232
Purchased services	25,250	1,459
Supplies & materials	1,624	1,183
Other expenses	139	204
Capital outlay	-	-
Total Support Services - School Administration	92,913	75,717
Support Services - Business:		
Other Business Services:		
Employee benefits	-	-
Purchased services	50,065	52,890
Supplies & materials	238	67
Other expenses	14,872	73,514
Total Support Services - Business	65,175	126,471

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
SUPPORT SERVICES:		
Support Services - Operation & Maintenance:		
Purchased services	134,573	148,312
Supplies & materials	78,702	71,603
Other expenses	553	693
Total Support Services - Operation & Maintenance	213,828	220,608
Support Services - Pupil Transportation:		
Salaries	29,245	30,198
Employee benefits	28,738	32,657
Purchased services	29,548	20,928
Supplies & materials	16,508	14,802
Other expenses	105	154
Total Support Services - Transportation	104,144	98,739
Support Services - Planning, Development:		
Salaries	1,140	1,320
Employee benefits	367	370
Purchased services	1,064	-
Other expenses	936	-
Total Support Services - Planning, Development	3,507	1,690
Support Services - Staff/Personal Services		
Purchased services	-	356
Other expenses	-	61
Total Staff/Personal Services	-	417
Support Services - Athletic Activities:		
Salaries	9,954	9,500
Employee benefits	3,314	3,152
Purchased services	26,344	28,866
Supplies & materials	710	651
Other expenses	600	6,900
Total Support Services - Athletic Activities	40,922	49,069
TOTAL SUPPORT SERVICES	841,107	843,252
COMMUNITY ACTIVITIES		
Purchased services	200	550
Supplies & materials	488	-
TOTAL COMMUNITY ACTIVITIES	688	550
TOTAL EXPENDITURES	2,343,627	2,309,885
OTHER FINANCING USES:		
Payments to other governmental units:		
Other	-	-
Loan payments	-	12,477
Total Other Financing Uses	-	12,477
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 2,343,627	\$ 2,322,362

BOYNE FALLS PUBLIC SCHOOL
TRUST AND AGENCY FUNDS
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2013

	BALANCES July 1, 2012	REVENUES	EXPENDITURES	BALANCES June 30, 2013
Class of 2011	\$ 2,000	\$ -	\$ -	\$ 2,000
Class of 2012	290	-	230	60
Class of 2013	21,077	50,692	70,520	1,249
Class of 2014	10,667	32,349	25,372	17,644
Class of 2015	4,091	13,422	7,282	10,231
Class of 2016	(223)	15,413	8,545	6,645
Class of 2017	-	254	1,000	(746)
BFPS Flower Fund	-	210	141	69
Baseball	222	-	82	140
Boyne Falls School pavers	1,818	-	-	1,818
Celebration of the Arts	72	-	-	72
Cross country	4,151	2,901	2,527	4,525
Girls basketball	521	-	500	21
Library fund	463	-	-	463
Miscellaneous	3,407	4,839	3,164	5,082
Miscellaneous Administration	481	548	1,310	(281)
Music department	28	192	220	-
National honor society	347	160	214	293
Student assistance	770	220	-	990
Student council	2,703	1,964	2,746	1,921
Volleyball	362	-	-	362
Yearbook	(2,701)	2,075	88	(714)
Field trip - elementary	3,117	2,073	2,975	2,215
Boys basketball	1,999	6,767	6,881	1,885
Softball	(89)	470	100	281
Julius Kowalski scholarship	4,982	-	500	4,482
Jill Stewart scholarship	1,039	-	-	1,039
Interest	2,724	33	-	2,757
	<u>64,318</u>	<u>134,582</u>	<u>134,397</u>	<u>64,503</u>
Totals	\$ <u>64,318</u>	\$ <u>134,582</u>	\$ <u>134,397</u>	\$ <u>64,503</u>

BOYNE FALLS PUBLIC SCHOOL
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2013

DATE OF ISSUE - July 1, 2004

Original amount of issue - \$ 2,650,000

Purpose of issue - Erecting, furnishing, and equipping additions to and partially remodeling the Boyne Falls Public School facility; acquiring, installing and equipping the facility for technology; erecting, furnishing and equipping a bus garage and a restroom/storage building; acquiring school bus(es); and developing and improving the site.

Mandatory Redemption - Bonds maturing May 1, 2020, May 1, 2022, and May 1, 2024 are term bonds subject to mandatory redemption on the redemption dates as follows: May 1, 2020 includes May 1, 2019; May 1, 2022 includes May 1, 2021; May 1, 2024 includes May 1, 2023. These amounts appear in the schedule below.

Early Redemption - Bonds maturing in the years 2006 through 2014 inclusive shall not be subject to redemption prior to maturity. Bonds maturing in the years 2015 and thereafter, shall be subject to redemption prior to maturity, at the option of the School District, in such order as the School District may determine and by lot within any maturity, on any interest payment date on or after May 1, 2014 at par and accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
4.00%	2013-14	\$ 40,477	\$ 40,478	\$ 140,000	\$ 220,955
4.10%	2014-15	37,678	37,677	140,000	215,355
4.15%	2015-16	34,807	34,808	145,000	214,615
4.25%	2016-17	31,799	31,799	150,000	213,598
4.35%	2017-18	28,611	28,611	155,000	212,222
4.50%	2018-19	25,240	25,240	160,000	210,480
4.50%	2019-20	21,640	21,640	160,000	203,280
4.60%	2020-21	18,040	18,040	165,000	201,080
4.60%	2021-22	14,245	14,245	180,000	208,490
4.70%	2022-23	10,105	10,105	205,000	225,210
4.70%	2023-24	5,288	5,287	225,000	235,575
		<u>\$ 267,930</u>	<u>\$ 267,930</u>	<u>\$ 1,825,000</u>	<u>\$ 2,360,860</u>

BOYNE FALLS PUBLIC SCHOOL
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2013

DATE OF ISSUE - MAY 1, 2007

Original amount of issue - \$ 5,095,000

Purpose of issue - To refund a portion of the outstanding 1999 Bond issue, dated May 1, 1999, bonds which are callable on or after May 1, 2009, and are due and payable May 1, 2010 through May 1, 2019, inclusive May 1, 2021 and May 1, 2024; and paying the costs of issuing the bonds.

Optional Redemption - Bonds maturing on or after May 1, 2018, are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2017, at par and accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
4.00%	2013-14	\$ 86,700	\$ 86,700	\$ 285,000	\$ 458,400
5.00%	2014-15	81,000	81,000	300,000	462,000
5.00%	2015-16	73,500	73,500	320,000	467,000
5.00%	2016-17	65,500	65,500	340,000	471,000
4.00%	2017-18	57,000	57,000	360,000	474,000
4.00%	2018-19	49,800	49,800	375,000	474,600
4.00%	2019-20	42,300	42,300	400,000	484,600
4.00%	2020-21	34,300	34,300	420,000	488,600
4.00%	2021-22	25,900	25,900	430,000	481,800
4.00%	2022-23	17,300	17,300	435,000	469,600
4.00%	2023-24	8,600	8,600	430,000	447,200
		<u>\$ 541,900</u>	<u>\$ 541,900</u>	<u>\$ 4,095,000</u>	<u>\$ 5,178,800</u>

APPENDICE



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Robert J. Carpenter, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Boyne Falls Public School as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Boyne Falls Public School's basic financial statements and have issued our report thereon dated September 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boyne Falls Public 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 Boyne Falls Public 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 over financial reporting 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Boyne Falls Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

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 result 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.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
September 16, 2013



ROBERTSON & CARPENTER CPAs, P.C.

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Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

September 16, 2013

To the Board of Education
Boyne Falls Public School
Boyne Falls, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boyne Falls Public School for the year ended June 30, 2013, and have issued our report thereon dated September 16, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 29, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Boyne Falls Public School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Boyne Falls Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 29, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boyne Falls Public School are described in Note 1 to the financial statements. The District implemented GASB No. 63 and GASB No. 65 as explained in Note 9 during the year ended June 30, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was :

Management's estimate of the net book value of fixed assets is based on estimated depreciation lives. We evaluated the key factors and assumptions used to develop the depreciation lives in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Boyne Falls Public School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson & Carpenter CPAs, PC
Certified Public Accountants