



WEINLANDER FITZHUGH

COLEMAN COMMUNITY SCHOOLS
COLEMAN, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2014

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

September 29, 2014

Board of Education
Coleman Community Schools
Coleman, 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 Coleman Community Schools (School District), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards 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 School 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 School 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.

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WEINLANDER FITZHUGH

Board of Education
Coleman Community Schools
September 29, 2014

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 School District as of June 30, 2014 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements and schedule of bonded indebtedness are presented for purpose of additional analysis and are not a required part of the basic financial statements.



WEINLANDER FITZHUGH

Board of Education
Coleman Community Schools
September 29, 2014

The combining nonmajor fund financial statements and schedule of bonded indebtedness 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 U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements and schedule of bonded indebtedness 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 29, 2014, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Weinlander Fitzhugh

COLEMAN COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Our discussion and analysis of Coleman Community Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2014.

Financial Highlights

The School District's net position increased by \$351,616 or 6%. Program revenues were \$2,041,126 or 26% of total revenues, and general revenues were \$5,689,260 or 74%.

The General Fund reported a positive fund balance of \$1,869,451.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

COLEMAN COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the School District's finances is: "Is the School District better 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 School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School 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

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

District-wide Financial Analysis

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2014 and 2013:

Exhibit A	Governmental Activities	
	2014	2013
Assets		
Current and other assets	\$ 2,664,245	\$ 2,735,253
Capital assets - net of accumulated depreciation	5,148,230	5,033,959
Total assets	7,812,475	7,769,212
Liabilities		
Current liabilities	835,869	891,936
Long-term liabilities	1,099,081	1,351,367
Total liabilities	1,934,950	2,243,303
Net Position		
Net investment in capital assets	3,923,230	3,583,959
Restricted	183,925	129,799
Unrestricted	1,770,370	1,812,151
Total net position	\$ 5,877,525	\$ 5,525,909

This analysis focuses on net position (see Exhibit A). The School District's net position is \$5,877,525 at June 30, 2014. Net investment in capital assets totaling \$3,923,230, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net position for day-to-day operations.

The \$1,770,370 in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2014 and 2013.

Exhibit B

	Governmental Activities	
	2014	2013
Revenues		
Program revenue:		
Charges for services	\$ 488,742	\$ 506,787
Grants and categoricals	1,552,384	1,096,295
General revenue:		
Property taxes	987,469	954,089
State aid	4,359,880	4,326,676
Other	341,911	324,212
Total revenues	<u>7,730,386</u>	<u>7,208,059</u>
Function/Program Expenses		
Instruction	3,835,077	3,766,877
Support services	2,675,939	2,554,431
Community services	30,630	509
Food services	274,447	261,522
Athletics	160,322	158,939
Interest	60,401	65,201
Capital outlay	40,634	25,960
Depreciation (unallocated)	301,320	289,804
Loss on disposal of asset	0	9,845
Total expenses	<u>7,378,770</u>	<u>7,133,088</u>
Change in Net Position	<u>\$ 351,616</u>	<u>\$ 74,971</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$7,378,770. Certain activities were partially funded from those who benefited from the programs, \$488,742, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$1,552,384. We paid for the remaining "public benefit" portion of our governmental activities with \$987,469 in taxes, \$4,359,880 in State Foundation Allowance and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$351,616. The major reason for the increase was due to an increase in grants and contributions for the Agriscience program. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and other provide to it and may provide more insight into the School District's overall financial health.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

The School District's governmental funds reported a combined fund balance of \$2,061,365, which is more than last year's total of \$2,106,108. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2014 and 2013.

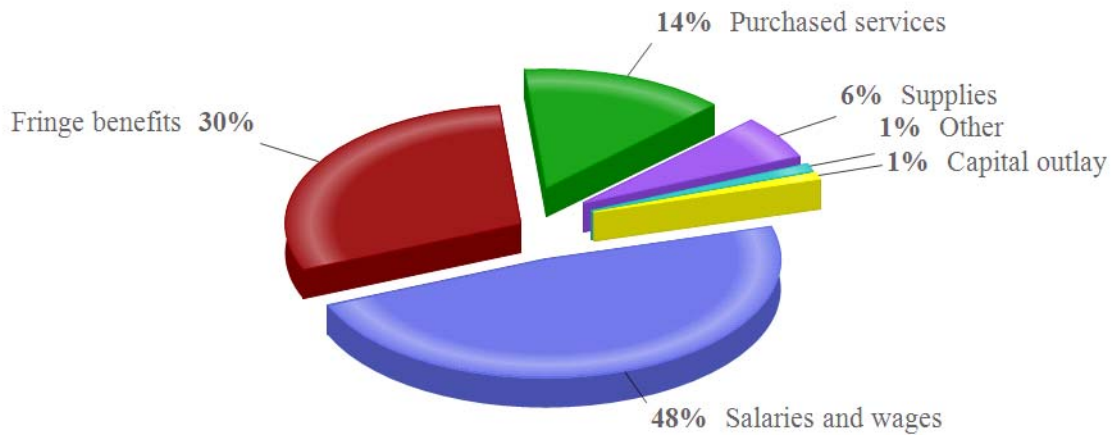
	Fund Balance <u>6/30/2014</u>	Fund Balance <u>6/30/2013</u>	Increase <u>(Decrease)</u>
General	\$ 1,869,451	\$ 1,966,852	\$ (97,401)
Special Revenue	18,322	21,339	(3,017)
Debt Service	49,195	58,515	(9,320)
Capital Projects	124,397	59,402	64,995
	<u>\$ 2,061,365</u>	<u>\$ 2,106,108</u>	<u>\$ (44,743)</u>

- Our General Fund decrease is mainly attributable to an increase in wages and retirement costs.
- Our Special Revenue Funds decreased mainly due to an increase in food costs.
- Our Debt Service Funds decreased due to taxes collected being less than debt payments due.
- Our Capital Projects Fund increased due to the Agriscience program contributions and grants that are to be used for infrastructure and equipment.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.

Expenditures



	2014	2013
Expenditures by Object		
Salaries and wages	\$ 3,314,257	\$ 3,256,800
Fringe benefits	2,021,958	1,830,702
Purchased services	962,030	946,133
Supplies	378,058	381,078
Capital outlay	67,426	10,352
Other	69,359	55,387
Total	<u>\$ 6,813,088</u>	<u>\$ 6,480,452</u>

Expenditures have increased by \$332,636 from the prior year. Salaries and benefits increased due to a 1% increase in wages and an increase in retirement benefits. Purchased services include building and bus maintenance costs, and contracted personnel services such as technology repair and coaching staff have increased. Capital outlay increased due to a bus purchase in the current year.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased \$223,341 due to an increase in property tax, federal and interdistrict and other sources.
- Budgeted expenditures were increased \$129,476 mainly due to personnel changes.
- Actual revenues were over final budgeted revenues by \$15,233 due to federal sources and property tax revenues being more than budgeted.
- Actual expenditures were under final budgeted expenditures by \$269,255 due to administrative conservativeness with the budget.

Capital Assets

At June 30, 2014, the School District had \$5,148,230 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of 2% from last year.

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 9,444,875	\$ 9,087,284
Buses and other vehicles	654,788	680,272
Furniture and equipment	<u>1,191,662</u>	<u>1,191,662</u>
Total capital assets	11,291,325	10,959,218
Less accumulated depreciation	<u>6,143,095</u>	<u>5,925,259</u>
Net capital assets	<u><u>\$ 5,148,230</u></u>	<u><u>\$ 5,033,959</u></u>

This year's additions of \$415,591 were for a new rubber roof at the railway center, construction of a greenhouse for the agriscience program and construction in process for the agriscience building.

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$1,225,000 in bonds outstanding versus \$1,450,000 in the previous year - a decrease of 16%.

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2015 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2015 fiscal year budget was adopted in June 2014, based on an estimate of students that will be enrolled in September 2014. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2014-2015 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2015 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation until 2014-2015.

Requests for Information

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

Office of the Superintendent
Coleman Community Schools
4823 N. Coleman Schools Drive
Coleman, MI 48618

COLEMAN COMMUNITY SCHOOLS
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 1,672,364
Receivables:	
Accounts receivable	5,615
Due from other governmental units	983,869
Inventory	2,397
Capital assets less accumulated depreciation \$6,143,095	<u>5,148,230</u>
Total assets	<u>7,812,475</u>
<u>Liabilities</u>	
Accounts payable	8,041
Due to other governments	40,378
Accrued payroll and other liabilities	533,952
Unearned revenue	20,509
Accrued interest payable	7,989
Long-term liabilities:	
Due within one year	225,000
Due in more than one year	<u>1,099,081</u>
Total liabilities	<u>1,934,950</u>
<u>Net Position</u>	
Net investment in capital assets	3,923,230
Restricted for debt service	41,206
Restricted for capital projects	124,397
Restricted for food service	18,322
Unrestricted	<u>1,770,370</u>
Total net position	<u>\$ 5,877,525</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Statement of Activities
For the Year Ended June 30, 2014

		<u>Program Revenues</u>		<u>Governmental</u>
				<u>Activities</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net (Expense)</u>
		<u>Services</u>	<u>Grants/</u>	<u>Revenue and</u>
			<u>Contributions</u>	<u>Changes in Net</u>
				<u>Position</u>
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 3,835,077	\$ 326,929	\$ 1,343,384	\$ (2,164,764)
Support services	2,675,939	61,212	0	(2,614,727)
Community services	30,630	0	0	(30,630)
Food services	274,447	58,955	208,975	(6,517)
Athletics	160,322	41,646	25	(118,651)
Interest	60,401	0	0	(60,401)
Capital outlay	40,634	0	0	(40,634)
Depreciation (unallocated)	301,320	0	0	(301,320)
Total governmental activities	<u>\$ 7,378,770</u>	<u>\$ 488,742</u>	<u>\$ 1,552,384</u>	<u>(5,337,644)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				709,920
Property taxes, levied for debt services				277,549
State aid				4,359,880
Interest and investment earnings				1,303
Other				340,608
Total general revenues				<u>5,689,260</u>
Change in net position				351,616
Net position - beginning of year				<u>5,525,909</u>
Net position - end of year				<u>\$ 5,877,525</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2014

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 1,481,998	\$ 190,366	\$ 1,672,364
Receivables:			
Accounts receivable	396	5,219	5,615
Due from other governmental units	975,486	8,383	983,869
Inventory	<u>250</u>	<u>2,147</u>	<u>2,397</u>
Total assets	<u>\$ 2,458,130</u>	<u>\$ 206,115</u>	<u>\$ 2,664,245</u>
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 7,403	\$ 638	\$ 8,041
Due to other governments	26,815	13,563	40,378
Accrued payroll and other liabilities	533,952	0	533,952
Unearned revenue	<u>20,509</u>	<u>0</u>	<u>20,509</u>
Total liabilities	<u>588,679</u>	<u>14,201</u>	<u>602,880</u>
<u>Fund Balance</u>			
Nonspendable - inventory	250	2,147	2,397
Restricted for debt service	0	49,195	49,195
Restricted for capital projects	0	124,397	124,397
Restricted for food service	0	16,175	16,175
Unassigned	<u>1,869,201</u>	<u>0</u>	<u>1,869,201</u>
Total fund balance	<u>1,869,451</u>	<u>191,914</u>	<u>2,061,365</u>
Total liabilities and fund balance	<u>\$ 2,458,130</u>	<u>\$ 206,115</u>	<u>\$ 2,664,245</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

Total fund balance - governmental funds	\$ 2,061,365
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	
Cost of the capital assets	11,291,325
Accumulated depreciation	(6,143,095)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(1,225,000)
Compensated absences	(99,081)
Accrued interest payable is included as a liability in governmental activities	<u>(7,989)</u>
Total net position - governmental activities	<u><u>\$ 5,877,525</u></u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2014

	General	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>			
Local sources			
Property taxes	\$ 709,920	\$ 277,549	\$ 987,469
Other local sources	78,900	524,675	603,575
State sources	5,035,101	7,680	5,042,781
Federal sources	202,443	201,295	403,738
Interdistrict and other sources	692,823	0	692,823
Total revenues	<u>6,719,187</u>	<u>1,011,199</u>	<u>7,730,386</u>
<u>Expenditures</u>			
Current:			
Instruction	3,861,059	0	3,861,059
Support services	2,761,077	0	2,761,077
Community services	30,630	0	30,630
Athletics	160,322	0	160,322
Basic programs	0	2,500	2,500
Food services	0	274,447	274,447
Debt service:			
Principal	0	225,000	225,000
Interest and other	0	61,869	61,869
Capital outlay	0	398,225	398,225
Total expenditures	<u>6,813,088</u>	<u>962,041</u>	<u>7,775,129</u>
Excess (deficiency) of revenues over expenditures	<u>(93,901)</u>	<u>49,158</u>	<u>(44,743)</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	0	3,500	3,500
Operating transfers out	<u>(3,500)</u>	<u>0</u>	<u>(3,500)</u>
Total other financing sources (uses)	<u>(3,500)</u>	<u>3,500</u>	<u>0</u>
Net change in fund balance	(97,401)	52,658	(44,743)
Fund balance - beginning of year	<u>1,966,852</u>	<u>139,256</u>	<u>2,106,108</u>
Fund balance - end of year	<u>\$ 1,869,451</u>	<u>\$ 191,914</u>	<u>\$ 2,061,365</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Net change in fund balance - total governmental funds	\$ (44,743)
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(301,320)
Capital outlay	415,591
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the Statement of Activities	
Repayment of bonds	225,000
Decreases in compensated absences are reported as an addition in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6	27,286
Interest expense is reported as a reduction in expenses on the Statement of Activities	1,468
Repayment of claims and judgments is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt)	28,334
Change in net position of governmental activities	<u>\$ 351,616</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

	<u>Student Activity Fund</u>	<u>Private Purpose Trusts</u>
<u>Assets</u>		
Cash and investments	\$ <u>77,809</u>	\$ <u>1,011</u>
<u>Liabilities</u>		
Due to student groups	\$ <u>77,809</u>	<u>0</u>
Held in trust for scholarship		<u>\$ <u>1,011</u></u>

COLEMAN COMMUNITY SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

	<u>Private Purpose Trusts</u>
<u>Additions</u>	
Contributions and investment income	\$ <u>6</u>
Change in net position	<u>6</u>
Net position - beginning of year	<u>1,005</u>
Net position - end of year	<u>\$ <u>1,011</u></u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Coleman Community Schools (School District) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund 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. All of the School 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 segments 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 given 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 are not properly included among program revenues are reported as general revenue.

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

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 for 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 interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental 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 government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Assets, Liabilities, and Net Position or Equity

Cash 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.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities 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."

Inventory and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. 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 asset lives are not capitalized. The School 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 improvements	20-50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has no items that qualify for reporting in this category.

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid - For the fiscal year ended June 30, 2014, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2014, the foundation allowance was based on the average pupil membership counts taken in September of 2013 and February of 2014.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2013 - August 2014. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2014 relating to state aid is \$888,388.

The School 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 deferred revenue. Other categorical funding is recognized when the appropriation is received.

Events Occurring After Reporting Date

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 2 - BUDGETS (CONTINUED)

Coleman Community Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

NOTE 3 - CASH AND INVESTMENTS

Some statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Investments	<u>\$ 1,672,364</u>	<u>\$ 78,820</u>	<u>\$ 1,751,184</u>

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

Deposits (checking and savings accounts, certificates of deposit)	<u>\$ 1,751,184</u>
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COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

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, 2014, the School District's investment in the investment pool was rated AAA by Standard & Poor's.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2014, \$1,501,206 of the School District's bank balance of \$1,751,206 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The balance of the sweep accounts was used to purchase short-term federal debt securities.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 9,087,284	\$ 357,591	\$ 0	\$ 9,444,875
Buses and other vehicles	680,272	58,000	(83,484)	654,788
Furniture and equipment	1,191,662	0	0	1,191,662
Subtotal	<u>10,959,218</u>	<u>415,591</u>	<u>(83,484)</u>	<u>11,291,325</u>
Accumulated depreciation:				
Buildings and improvements	4,684,895	204,834	0	4,889,729
Buses and other vehicles	490,566	46,783	(83,484)	453,865
Furniture and equipment	749,798	49,703	0	799,501
Subtotal	<u>5,925,259</u>	<u>301,320</u>	<u>(83,484)</u>	<u>6,143,095</u>
Net capital assets being depreciated	<u>5,033,959</u>	<u>114,271</u>	<u>0</u>	<u>5,148,230</u>
Net capital assets	<u>\$ 5,033,959</u>	<u>\$ 114,271</u>	<u>\$ 0</u>	<u>\$ 5,148,230</u>

Depreciation expense for fiscal year ended June 30, 2014 was \$301,320. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND TRANSFERS AND BALANCES

A summary of inter-fund receivable and payable balances and transfers made during the year ended June 30, 2014, is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 3,500
Special Revenue:		
Food Service	<u>3,500</u>	<u>0</u>
	<u>\$ 3,500</u>	<u>\$ 3,500</u>

Transfers are used to record indirect costs of the Food Service Fund being moved to the General Fund and the movement of At-risk monies from the General Fund to the Food Service Fund.

There are no interfund receivable or payable balances at year end.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 6 - RECEIVABLES

Receivables at June 30, 2014 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 888,388
Federal grants	91,081
Other	4,400
	<u>\$ 983,869</u>

NOTE 7 - UNEARNED REVENUE

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 reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$20,509.

NOTE 8 - LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Retirements and Payments	Balance June 30, 2014	Amount Due Within One Year
Bonds	\$ 1,450,000	\$ 0	\$ 225,000	\$ 1,225,000	\$ 225,000
Compensated absences	126,367	0	27,286	99,081	0
Claims and judgments	28,334	0	28,334	0	0
Total	<u>\$ 1,604,701</u>	<u>\$ 0</u>	<u>\$ 280,620</u>	<u>\$ 1,324,081</u>	<u>\$ 225,000</u>

Bonds payable at June 30, 2014 is comprised of the following issues:

\$2,480,000 2004 School Building & Site bonds due in annual installments of \$60,000 to \$250,000 through May 1, 2019; interest at 2.10% to 4.00%.	<u>\$ 1,225,000</u>
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Under the terms of the present contracts between the Board of Education of Coleman Community Schools and the various employee groups, including teachers, administration, custodians, bus drivers and extra support personnel, the School District is contingently liable for compensated absences (sick pay). The amount of compensated absences, calculated based on years of service, amounted to \$99,081 at June 30, 2014.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize bonds outstanding as of June 30, 2014, including interest payments are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 225,000	\$ 49,000	\$ 274,000
2016	250,000	40,000	290,000
2017	250,000	30,000	280,000
2018	250,000	20,000	270,000
2019	250,000	10,000	260,000
	<u>\$ 1,225,000</u>	<u>\$ 149,000</u>	<u>\$ 1,374,000</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description - The School District participates in the statewide Michigan Public School Employees' Retirement System (System) which is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

Benefit Provisions - Pension

Introduction

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Funding Policy

Member Contributions

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

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

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

Employer Contributions

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

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

<u>Fiscal Year Ending June 30.</u>	<u>Contributions to MPERS</u>
2014	\$ 992,316
2013	\$ 873,906
2012	\$ 795,857

Included in the amounts paid above, the School District received \$165,298 and \$66,416 of Section 147(c) State Aid for the sole purpose of making supplemental payments to MPERS. The School District has recorded these amounts as state revenue and additional pension expenditures/expenses for the years ended June 30, 2014 and 2013.

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

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Fiscal Year 2014							
<u>Effective October 1, 2013</u>							
<u>Public School Employee Pension Rates</u> <u>(FYE Sept. 30th)</u>	<u>Basic MIP</u>	<u>Pension Plus</u>	<u>Pension Plus PHF - First worked after 9/2/13</u>	<u>Pension Plus to DC with PHF First worked after 9/2/13</u>	<u>Basic MIP DB to DC with DB Health</u>	<u>Basic MIP DB to DC with PHF</u>	<u>Basic MIP with PHF</u>
<u>DB Contributions</u>							
Pension Normal Costs	2.90 %	2.67 %	2.67 %	0.00 %	0.00 %	0.00 %	2.90 %
Pension UAL	14.08 %	14.08 %	14.08 %	14.08 %	14.08 %	14.08 %	14.08 %
Pension Early Retirement Incentive	1.36 %	1.36 %	1.36 %	1.36 %	1.36 %	1.36 %	1.36 %
Pension Contributions - Total Rate	18.34 %	18.11 %	18.11 %	15.44 %	15.44 %	15.44 %	18.34 %
Health Normal Cost	0.93 %	0.93 %	0.00 %	0.00 %	0.93 %	0.00 %	0.00 %
Health UAL	5.52 %	5.52 %	5.52 %	5.52 %	5.52 %	5.52 %	5.52 %
Health Contributions - Total Rate	6.45 %	6.45 %	5.52 %	5.52 %	6.45 %	5.52 %	5.52 %
Total	24.79 %	24.56 %	23.63 %	20.96 %	21.89 %	20.96 %	23.86 %
<u>DC Contributions</u>							
DC Employer Contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %
Total	0.00 %	1.00 %	3.00 %	5.00 %	4.00 %	6.00 %	2.00 %
Grand Total	24.79 %	25.56 %	26.63 %	25.96 %	25.89 %	26.96 %	25.86 %

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

Fiscal Year 2013				Fiscal Year 2012			
<u>4 months ended 1/31/2013</u>				<u>FY 2011 - 2012</u>		<u>Eleven months ended 9/30/11</u>	
	<u>First worked between 6/30/10 and 9/3/12</u>	<u>Pension Plus and First worked after 9/3/12</u>	<u>Elected DC and First worked after 9/3/12</u>	<u>First worked before 7/1/10</u>	<u>First worked after 6/30/10</u>	<u>First worked before 7/1/10</u>	<u>First worked after 6/30/10</u>
<u>Public School Employee Pension Rates</u> <u>FYE Sept. 30th)</u>	<u>First worked before 7/1/10</u>						
Total	25.36 %	24.13 %	23.20 %	20.96 %	24.46 %	23.23 %	19.16 %

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Benefit Provisions - Other Postemployment

Introduction

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

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

Retiree Healthcare Reform of 2012

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

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

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 11 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 12 - ECONOMIC DEPENDENCY

The School District received approximately 70% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 13 - RELATED PARTY TRANSACTION

The School District purchased supplies from a business who is also related to the Business Manager in the amount of \$3,896 for the year ended June 30, 2014.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was issued by the GASB in June 2012 and will be effective for the School District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

COLEMAN COMMUNITY SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources				
Property taxes	\$ 672,516	\$ 712,257	\$ 709,920	\$ (2,337)
Other local sources	60,195	75,807	78,900	3,093
State sources	4,859,944	5,021,642	5,035,101	13,459
Federal sources	193,812	219,415	202,443	(16,972)
Interdistrict and other sources	694,146	674,833	692,823	17,990
Total revenues	<u>6,480,613</u>	<u>6,703,954</u>	<u>6,719,187</u>	<u>15,233</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	3,053,361	3,077,236	2,994,905	82,331
Added needs	853,231	924,925	866,154	58,771
Support services:				
Pupil	436,394	390,044	387,354	2,690
Instructional staff	291,926	279,441	269,256	10,185
General administrative	229,420	225,671	217,136	8,535
School administrative	404,860	411,976	410,537	1,439
Business services	153,466	190,301	170,540	19,761
Operations and maintenance	672,976	677,120	661,804	15,316
Transportation	500,461	526,825	470,171	56,654
Information services	159,932	181,135	174,279	6,856
Community services	30,000	31,323	30,630	693
Athletics	166,840	166,346	160,322	6,024
Total expenditures	<u>6,952,867</u>	<u>7,082,343</u>	<u>6,813,088</u>	<u>269,255</u>
Excess (deficiency) of revenues over expenditures	<u>(472,254)</u>	<u>(378,389)</u>	<u>(93,901)</u>	<u>284,488</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	0	0	7,224	(7,224)
Operating transfers out	(3,650)	(10,874)	(10,724)	150
Total other financing sources (uses)	<u>(3,650)</u>	<u>(10,874)</u>	<u>(3,500)</u>	<u>(7,074)</u>
Net change in fund balance	(475,904)	(389,263)	(97,401)	277,414
Fund balance - beginning of year	<u>1,966,852</u>	<u>1,966,852</u>	<u>1,966,852</u>	<u>0</u>
Fund balance - end of year	<u>\$ 1,490,948</u>	<u>\$ 1,577,589</u>	<u>\$ 1,869,451</u>	<u>\$ 291,862</u>

COLEMAN COMMUNITY SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Food Service</u>	<u>2004 Issue</u>	<u>Capital Project</u>	<u>Total</u>
<u>Assets</u>				
Cash and investments	\$ 15,870	\$ 49,461	\$ 125,035	\$ 190,366
Receivables:				
Accounts receivable	5,219	0	0	5,219
Due from other governmental units	8,383	0	0	8,383
Inventory	2,147	0	0	2,147
	<u>\$ 31,619</u>	<u>\$ 49,461</u>	<u>\$ 125,035</u>	<u>\$ 206,115</u>
<u>Liabilities</u>				
Accounts payable	\$ 0	\$ 0	\$ 638	\$ 638
Due to other governments	13,297	266	0	13,563
	<u>13,297</u>	<u>266</u>	<u>638</u>	<u>14,201</u>
<u>Fund Balance</u>				
Non-spendable - inventory	2,147	0	0	2,147
Restricted for debt service	0	49,195	0	49,195
Restricted for capital projects	0	0	124,397	124,397
Restricted for food service	16,175	0	0	16,175
	<u>18,322</u>	<u>49,195</u>	<u>124,397</u>	<u>191,914</u>
	<u>\$ 31,619</u>	<u>\$ 49,461</u>	<u>\$ 125,035</u>	<u>\$ 206,115</u>

COLEMAN COMMUNITY SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Fund <u>Food Service</u>	Debt Service Fund <u>2004 Issue</u>	Capital Projects Fund <u>Capital Project</u>	<u>Total</u>
<u>Revenues</u>				
Local sources				
Property taxes	\$ 0	\$ 277,549	\$ 0	\$ 277,549
Other local sources	58,955	0	465,720	524,675
State sources	7,680	0	0	7,680
Federal sources	201,295	0	0	201,295
Total revenues	<u>267,930</u>	<u>277,549</u>	<u>465,720</u>	<u>1,011,199</u>
<u>Expenditures</u>				
Current:				
Basic programs	0	0	2,500	2,500
Food services	274,447	0	0	274,447
Debt service:				
Principal	0	225,000	0	225,000
Interest and other	0	61,869	0	61,869
Capital outlay	0	0	398,225	398,225
Total expenditures	<u>274,447</u>	<u>286,869</u>	<u>400,725</u>	<u>962,041</u>
Excess (deficiency) of revenues over expenditures	<u>(6,517)</u>	<u>(9,320)</u>	<u>64,995</u>	<u>49,158</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	3,500	0	0	3,500
Total other financing sources (uses)	<u>3,500</u>	<u>0</u>	<u>0</u>	<u>3,500</u>
Net change in fund balance	(3,017)	(9,320)	64,995	52,658
Fund balance - beginning of year	21,339	58,515	59,402	139,256
Fund balance - end of year	<u>\$ 18,322</u>	<u>\$ 49,195</u>	<u>\$ 124,397</u>	<u>\$ 191,914</u>

COLEMAN COMMUNITY SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness
For the Year Ended June 30, 2014

<u>PURPOSE</u>	2004 Issue	
<u>DATE OF ISSUE</u>	November 1, 2004	
<u>AMOUNT OF ISSUE</u>		\$ 2,480,000
<u>AMOUNT OF REDEEMED</u>		
	During prior years	\$ 1,030,000
	During current year	<u>225,000</u>
		<u>1,255,000</u>
<u>BALANCE OUTSTANDING - June 30, 2014</u>		<u>\$ 1,225,000</u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	4.00%	\$ 225,000	\$ 49,000	\$ 274,000
2016	4.00%	250,000	40,000	290,000
2017	4.00%	250,000	30,000	280,000
2018	4.00%	250,000	20,000	270,000
2019	4.00%	<u>250,000</u>	<u>10,000</u>	<u>260,000</u>
		<u>\$ 1,225,000</u>	<u>\$ 149,000</u>	<u>\$ 1,374,000</u>



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

Independent Auditor's Report

September 29, 2014

Board of Education
Coleman Community Schools
Coleman, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 Coleman Community Schools (School District), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise Coleman Community Schools' basic financial statements and have issued our report thereon dated September 29, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District'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.

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Board of Education
Coleman Community Schools
September 29, 2014

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 Coleman Community Schools financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed 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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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September 29, 2014

Board of Education
Coleman Community Schools

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Coleman Community Schools (School District) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 16, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Coleman Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

The financial statement disclosures 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.

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Board of Education
Coleman Community Schools
September 29, 2014
Page 2

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly 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 each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2014.

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 Coleman Community Schools' 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 School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



WEINLANDER FITZHUGH

Board of Education
Coleman Community Schools
September 29, 2014
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Other Matters

We applied certain limited procedures to management discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the combining non-major fund financial statement statements and the schedule of bonded indebtedness, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Best regards,

Weinlander Fitzhugh