



**Charlevoix-Emmet Intermediate School District**

**Financial Statements**

**For the Fiscal Year Ended  
June 30, 2014**

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## TABLE OF CONTENTS

---

	<b><u>PAGE</u></b>
<b><i>FINANCIAL SECTION</i></b>	
Management's Discussion and Analysis	1-5
Report of Independent Certified Public Accountants	6-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Major Special Revenue Funds	15
Statement of Fiduciary Net Position	16
Notes to the Financial Statements	18-32
Supplemental Information - Combining Financial Statements of Non-Major Governmental Funds	
Combining Balance Sheet – Non-major Governmental Funds	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	35
<b><i>SINGLE AUDIT SECTION</i></b>	
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 <i>Government Auditing Standards</i>	37-38
Schedule of Expenditures of Federal Awards	39-41
Schedule of Expenditures of Federal Awards Provided to Subrecipients	42-43
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	44-45
Schedule of Findings and Questioned Costs	46-47

## **Management's Discussion and Analysis**

Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Charlevoix-Emmet Intermediate School District (the "District") management's overview of the financial results for the year ended June 30, 2014.

### **FINANCIAL HIGHLIGHTS**

The overall condition of all funds remains very strong for the District. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available to meet the District's financial needs.

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$12.39 million (net position).

The District's total net position has decreased by \$1.42 million this fiscal year.

At the end of the current fiscal year, the aggregated fund balance for the District's operational funds (General Fund, Special Education Fund, and Vocational Education Fund) was \$8,836,197.

### **USING THIS ANNUAL REPORT**

GASB 34 requires the District's financial statements be comprised of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements.

The statements are organized so the reader can understand the District as a whole (government-wide statements), and then to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements themselves.

#### **Reporting the District as a Whole**

##### *Government-wide financial statements*

One of the most important questions asked regarding the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities to help address this question. These statements include all assets and liabilities of the District accounted for using the accrual basis of accounting similar to that used by the private sector corporations. All of the current year's revenues and expenditures are taken into consideration regardless of when cash is received or paid.

The two statements report the District's net position and any changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as the property tax base, political conditions at the State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

## Management's Discussion and Analysis

### Reporting the District's Most Significant Funds

#### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The two types of funds: governmental funds and fiduciary funds use different accounting methods as further discussed in the notes to the financial statements.

#### *Governmental Funds*

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

#### *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 government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used to account for fiduciary funds.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table I provides a summary of the District's net position as of June 30, 2014 and 2013:

	<b><u>Governmental Activities</u></b> <b>(in millions)</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Assets</b>		
Current assets	\$10.77	\$12.24
Noncurrent assets	<u>3.43</u>	<u>3.53</u>
Total assets	<u>14.20</u>	<u>15.77</u>
<b>Liabilities</b>		
Current liabilities	1.74	1.91
Noncurrent liabilities	<u>.07</u>	<u>.05</u>
Total liabilities	<u>1.81</u>	<u>1.96</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	3.43	3.53
Restricted	8.03	9.17
Unrestricted	<u>.93</u>	<u>1.11</u>
<b>Total net position</b>	<b><u>\$ 12.39</u></b>	<b><u>\$13.81</u></b>

## Management's Discussion and Analysis

The District currently reports positive balances in each category of net position.

Operations for the District as a whole are presented in the statement of activities. The following summary shows the changes in net position for fiscal years 2014 and 2013.

<b><u>Governmental Activities</u></b> <b>(in millions)</b>		<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Revenue</b>			
Program revenue			
Charges for services		\$ 2.55	\$ 2.68
Operating grants and contributions		9.73	10.69
General revenue			
Property taxes		14.05	14.16
State school aid		.52	.52
Other		<u>.04</u>	<u>.02</u>
Total revenue		<u>26.89</u>	<u>28.07</u>
<b>Functions/Program Expenses</b>			
Instruction		4.44	4.44
Supporting services		16.60	17.16
Food service		.00	.00
Interest on long-term debt		.00	.00
Transfers to other local units and other services		<u>7.27</u>	<u>7.93</u>
Total expenses		<u>28.31</u>	<u>29.53</u>
<b>Decrease in net position</b>		<b><u>\$ (1.42)</u></b>	<b><u>\$ (1.46)</u></b>

As reported in the Statement of Activities, the cost of all *governmental activities* this year was \$28.31 million. While \$14.05 million in revenue was generated directly from local taxpayers, another \$2.55 million was generated through "charges for actual services" by local districts, other ISDs, or individuals that benefited directly from our services. State, Federal and other regional grants and programs brought \$9.73 million to the District. The District received \$.56 million in state school aid and other sources, inclusive of investment earnings.

Net position for the year ended June 30, 2014 decreased by \$1.42 million.

### **MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The District's budgets are prepared in accordance with Michigan Law. The most significant budgeted funds are the General Fund, Special Education Fund, and the Vocational Education Fund.

During fiscal 2014, the District amended the budgets of these major governmental funds once. With the ongoing changes in the state revenues and uncertainty of the final impact on the ISD, it was deemed unnecessary to amend the budgets until the final figures were known.

## Management's Discussion and Analysis

### General Fund

During the fiscal year, the General Fund decreased the fund balance by \$222,745. The decrease of fund balance was a combination of a reduction of revenues and an increase in expenditures. Local revenues were reduced by a decrease in in property tax values resulting in a decrease by \$9,432; a reduction of \$69,002 from the Great Start to Quality Resource Center grant. Federal revenues were reduced by \$674,919 due to the loss of the 21<sup>st</sup> CCLC Cohort E after school funding.

Investments in consultants for teacher improvement in reading, math, science and technology increased by \$64,608 through the fiscal year. The ISD portion of election expenses to each township and county increased by \$44,828. Through the Sec 22i Technology Readiness Grant, the ISD incurred \$59,751 in technology consulting related expenditures.

### Special Education

The Special Education Fund decreased the fund balance by \$986,967. Local revenues were reduced by a decrease in in property tax values resulting in a decrease by \$80,902; and a reduction of Medicaid Fee-For Service funds of \$161,202 as a result of smaller settlement funds. Federal sources have been reduced mainly due to a reduction in the IDEA Flowthrough grant by \$84,213. This is nearly the cost of operating one special education classroom.

The ISD allocated the last of an additional \$300,000 in special education millage funds to the local districts to continue past revenue received in-lieu of the AARA stimulus money.

### Vocational Education

Vocational Education Fund increased the fund balance by \$4,910. Local revenues were reduced by a decrease in in property tax values resulting in a decrease by \$31,738. A continued commitment to the new Early College Program allowed local districts to be reimbursed for qualified college level vocational education textbooks. A continued investment in regional technology was made during the fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The District's investment in capital assets as of June 30, 2014 amounted to \$5,826,867. These assets have accumulated \$2,398,364 of depreciation. The capitalized assets include buildings, land and the transportation fleet. During this fiscal year, the ISD's net capital assets decreased by \$101,626. A categorized listing of the assets is highlighted below:

#### **Capital Assets, Net**

	<u>2014</u>	<u>2013</u>
Land	\$ 477,145	\$ 477,145
Land improvements	248,420	264,407
Buildings	1,496,496	1,539,478
Building improvements	363,639	312,238
Non-Bus Vehicles	125,223	148,123
Buses	660,191	718,423
Equipment	<u>57,389</u>	<u>70,315</u>
<b>Total net position</b>	<b><u>\$ 3,428,503</u></b>	<b><u>\$ 3,530,129</u></b>

Further information regarding capital assets can be found in the notes to the financial statements.

## **Management's Discussion and Analysis**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Charlevoix-Emmet ISD will see nearly a 1.1% increase in taxable value for the 2014-2015 fiscal year. The ISD also received notification near the end of its fiscal year, the 21<sup>st</sup> Century Community Learning Center Cohort F grants operating the after-school programs in five districts was not awarded for the coming year. The ISD will continue to provide Best Practices within its operations to continue receiving these funds from the state. State sources are budgeted to remain the same moving into next fiscal year.

### **REQUESTS FOR INFORMATION**

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

Lisa M. Krosnicki  
Business Manager  
Charlevoix-Emmet Intermediate School District  
08568 Mercer Blvd.  
Charlevoix, MI 49720



Thomas E. Gartland, CPA  
Brad P. Niergarth, CPA  
James G. Shumate, CPA  
Robert C. Thompson, CPA  
Michael D. Shaw, CPA  
Mary F. Krantz, CPA  
Shelly K. Bedford, CPA  
Heidi M. Wendel, CPA  
Shelly A. Ashmore, CPA  
James M. Taylor, CPA

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Education  
Charlevoix-Emmet Intermediate School District  
Charlevoix, 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 the ***Charlevoix-Emmet Intermediate School District*** (the "District") 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Charlevoix-Emmet Intermediate School District as of June 30, 2014, and the respective changes in financial position, and budgetary comparisons for the General Fund, Special Education Fund and Vocational Education Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards Provided to Subrecipients are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the District's internal control over financial reporting and compliance.

*Dennis, Gartland & Niergarth*

September 10, 2014

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2014**

---

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 8,966,149
Accounts receivable	480
Due from fiduciary funds	3,330
Due from other governmental units	1,797,858
Prepaid assets	1,500
Inventories	1,393

<b>Total current assets</b>	<b>10,770,710</b>
-----------------------------	-------------------

**Noncurrent assets**

Capital assets not being depreciated	477,145
Capital assets being depreciated, net	2,951,358

<b>Total noncurrent assets</b>	<b>3,428,503</b>
--------------------------------	------------------

<b>Total assets</b>	<b>\$ 14,199,213</b>
---------------------	----------------------

**LIABILITIES AND NET POSITION**

**Liabilities**

**Current liabilities**

Accounts payable	\$ 249,677
Accrued liabilities	1,289,893
Due to other governmental units	843
Unearned revenue	198,873

<b>Total current liabilities</b>	<b>1,739,286</b>
----------------------------------	------------------

**Noncurrent liabilities**

Accrued compensated absences	68,968
------------------------------	--------

<b>Total liabilities</b>	<b>1,808,254</b>
--------------------------	------------------

**Net position**

Invested in capital assets, net of related debt	3,428,503
Restricted for:	
Special education	6,930,426
Vocational education	728,318
Capital projects	194,783
Food service	444
Northwest transportation consortium	179,319
Unrestricted	929,166

<b>Total net position</b>	<b>12,390,959</b>
---------------------------	-------------------

<b>Total liabilities and net position</b>	<b>\$ 14,199,213</b>
---	----------------------

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 4,437,112	\$ 361,942	\$ -	\$ (4,075,170)
Supporting services	16,600,099	2,185,529	9,730,426	(4,684,144)
Food service	-	149	(101)	48
Transfers to other local units and other services	7,269,208	-	-	(7,269,208)
<b>Total governmental activities</b>	<u>\$ 28,306,419</u>	<u>\$ 2,547,620</u>	<u>\$ 9,730,325</u>	<u>(16,028,474)</u>
<b>General revenue</b>				
Property taxes				
General				1,018,526
Special education				9,243,734
Vocational education				3,786,720
State school aid				522,376
Unrestricted investment earnings and other				38,835
<b>Total general revenue</b>				<u>14,610,191</u>
<b>Change in net position</b>				<b>(1,418,283)</b>
Net position, beginning of year				<u>13,809,242</u>
<b>Net position, end of year</b>				<u><b>\$ 12,390,959</b></u>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<b>General Fund</b>	<b>Special Education Fund</b>	<b>Vocational Education Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 932,833	\$ 7,143,748	\$ 687,576	\$ 201,992	\$ 8,966,149
Accounts receivable	-	480	-	-	480
Due from other funds	-	-	13,301	-	13,301
Due from other governmental units	733,200	990,057	74,601	-	1,797,858
Prepaid assets	-	1,500	-	-	1,500
Inventories	1,393	-	-	-	1,393
<b>Total assets</b>	<b>\$ 1,667,426</b>	<b>\$ 8,135,785</b>	<b>\$ 775,478</b>	<b>\$ 201,992</b>	<b>\$ 10,780,681</b>
<b>Liabilities and fund balances</b>					
Accounts payable	\$ 172,581	\$ 74,212	\$ 2,884	\$ -	\$ 249,677
Accrued liabilities	116,619	1,128,998	44,276	-	1,289,893
Due to other governmental units	-	843	-	-	843
Due to other funds	1,900	1,306	-	6,765	9,971
Unearned revenue	198,873	-	-	-	198,873
<b>Total liabilities</b>	<b>489,973</b>	<b>1,205,359</b>	<b>47,160</b>	<b>6,765</b>	<b>1,749,257</b>
<b>Fund balances</b>					
Non-Spendable					
Inventories	1,393	-	-	-	1,393
Prepaid assets	-	1,500	-	-	1,500
Restricted					
Special Education	-	6,928,926	-	-	6,928,926
Vocational Education	-	-	728,318	-	728,318
Capital Projects	-	-	-	194,783	194,783
Food Service	-	-	-	444	444
Northwest transportation consortium	179,319	-	-	-	179,319
Committed					
Employee conferences	23,091	-	-	-	23,091
Assigned					
Employee severances	150,000	-	-	-	150,000
Insurance pool	216,835	-	-	-	216,835
Subsequent year's expenditures	102,217	-	-	-	102,217
Unassigned	504,598	-	-	-	504,598
<b>Total fund balances</b>	<b>1,177,453</b>	<b>6,930,426</b>	<b>728,318</b>	<b>195,227</b>	<b>9,031,424</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,667,426</b>	<b>\$ 8,135,785</b>	<b>\$ 775,478</b>	<b>\$ 201,992</b>	<b>\$ 10,780,681</b>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

---

<b>Fund balances - total governmental funds</b>	<b>\$ 9,031,424</b>
---	---------------------

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 in the funds

Add - capital assets	5,826,867
Deduct - accumulated depreciation	(2,398,364)

Certain liabilities are not due and payable in the current period and, therefore are not reported in the funds

Deduct - accrued compensated absences	<u>(68,968)</u>
---------------------------------------	-----------------

<b>Net position of governmental activities</b>	<b><u><u>\$ 12,390,959</u></u></b>
--	------------------------------------

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Special Education Fund	Vocational Education Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
<b>Local sources</b>					
Property taxes	\$ 1,002,154	\$ 9,176,221	\$ 3,758,077	\$ -	\$ 13,936,452
Other taxes	16,372	67,513	28,643	-	112,528
Earnings on investments	779	15,547	215	93	16,634
Services to local school districts	1,275,920	124,476	-	-	1,400,396
Other local sources	638,321	1,030,053	518	149	1,669,041
<b>State sources</b>					
State Aid	1,976,105	4,108,773	402,628	(101)	6,487,405
State grants from other districts	133,490	-	-	-	133,490
<b>Federal sources</b>	739,030	2,210,041	160,920	-	3,109,991
<b>Total revenues</b>	<b>5,782,171</b>	<b>16,732,624</b>	<b>4,351,001</b>	<b>141</b>	<b>26,865,937</b>
<b>Expenditures</b>					
Instruction	637,437	3,591,522	126,004	-	4,354,963
Supporting services	3,617,269	11,305,494	1,046,017	-	15,968,780
Community services	235,759	238	-	-	235,997
Transfers to locals and other services	1,765,781	2,359,357	3,144,070	-	7,269,208
Capital outlay	41,420	222,429	-	93,371	357,220
<b>Total expenditures</b>	<b>6,297,666</b>	<b>17,479,040</b>	<b>4,316,091</b>	<b>93,371</b>	<b>28,186,168</b>
<b>Revenues under expenditures</b>	<b>(515,495)</b>	<b>(746,416)</b>	<b>34,910</b>	<b>(93,230)</b>	<b>(1,320,231)</b>
<b>Other financing sources (uses)</b>					
Sale of capital assets	12,750	9,449	-	-	22,199
Transfers in	280,000	-	-	-	280,000
Transfers out	-	(250,000)	(30,000)	-	(280,000)
<b>Total other financing sources (uses)</b>	<b>292,750</b>	<b>(240,551)</b>	<b>(30,000)</b>	<b>-</b>	<b>22,199</b>
<b>Net change in fund balances</b>	<b>(222,745)</b>	<b>(986,967)</b>	<b>4,910</b>	<b>(93,230)</b>	<b>(1,298,032)</b>
Fund balances, beginning of year	1,400,198	7,917,393	723,408	288,457	10,329,456
<b>Fund balances, end of year</b>	<b>\$ 1,177,453</b>	<b>\$ 6,930,426</b>	<b>\$ 728,318</b>	<b>\$ 195,227</b>	<b>\$ 9,031,424</b>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

---

<b>Net change in fund balances - governmental funds</b>	<b>\$ (1,298,032)</b>
---	-----------------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Add - capital outlay	233,295
Deduct - depreciation expense	(305,945)

The statement of activities report losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss	(28,976)
---	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the statement of revenues, expenditures and changes in fund balance

Deduct - increase in accrued compensated absences	<u>(18,625)</u>
---	-----------------

<b>Change in net position of governmental activities</b>	<b><u><u>\$ (1,418,283)</u></u></b>
--	-------------------------------------

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



**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund				Special Education Fund			
	Budget Amounts		Actual	Actual Over (Under) Final Budget	Budget Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final			Original	Final		
<b>Revenues</b>								
Local sources	\$ 3,000,197	\$ 2,965,698	\$ 2,946,296	\$ (19,402)	\$ 10,222,843	\$ 10,454,033	\$ 10,423,259	\$ (30,774)
State sources	1,736,154	2,197,946	2,109,595	(88,351)	3,908,911	4,108,801	4,108,773	(28)
Federal sources	841,278	819,751	739,030	(80,721)	2,190,219	2,210,041	2,210,041	-
<b>Total revenues</b>	<b>5,577,629</b>	<b>5,983,395</b>	<b>5,794,921</b>	<b>(188,474)</b>	<b>16,321,973</b>	<b>16,772,875</b>	<b>16,742,073</b>	<b>(30,802)</b>
<b>Expenditures</b>								
Instruction								
Compensatory education	547,063	641,229	637,437	(3,792)	-	-	-	-
Added needs	-	-	-	-	3,653,152	3,638,413	3,599,623	(38,790)
Supporting services								
Pupil services	554,412	514,242	509,860	(4,382)	6,358,714	5,965,007	5,912,537	(52,470)
Instructional staff	549,368	889,245	862,903	(26,342)	1,095,300	1,276,945	1,255,097	(21,848)
Administration and supervision	665,264	400,187	390,736	(9,451)	832,078	924,852	909,269	(15,583)
Other supporting services	2,147,173	1,936,654	1,891,210	(45,444)	3,352,042	3,562,073	3,443,219	(118,854)
Community service	380,948	239,344	235,759	(3,585)	2,150	239	238	(1)
Payments to other local governmental units	1,544,206	1,925,049	1,769,761	(155,288)	2,354,900	2,359,057	2,359,057	-
<b>Total expenditures</b>	<b>6,388,434</b>	<b>6,545,950</b>	<b>6,297,666</b>	<b>(248,284)</b>	<b>17,648,336</b>	<b>17,726,586</b>	<b>17,479,040</b>	<b>(247,546)</b>
<b>Revenues under expenditures</b>	<b>(810,805)</b>	<b>(562,555)</b>	<b>(502,745)</b>	<b>59,810</b>	<b>(1,326,363)</b>	<b>(953,711)</b>	<b>(736,967)</b>	<b>216,744</b>
<b>Other financing sources (uses)</b>								
Transfers in	380,000	280,000	280,000	-	-	-	-	-
Transfers out	-	(9,883)	-	9,883	(350,000)	(250,000)	(250,000)	-
<b>Total other financing sources (uses)</b>	<b>380,000</b>	<b>270,117</b>	<b>280,000</b>	<b>9,883</b>	<b>(350,000)</b>	<b>(250,000)</b>	<b>(250,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(430,805)</b>	<b>(292,438)</b>	<b>(222,745)</b>	<b>69,693</b>	<b>(1,676,363)</b>	<b>(1,203,711)</b>	<b>(986,967)</b>	<b>216,744</b>
Fund balances, beginning of year	1,400,198	1,400,198	1,400,198	-	7,917,393	7,917,393	7,917,393	-
<b>Fund balances, end of year</b>	<b>\$ 969,393</b>	<b>\$ 1,107,760</b>	<b>\$ 1,177,453</b>	<b>\$ 69,693</b>	<b>\$ 6,241,030</b>	<b>\$ 6,713,682</b>	<b>\$ 6,930,426</b>	<b>\$ 216,744</b>

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS - Continued**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Vocational Education Fund			
	Budget Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Local sources	\$ 3,794,049	\$ 3,785,408	\$ 3,787,453	\$ 2,045
State sources	425,372	402,628	402,628	-
Federal sources	176,477	163,973	160,920	(3,053)
Total revenues	4,395,898	4,352,009	4,351,001	(1,008)
Expenditures				
Instruction				
Compensatory education	-	-	-	-
Added needs	140,815	134,049	126,004	(8,045)
Supporting services				
Pupil services	241,866	248,371	244,775	(3,596)
Instructional staff	598,954	488,409	479,867	(8,542)
Administration and supervision	96,464	97,910	86,099	(11,811)
Other supporting services	227,154	240,526	235,276	(5,250)
Community service	-	-	-	-
Payment to other local governmental units	3,148,857	3,144,070	3,144,070	-
Total expenditures	4,454,110	4,353,335	4,316,091	(37,244)
Revenues under expenditures	(58,212)	(1,326)	34,910	36,236
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(30,598)	(30,000)	(30,000)	-
Total other financing sources (uses)	(30,598)	(30,000)	(30,000)	-
Net change in fund balances	(88,810)	(31,326)	4,910	36,236
Fund balances, beginning of year	723,408	723,408	723,408	-
Fund balances, end of year	\$ 634,598	\$ 692,082	\$ 728,318	\$ 36,236

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUND**  
**JUNE 30, 2014**

---

<b>Assets</b>	
Cash	<u>\$ 87,931</u>
<b>Liabilities</b>	
Due to student groups	\$ 84,601
Due to other funds	<u>3,330</u>
<b>Total Liabilities</b>	<u>\$ 87,931</u>

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

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**INDEX**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2014**

---

	<b><u>PAGE</u></b>
<b>I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>	
A. Reporting entity	18
B. Government-wide and fund financial statements	18
C. Measurement focus, basis of accounting, and financial statement presentation	19-20
D. Assets, liabilities and net position or equity	20-22
E. Use of estimates in the preparation of financial statements	23
<b>II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</b>	
A. Budgetary information	23-24
B. No excess of expenditures over appropriations	24
<b>III. DETAILED NOTES ON ALL FUNDS</b>	
A. Cash and cash equivalents and investments	24-25
B. Intergovernmental receivables and unearned revenue	25-26
C. Capital assets	26-27
D. Interfund receivables, payables and transfers	27
E. Long-term obligations	28
<b>IV. OTHER INFORMATION</b>	
A. Risk management	28-29
B. Property taxes	29
C. Pension plan	29-31
D. Contingencies	32
E. Impact of Recently Issued Accounting Principles	32

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

---

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

*Charlevoix-Emmet Intermediate School District* (the “District”) is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The financial reporting entity of Charlevoix-Emmet Intermediate School District includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature and significance of their relationship with the School District, must be included to prevent the School District’s financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board (“GASB”) Statement No. 14, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

#### B. 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 inter-fund activity has been removed from these statements. *Governmental activities*, which normally are 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. The District had no *business-type activities* during the year ended June 30, 2014.

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 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 the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

## CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

---

#### C. Measurement focus, basis of accounting and financial statement presentation

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

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 current liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded when paid or when payment is due.

Property taxes, State school aid, expenditure driven grant revenue 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 the District receives cash.

Fiduciary Funds are reported using the economic resources measurement focus.

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 general government, except those accounted for in another fund.

The *Special Education Fund* accounts for monies received from Federal, State and local sources which are restricted to instruction and services related to special education.

The *Vocational Education Fund* accounts for monies received from Federal, State and local sources that are restricted to instruction and services related to providing vocational education.

Additionally, the government reports the following non-major funds:

The *Capital Project Fund* accounts for the acquisition or construction of capital assets.

The *School Lunch Fund* accounts for the monies and commodities received from Federal, State and Local sources, which are restricted to food services.

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

---

The *Agency Fund* accounts for assets held for other groups in an agency capacity.

The financial statements of the District are prepared in accordance with generally accepted accounting principles (“GAAP”). The District’s reporting applies all relevant Governmental Accounting Standards Board (“GASB”) pronouncements.

The effect of inter-fund activity has been eliminated from the government-wide financial statements.

### **D. Assets, liabilities and net position or equity**

#### **1. *Deposits and investments***

The District’s cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments are recorded at fair value.

#### **Statutory Authority**

Michigan law authorizes the District to deposit and invest in:

- a. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than five years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or Federal agency obligation repurchase agreements, and bankers’ acceptance issued by a bank that is a member of the Federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the Surplus Funds Investment Pool Act, composed entirely of instruments that are legal for direct investment by a school district.

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

---

### 2. *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 inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans).

### 3. *Inventories*

Inventories, which consist of supplies, are valued at cost on the first-in/first-out (“FIFO”) method. Inventories are recorded as expenditures when consumed rather than when purchased.

### 4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20-50
Buildings	50
Building improvements	10-50
Non-bus vehicles	5-7
Buses	10
Equipment	10

### 5. *Accrued compensated absences*

For those employees paid on the support schedule retiring or terminating employment for other than cause, and having ten (10) or more years of service with the District, the employee will be paid at a rate of 25% for unused sick leave at their date of termination.



## CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

---

All accrued compensated absences accrue when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when they become current.

#### **6. *Long-term obligations***

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized during the current period.

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 and related premiums are reported as other financing sources. 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.

#### **7. *Fund balance***

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board of Education through approval of resolutions. Assigned fund balances is a limitation imposed by the Superintendent as a designee of the Board of Education. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

# **CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

---

### **E. Use of estimates in the preparation of financial statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

The General and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with accounting principles generally accepted in the United States of America, and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis. All annual appropriations lapse at fiscal year-end.

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

1. Prior to June 30, the superintendent of the District submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1 of that year. The operating budget includes proposed expenditures and the means of financing them for the General, Special Education, Vocational Education and School Lunch, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted at the Board of Education meetings of the District to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution, in accordance with Public Act 621 of 1978.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. The District is required, under Public Act 621 of 1978, to adopt a budget for the General and individual Special Revenue Funds. For the year ended June 30, 2014, the Board of Education adopted budgets for all funds, except the Debt Service, Capital Projects and Agency Funds. Budget appropriations were adopted at a categorical level and lapse at year-end.

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

---

6. Budget amounts are reported in the financial statements as originally adopted or as amended by the Board of Education.

### **B. No excess of expenditures over appropriations**

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2014, the District was in compliance with the Act.

## **III. DETAILED NOTES ON ALL FUNDS**

### **A. Cash and cash equivalents and investments**

Cash and cash equivalents are composed of the following, which includes \$87,931 recorded in fiduciary funds.

#### **Footnote presentation**

Deposits	\$ 7,480,281
Investments	<u>1,573,799</u>
<b>Total</b>	<b><u>\$ 9,054,080</u></b>

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had the following investments:

<b><u>Investment</u></b>	<b><u>Maturity</u></b>	<b><u>Fair Value</u></b>	<b><u>Rating (S&amp;P)</u></b>
Michigan Liquid Asset Fund	31 days	\$ 1,573,799	AAAm

#### **Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note D-1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

## CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

---

*Credit Risk.* State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note D-1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of State law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$7,350,836 of the District's bank balance of \$7,969,059 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk 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. State law does not require and the District does not have a policy for investment custodial credit risk. Of the above \$1,573,799 of investments, the District has a custodial credit risk exposure of the security's balance of \$1,521,247 because it is uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for this particular security.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note D-1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of State law on concentration of credit risk. The investment held by the District in the Michigan Liquid Asset Fund exceeds five percent of the District's total investments. All investments held at year-end are reported above.

#### **B. Intergovernmental receivables and unearned revenue**

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues deferred in the governmental fund financial statements include unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Unearned revenue received after 60 days is fully recognized as revenue in the government-wide statements if grantor eligibility requirements are met.

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

Amounts due from other governments at June 30, 2014, are as follows:

Due from the State of Michigan - State Aid	\$1,152,017
Due from Federal grants	363,259
Other receivables	282,582
	<u>\$1,797,858</u>

### C. Capital assets

Capital asset activity in the governmental activities is as follows:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	<u>\$ 477,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 477,145</u>
Capital assets being depreciated				
Land improvements	455,530	6,705	-	462,235
Buildings	2,149,074	-	-	2,149,074
Building improvements	450,932	85,685	-	536,617
Non-bus vehicles	265,438	57,802	(52,460)	270,780
Buses	1,760,676	83,103	(140,949)	1,702,830
Equipment	<u>228,186</u>	<u>-</u>	<u>-</u>	<u>228,186</u>
Total capital assets being depreciated	<u>5,309,836</u>	<u>233,295</u>	<u>(193,409)</u>	<u>5,349,722</u>
Less accumulated depreciation				
Land improvements	(191,123)	(22,692)	-	(213,815)
Buildings	(609,596)	(42,982)	-	(652,578)
Building improvements	(138,694)	(34,284)	-	(172,978)
Non-bus vehicles	(117,315)	(51,726)	23,484	(145,557)
Buses	(1,042,253)	(141,335)	140,949	(1,042,639)
Equipment	<u>(157,871)</u>	<u>(12,926)</u>	<u>-</u>	<u>(170,797)</u>
Total accumulated depreciation	<u>(2,256,852)</u>	<u>(305,945)</u>	<u>164,433</u>	<u>(2,398,364)</u>
Total capital assets being depreciated, net	<u>3,052,984</u>	<u>(72,650)</u>	<u>(28,976)</u>	<u>2,951,358</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 3,530,129</b></u>	<u><b>\$ (72,650)</b></u>	<u><b>\$ (28,976)</b></u>	<u><b>\$ 3,428,503</b></u>

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

### Governmental activities

Instruction	\$ 82,149
Supporting services	<u>223,796</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 305,945</u></b>

### D. Interfund receivables, payables and transfers

As of June 30, 2014, interfund balances consisted of the following:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
<b>Major governmental funds</b>		
General Fund	\$ -	\$ 1,900
Special Education Fund	-	1,306
Vocational Education Fund	13,301	-
<b>Non-major governmental funds</b>		
Capital Project Fund	-	6,765
<b>Agency fund</b>	<u>-</u>	<u>3,330</u>
	<b><u>\$ 13,301</u></b>	<b><u>\$ 13,301</u></b>

These amounts represent short-term balances due between the funds as a result of the District's cash receipting process.

For the year ended June 30, 2014, inter-fund transfers consisted of the following:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major governmental funds</b>		
General Fund	\$ 280,000	\$ -
Special Education Fund	-	250,000
Vocational Education Fund	-	<u>30,000</u>
	<b><u>\$ 280,000</u></b>	<b><u>\$ 280,000</u></b>

Transfers are to use revenues collected in the General, Special Education and Vocational Education Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**E. Long-term obligations**

Long-term obligation activity was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Compensated absences	\$ 50,343	\$ 18,625	\$ -	\$ 68,968	\$ -
	<u>\$ 50,343</u>	<u>\$ 18,625</u>	<u>\$ -</u>	<u>\$ 68,968</u>	<u>\$ -</u>

**IV. OTHER INFORMATION**

**A. Risk management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The District belongs to the SET-SEG Property/Casualty Pool, Inc., a public entity risk pool currently operating as a common risk management and insurance program for various school districts throughout the State. The District pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$1 million for each insured event. Although the District could be assessed charges beyond the annual premium, the likelihood of receiving such an assessment is minimal.

The District also belongs to the SEG Self-insured Worker's Disability Compensation Fund, a public entity risk pool currently operating as a common risk management and worker's compensation insurance program for various school districts throughout the State. The District pays an annual premium for its worker's compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims. The District could be assessed charges beyond the annual estimated liability based on actual payroll and claims. The likelihood of receiving such an assessment is minimal.

The District is self-insured in health insurance. Blue Cross and Blue Shield is the third party administrator. The District has stop loss coverage with Blue Cross Blue Shield of Michigan for any claims exceeding \$50,000.

## CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

---

The health insurance claims liability of \$76,000 reported in the General, Special and Vocational Educational Special Revenue Funds at June 30, 2014, are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The claims liability is reported based on information from the insurance agent. No annuity contracts have been purchased for the claims liability. The change in this liability for the year ended June 30, 2014 was not significant.

#### **B. Property taxes**

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 or December 1 of the following year by the various governmental units within the District. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of the counties within the District.

During the fiscal year, \$.2, \$1.8313 and \$.75 per \$1,000 of equalized homestead and non-homestead property value in the District of \$5,017,919,360 was levied for general operating, special education and vocational education purposes, respectively.

#### **C. Pension plan**

The School District contributes to the Michigan Public School Employees Retirement Systems ("MPERS"), statewide cost-sharing multiple-employer defined benefit and defined contribution pension plans administered by the State of Michigan, Department of Management & Budget, Office of Retirement Services ("ORS"). MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of Retirement System, P.O. Box 30171, Lansing, MI 48909-7671.

#### **Funding Policy**

##### ***Defined Benefit Plan***

Employer contributions to the system result from implementing the effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.



# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

---

### *Defined Contribution Plan*

Employer contributions to the system are dependent on the plan elected by the participant.

### *Employee Contributions*

Basic plan members are not required to make contributions. Member Investment Plan members contribute at rates ranging from 0% to 7% of gross wages.

### *Employer Contributions*

Employer contributions to the system for covered payroll of the plan were as follows:

Fiscal Year 2013-2014 Employer Contribution Rate  
Active Members and Qualified Participants - Effective February 1, 2013

	Basic/MIP with Premium <u>Subsidy</u>	Pension Plus with Premium <u>Subsidy</u>	Pension Plus with <u>PHF</u>	Pension Plus to DC with <u>PHF</u>	Basic/MIP to DC with Premium <u>Subsidy</u>	Basic/MIP to DC with PHF	Basic/MIP with PHF
<b>Defined Benefit Plan Contributions:</b>							
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
<b>Defined Contribution Plan Contributions:</b>							
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%

# CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### Fiscal Year 2013-2014 Employer Contribution Rate Active Members and Qualified Participants - Effective October 1, 2013

	Basic/MIP with Premium <u>Subsidy</u>	Pension Plus with Premium <u>Subsidy</u>	Pension Plus with <u>PHF</u>	Pension Plus to DC with <u>PHF</u>	Basic/MIP to DC with Premium <u>Subsidy</u>	Basic/MIP to DC with PHF	Basic/MIP with PHF
<b>Defined Benefit Plan Contributions:</b>							
Pension contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health contributions	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
<b>Defined Contribution Plan Contributions:</b>							
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%

The School District's contributions to the MPSERS Defined Benefit Plan for the years ended June 30, 2014, 2013 and 2012 were \$2,973,595, \$2,590,493 and \$2,243,226, respectively, which is equal to the required contribution for the year.

The School District's contributions to the MPSERS Defined Contribution Plan were \$12,970 and \$6,558 for the years ended June 30, 2014 and 2013, respectively.

### **Post-Employment Benefits**

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribution an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS Plan discussed above.

## CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

---

#### **D. Contingencies**

##### **Federal Grant Programs**

The District participates in Federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

#### **E. Impact of Recently Issued Accounting Principles**

In June 2012, the GASB issued Statement No. 68 ("GASB 68"), *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. GASB 68 is effective for fiscal years beginning after June 15, 2014.

GASB 68 requires employers to report net pension benefits as a liability in the Statement of Net Position. The Statement requires immediate recognition of the pension expense, including annual service cost and interest, and the effect of changes in benefit terms on the net pension liability. Cost-sharing employers are required 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 requires expanded note disclosures and required supplementary information covering the past 10 years for the net pension liability. An estimate of the School District's net pension liability at June 30, 2014 is \$25,496,000.

**COMBINING FINANCIAL STATEMENTS OF  
NON-MAJOR GOVERNMENTAL FUNDS**

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<b>Capital Project Fund</b>	<b>School Lunch Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 201,548	\$ 444	\$ 201,992
<b>Total assets</b>	<b>\$ 201,548</b>	<b>\$ 444</b>	<b>\$ 201,992</b>
<b>Liabilities</b>			
Due to other funds	\$ 6,765	\$ -	\$ 6,765
<b>Fund balances</b>			
Restricted for capital projects	194,783	-	194,783
Restricted for food services	-	444	444
<b>Total fund balances</b>	<b>194,783</b>	<b>444</b>	<b>195,227</b>
<b>Total liabilities and fund balances</b>	<b>\$ 201,548</b>	<b>\$ 444</b>	<b>\$ 201,992</b>

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Capital Project Fund</b>	<b>School Lunch Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues</b>			
<b>Local sources</b>			
Earnings on investments	\$ 93	\$ -	\$ 93
Other local sources	-	149	149
<b>State sources</b>			
State Aid	-	(101)	(101)
<b>Total revenues</b>	<b>93</b>	<b>48</b>	<b>141</b>
<b>Expenditures</b>			
Capital projects	93,371	-	93,371
<b>Total expenditures</b>	<b>93,371</b>	<b>-</b>	<b>93,371</b>
<b>Net change in fund balances</b>	<b>(93,278)</b>	<b>48</b>	<b>(93,230)</b>
Fund balances, beginning of year	288,061	396	288,457
<b>Fund balances, end of year</b>	<b>\$ 194,783</b>	<b>\$ 444</b>	<b>\$ 195,227</b>

**SINGLE AUDIT SECTION**



Thomas E. Gartland, CPA  
Brad P. Niergarth, CPA  
James G. Shumate, CPA  
Robert C. Thompson, CPA  
Michael D. Shaw, CPA  
Mary F. Krantz, CPA  
Shelly K. Bedford, CPA  
Heidi M. Wendel, CPA  
Shelly A. Ashmore, CPA  
James M. Taylor, CPA

**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***

Board of Education  
Charlevoix-Emmet Intermediate School District

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 the ***Charlevoix-Emmet Intermediate School District*** (the "District") 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, and have issued our report thereon dated September 10, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 the District'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.

*Dennis, Gartland & Niergarth*

September 10, 2014

**CHARLEVOIX-EMMET INTERMEDIATE  
SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE/GRANT NUMBER</b>	<b>FEDERAL CFDA NUMBER</b>	<b>APPROVED AWARD/GRANT AMOUNT</b>	<b>ACCRUED (UNEARNED) REVENUE JULY 1, 2013</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>CURRENT YEAR EXPENDITURES</b>	<b>CURRENT YEAR CASH RECEIPTS</b>	<b>ACCRUED (UNEARNED) REVENUE JUNE 30, 2014</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>							
Passed through Michigan Department of Education							
Special Education Cluster							
Grants to States, IDEA Part B							
EOSD, 130480-EOSD	84.027A	\$ 50,000	\$ 2,187	\$ 50,000	\$ -	\$ 2,187	\$ -
EOSD, 140480-EOSD	84.027A	50,000	-	-	50,000	47,635	2,365
Part B Flowthrough, 130450-1213	84.027A	2,061,777	395,167	2,061,337	440	395,607	-
Part B Flowthrough, 130450-1314	84.027A	1,977,124	-	-	1,977,124	1,712,328	264,796
Transition Services, 130490-TS	84.027A	58,000	5,308	45,982	-	5,308	-
Transition Services, 140490-TS	84.027A	50,000	-	-	46,947	44,736	2,211
Total Grants to States, IDEA Part B		4,246,901	402,662	2,157,319	2,074,511	2,207,801	269,372
Preschool Grants, IDEA Preschool							
Special Education Preschool, 120460-1213	84.173A	40,435	7,912	40,435	-	7,912	-
Special Education Preschool, 130460-1314	84.173A	36,723	-	-	36,723	36,723	-
Total Preschool Grants, IDEA Preschool		77,158	7,912	40,435	36,723	44,635	-
Total Special Education Cluster		4,324,059	410,574	2,197,754	2,111,234	2,252,436	269,372
Special Education - Grants for Infants and Families							
Early On Michigan, 131340-1213	84.181A	75,781	6,307	75,781	-	6,307	-
Early On Michigan, 141340-1314	84.181A	84,202	-	-	84,202	84,202	-
Total Special Education - Grants for Infants and Families		159,983	6,307	75,781	84,202	90,509	-
Rural and Low Income Schools (REAP)	84.358A	22,743	22,743	22,743	-	22,743	-
Total passed through Michigan Department of Education		4,506,785	439,624	2,296,278	2,195,436	2,365,688	269,372

**CHARLEVOIX-EMMET INTERMEDIATE  
SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE/GRANT NUMBER</b>	<b>FEDERAL CFDA NUMBER</b>	<b>APPROVED AWARD/GRANT AMOUNT</b>	<b>ACCRUED (UNEARNED) REVENUE JULY 1, 2013</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>CURRENT YEAR EXPENDITURES</b>	<b>CURRENT YEAR CASH RECEIPTS</b>	<b>ACCRUED (UNEARNED) REVENUE JUNE 30, 2014</b>
Passed through Wexford-Missaukee ISD							
Career and Technical Education - Basic Grants to States (Perkins IV)							
Vocational Education, CTE Perkins 133520-13125	84.048A	\$ 130,077	\$ 20,351	\$ 130,077	\$ -	\$ 20,351	\$ -
Vocational Education, CTE Perkins 143520-14125	84.048A	113,973	-	-	113,973	113,973	-
Total Career and Technical Education - Basic Grants to States (Perkins IV)		244,050	20,351	130,077	113,973	134,324	-
Passed through Cheboygan-Otsego-Presque Isle ESD							
Twenty-First Century Community Learning Centers							
Cohort E, 132110-E08024	84.287C	674,919	153,653	674,919	-	153,653	-
Cohort F, 132110-F09015	84.287C	674,319	143,128	674,319	-	143,128	-
Cohort F, 142110-F09015	84.287C	674,935	-	-	608,298	524,947	83,351
Total Twenty-First Century Community Learning Centers		2,024,173	296,781	1,349,238	608,298	821,728	83,351
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>6,775,008</b>	<b>756,756</b>	<b>3,775,593</b>	<b>2,917,707</b>	<b>3,321,740</b>	<b>352,723</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Passed Through Northwest Michigan Community Action Agency							
Early Headstart	93.600	44,400	7,696	37,296	7,104	14,800	-
Early Headstart	93.600	30,400	-	-	23,712	23,347	365
Total Headstart		74,800	7,696	37,296	30,816	38,147	365
Passed through Michigan Department of Public Health							
Medical Assistance Program							
Medicaid Administrative Outreach	93.778	61,552	-	-	61,552	61,552	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>136,352</b>	<b>7,696</b>	<b>37,296</b>	<b>92,368</b>	<b>99,699</b>	<b>365</b>

**CHARLEVOIX-EMMET INTERMEDIATE  
SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE/GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED AWARD/GRANT AMOUNT	ACCRUED (UNEARNED)		(Memo Only) Prior Year Expenditures	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (UNEARNED)	
			REVENUE	REVENUE				REVENUE	REVENUE
			JULY 1, 2013	JULY 1, 2013				JUNE 30, 2014	JUNE 30, 2014
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>									
Passed Through Michigan Community Service Commission									
Americorps									
Michigan Americorps, MACF-13-15351, 2012-2013	94.006	\$	112,597	\$	10,237	\$	112,597	\$	-
Michigan Americorps, MACF-14-15351, 2013-2014	94.006		124,328		-		-		99,916
									91,517
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<b>236,925</b>		<b>10,237</b>		<b>112,597</b>		<b>8,399</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 7,148,285</b>		<b>\$ 774,689</b>		<b>\$ 3,925,486</b>		<b>\$ 3,109,991</b>
									<b>\$ 3,523,193</b>
									<b>\$ 361,487</b>

**Notes to Schedule of Expenditures of Federal Awards**

- The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the general purpose financial statements.
- Management has utilized the Grant Auditor Report in preparing the Schedule of Federal Awards.

**CHARLEVOIX - EMMET INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**PROVIDED TO SUBRECIPIENTS**  
**For the fiscal year ended June 30, 2014**

<b>Program Title/Grant Number Subrecipient Name</b>	<b>Federal CFDA Number</b>	<b>Subrecipient Award/Contract Amount</b>	<b>Due to (from) Subrecipient July 1, 2013</b>	<b>Subrecipient Current Year Expenditures</b>	<b>Current Year Cash Transferred To Subrecipient</b>	<b>Due to (from) Subrecipient June 30, 2014</b>
<b>Michigan Transition Services</b>	84.027A					
Passed through to						
Boyne City Public School		\$ 358	\$ -	\$ 358	\$ 358	\$ -
Total Michigan Transition Services		358	-	358	358	-
<b>CTE Perkins Title II</b>	84.048A					
Passed through to						
Alanson Public Schools		1,700	-	1,700	1,700	-
Beaver Island Community School		356	-	356	356	-
Boyne City Public Schools		7,009	-	7,009	7,009	-
Boyne Falls Public Schools		228	-	228	228	-
Central Lake Public Schools		1,474	-	1,474	1,474	-
Charlevoix Public Schools		5,341	-	5,341	5,341	-
Concord Academy-Boyne City		1,603	-	1,603	1,603	-
Concord Academy-Petoskey		340	-	340	340	-
East Jordan Public Schools		7,203	-	7,203	7,203	-
Ellsworth Community Schools		995	-	995	995	-
Harbor Springs Public Schools		3,421	-	3,421	3,421	-
Pellston Public Schools		2,466	-	2,466	2,466	-
Public Schools of Petoskey		8,939	-	8,939	8,939	-
Total Vocational Education Secondary CTE Perkins		41,075	-	41,075	41,075	-
<b>21st Century Community Learning Centers</b>	84.287C					
Passed through to						
Alanson Public Schools		-	16,260	-	16,260	-
Beaver Island Public Schools		100,488	-	100,488	100,488	-
Boyne City Public Schools		98,064	-	98,064	98,064	-
Boyne Falls Public Schools		96,002	7,324	96,002	103,326	-
Central Lake Public Schools		134,860	40,055	134,860	174,915	-
East Jordan Public Schools		6,493	6,872	6,493	13,365	-
Ellsworth Community Schools		9,681	-	9,681	9,681	-
Pellston Public Schools		80,872	14,256	80,872	95,128	-
Total 21st Century Community Learning Centers		526,460	84,767	526,460	611,227	-

**CHARLEVOIX - EMMET INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**PROVIDED TO SUBRECIPIENTS**  
**For the fiscal year ended June 30, 2014**

<b>Program Title/Grant Number Subrecipient Name</b>	<b>Federal CFDA Number</b>	<b>Subrecipient Award/Contract Amount</b>	<b>Due to (from) Subrecipient July 1, 2013</b>	<b>Subrecipient Current Year Expenditures</b>	<b>Current Year Cash Transferred To Subrecipient</b>	<b>Due to (from) Subrecipient June 30, 2014</b>
<b>Medicaid Administrative Outreach</b>	93.778					
Passed through to						
Alanson Public Schools		\$ 558	\$ -	\$ 558	\$ 558	\$ -
Boyne City Public Schools		1,691	-	1,691	1,691	-
Boyne Falls Public Schools		381	-	381	381	-
Central Lake Public Schools		374	-	374	374	-
Charlevoix Public Schools		1,748	-	1,748	1,748	-
Concord Academy - Boyne City		96	-	96	96	-
Concord Academy - Petoskey		150	-	150	150	-
East Jordan Public Schools		1,509	-	1,509	1,509	-
Ellsworth Community Schools		347	-	347	347	-
Harbor Springs Public Schools		2,462	-	2,462	2,462	-
Northwest Academy		208	-	208	208	-
Pellston Public Schools		749	-	749	749	-
Public Schools of Petoskey		3,608	-	3,608	3,608	-
				-	-	
Total Medicaid Administrative Outreach		13,881	-	13,881	13,881	-
<b>Total Federal Funds Passed Through</b>		<b>\$ 581,774</b>	<b>\$ 84,767</b>	<b>\$ 581,774</b>	<b>\$ 666,541</b>	<b>\$ -</b>



Thomas E. Gartland, CPA  
Brad P. Niergarth, CPA  
James G. Shumate, CPA  
Robert C. Thompson, CPA  
Michael D. Shaw, CPA  
Mary F. Krantz, CPA  
Shelly K. Bedford, CPA  
Heidi M. Wendel, CPA  
Shelly A. Ashmore, CPA  
James M. Taylor, CPA

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

Board of Education  
Charlevoix-Emmet Intermediate School District

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

We have audited the *Charlevoix-Emmet Intermediate School District* (the "District") 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 the District's major Federal programs for the year ended June 30, 2014. The District'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 the District'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 the District'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 the District's compliance.

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

In our opinion, the District 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 the District 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 the District'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 the District'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.

*Dennis, Gartland & Niergarth*

September 10, 2014



**CHARLEVOIX- EMMET INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of Auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Program</u>
84.027 and 84.173	Special Education Cluster
Dollar threshold to distinguish between type A and type B programs:	\$300,000
Auditee qualified as a low risk auditee?	Yes

**CHARLEVOIX- EMMET INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No financial statement findings are reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No Federal award findings or questioned costs are reported.

**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

No Federal award findings or questioned costs were reported in the prior year.

\* \* \* \* \*