

**Gratiot-Isabella Regional
Education Service District**

***Financial Statements
With Supplemental Information
June 30, 2014***



RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Gratiot-Isabella Regional Education Service District
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June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Gratiot-Isabella RESD

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 Gratiot-Isabella RESD (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. The prior year comparative information has been derived from the District's 2013 financial statements and, in our report dated October 14, 2013, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 District, as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 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.

Sincerely,

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C." The signature is written in black ink and is positioned above the typed name of the company.

Roslund, Prestage & Company, P.C.
October 10, 2014

**Management's Discussion
and Analysis**



Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

Our discussion and analysis of the Gratiot-Isabella Regional Education Service District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2014. Please read this discussion and analysis in conjunction with the District's financial statement beginning on page 1.

I. Description of the Basic Financial Statements

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities on pages 1 and 2 provide information concerning the operation of the District as a whole. This reporting model takes into consideration the cost of capital assets of the district, as well as, reflects the District's operations on the accrual basis of accounting similar to that used in the private sector. Most notable is the fact that capital assets are not recorded as an expense at the time of purchase. Instead, under this model, capital assets are depreciated over their expected life. Accumulated depreciation is recorded as an offset to capital assets. This reporting model is intended to present a clearer picture of the cost of utilizing capital assets in the District's operations. This model generally has a long-term focus.

Fund Financial Statements

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance on pages 3 and 5 provide financial information for the individual governmental funds. The focus of this presentation is to present resources available at the beginning of the year, the receipt and use of resources during the year, and the balance of resources available at year-end to be used in future years. This model is referred to as modified accrual and is focused on available spendable resources. This model generally has a short-term focus.

Reconciliation

The statements on pages 4 and 6 reconcile the differences between the District-Wide Financial Statements and the Fund Financial Statements.

Trust and Agency Funds

The Statement of Net Position - Fiduciary Fund present the resource held for the benefit of other individuals and/or entities. These amounts are not reflected in the Government-Wide Financial Statements because these resources are not intended to be used to finance the operations of the District.

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

II. Condensed Government-Wide Financial Information

The change in assets, liabilities, and net position from the previous year for the government-wide financial statements were significant.

Current assets increased significantly because the cash and investments increased by \$3,040,738. This increase resulted because a new vocational education millage was levied during the current year, however, the reimbursement of vocational education tuition, transportation, and startup costs for new programs were not paid until after the end of the fiscal year and totaled \$2,050,727.

The increase in capital assets net of depreciation indicates that capital assets are being replaced at a faster rate than they are depreciating. This was expected since the District made some renovations to buildings during the year and replaced some technology equipment. Capital assets purchased during the year totaled \$340,817 while current year depreciation was \$218,052. Capital assets with a book value of \$16,153 (net of depreciation) were retired/scrapped during the year.

The current liabilities increased significantly from the previous year as because the reimbursement of vocational education tuition, transportation, and startup costs were not paid until after year end and totaled \$2,050,727.

The net decrease in noncurrent liabilities is comprised primarily of the reclassification of long-term debt to short-term debt at year end to reflect the principal on the 2009 bond issue that will be due and payable during the year of \$84,695.

Total net position for governmental activities increased by 14.4% for the period.

All information presented in Table 1 relates to governmental activities. The District does not have any business-type activities.

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

Table 1
Comparative Summary of Assets, Liabilities, and Net Position
At June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
Current Assets	\$ 14,836,635	\$ 12,008,933	\$ 2,827,702
Noncurrent Assets	3,455,844	3,349,232	106,612
Total Assets	<u>\$ 18,292,479</u>	<u>\$ 15,358,165</u>	<u>\$ 2,934,314</u>
Current Liabilities	\$ 4,719,497	\$ 3,328,374	\$ 1,391,123
Noncurrent Liabilities	635,263	720,596	-85,333
Total Liabilities	<u>\$ 5,354,760</u>	<u>\$ 4,048,970</u>	<u>\$ 1,305,790</u>
Investment in Capital Assets (Net of Related Debt)	\$ 2,799,624	\$ 2,608,317	\$ 191,307
Restricted	94	94	-0-
Unrestricted	10,138,001	8,700,784	1,437,217
Total Net Position	<u>\$ 12,937,719</u>	<u>\$ 11,309,195</u>	<u>\$ 1,628,524</u>

Total revenues reported on the Statement of Activities varied significantly from the previous year.

Charges for Services increased significantly for two reasons. First, the District assumed the operations of another entity to provide technology services to other organizations resulting in service fees of \$522,556. Second, the District increased its billing for Medicaid Fee for Service by \$373,267.

Property taxes increased by \$2,617,167 as a result of a new tax levy approved by the taxpayers to support Career and Technical Education programs. The District also continues to experience an increase in tax base as wind turbines have been constructed and placed into service.

State Aid Not Restricted to Specific Purposes decreased by \$246,913 due to a reduction in Section 56 revenue. Section 56 revenue is designed to equalize the property tax base per student for intermediate school districts for special education funding. As the property tax base increases for the District, the Section 56 revenue decreases.

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
Charges for Services	\$ 2,402,621	\$ 1,480,259	\$ 922,362
Operating Grants and Contributions	<u>11,836,992</u>	<u>11,607,090</u>	<u>229,902</u>
Total Program Revenues	<u>\$ 14,239,613</u>	<u>\$ 13,087,349</u>	<u>\$ 1,152,264</u>
Property Taxes	\$13,976,363	\$10,111,667	\$ 3,864,696
State Aid Not Restricted to Specific Purposes	519,876	725,849	-205,973
Unrestricted Interest and Investment Earnings	3,272	4,240	-968
Restricted Interest and Investment Earnings	342	475	-133
Other	<u>199,613</u>	<u>426,381</u>	<u>-226,768</u>
Total General Revenues	<u>\$14,699,466</u>	<u>\$11,268,612</u>	<u>\$3,430,854</u>
Total Revenues	<u>\$28,939,079</u>	<u>\$24,355,961</u>	<u>\$4,583,118</u>

A number of the components of total expenses varied significantly from the previous year. Some of these components increased significantly while other decreased.

Instruction costs increased significantly mostly due to an increase in retirement costs.

Support Services increased during the year because the District assumed the operations of another entity to provide technology services to other organizations increasing expenditures by \$433,400. Costs also increased significantly mostly due to an increase in retirement costs.

Community Services costs decreased during the year because the District's Workforce in Action – Youth Activities grant was not renewed resulting in reduced costs of \$584,551.

Other expenses increased dramatically this year as a result of a new tax levy approved by the taxpayers to support Career and Technical Education programs. A large portion of these new revenues were disbursed to other district to reimburse vocational education tuition, transportation, and startup costs for new programs totaling \$2,050,727.

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
Instruction	\$6,182,944	\$5,831,267	\$351,677
Support Services	12,716,151	11,620,454	1,095,697
Community Services	1,825,915	2,251,352	-425,437
Interest and Fees on Long-term Debt	-	750	-750
Other	6,367,493	4,450,212	1,917,281
Depreciation – Unallocated	218,052	213,321	4,731
Total Expenses	<u>\$27,310,555</u>	<u>\$24,367,356</u>	<u>\$2,943,199</u>

III. Analysis of the Overall Financial Position and Results of Operations for Governmental Activities

Governmental Activities

The net position and changes in net position are presented in table 4 below. Since the District does not have any business-type activities, this change is entirely comprised of governmental type activities.

Table 4
Comparative Summary of Net Position and Changes in Net Position
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
Net Position – Beginning	\$11,309,195	\$11,320,589	
Increase (Decrease) in Net Position	<u>1,628,524</u>	<u>-11,395</u>	\$1,639,919
Net Position – Ending	<u>\$12,937,719</u>	<u>\$11,309,194</u>	

The District operates under the philosophy that it should neither increase or decrease fund balance from one year to the next based on the Fund Financial Statements (modified accrual). To increase fund balance is an indication that taxpayer money is not being fully utilized for the education of the children. To decrease fund equity is not sustainable for the long-term and would result in cuts to programs in the future. To operate at break-even allows the full utilization of resources to finance education in a sustainable fashion.

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

The increase in Net Position is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between these two methods is presented on page 6. The main difference between the two models is the accounting for depreciation \$218,052, the capitalization of fixed assets purchased during the year \$340,817, and payment of principal on long-term debt \$84,695. The depreciation of fixed assets is recorded as an expense on the District-Wide Financial Statements, the purchase of fixed assets is recorded as an expense on the Fund Financial Statements, and the payment of principal on long-term debt is recorded as an expenditure on the Fund Financial Statements.

Statement of Activities

The Statement of Activities on page 2 is significantly different from the Statement of Revenues, Expenditures, and Changes in Fund Balance. This statement is organized by program listing the expenses in the first column, charges for services in the second column, grants/contributions in the third column, and net expense/revenue in the fourth column. This manner of presentation illustrates the expenses each program generates as well as the corresponding revenues. The net expense/revenue indicates the portion of that program that must be financed with general revenues of the district.

To help the user better understand this statement, the significant program revenues have been identified as follows:

Instruction	State Special Education funding including Section 51, Section 52, and Section 53. Federal special education grants including IDEA flow through, IDEA transition services, IDEA state initiated/competitive, IDEA preschool, and IDEA grants for infants and families.
Support Services	State Special Education funding including Section 51, Section 52, and Section 53. Federal grant for State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SPLASH).
Community Services	Federal grants including Trade Adjustment Assistance, Workforce in Action (Adult and Dislocated worker), and Wagner-Peyser.

All other revenues are considered General Revenues and are listed at the bottom of the Statement of Activities.

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

IV. Significant Transactions and Changes in Individual Funds

The overall financial position of the individual governmental funds of the District changed significantly from the previous year for the General Fund, Vocational Education Fund, and the Capital Projects Fund.

The General Fund realized a significant increase in fund equity primarily due to the fact that two employees resigned early in the year and those positions were left vacant for the remainder of the year.

The Vocational Education Fund is a new fund this year. This fund was established to account for a new Career and Technical Education property tax levy that was approved by the taxpayers during the year. The fund equity increased because budgeted startup costs for new programs were not expended until after year end. The District also planned to build fund equity for cash flow purposes since there was no fund equity at the beginning of the year.

The Capital Projects Fund had a significant increase in fund equity because funds that were set aside for future projects were not expended during the year.

A comparison of the change in fund balance to the revenues and other financing sources for each of the governmental funds is as follows:

	Revenues and Other Financing <u>Sources</u>	Net Change in Fund Balance <u>From Prior Year</u>	Percent Change in Fund Balance as a Percent of Revenues and Other Financing <u>Sources</u>
General	\$3,569,640	\$ 337,818	9.46%
Special Education	20,267,817	302,791	1.49%
Vocational Education	2,617,167	495,378	18.93%
Cooperative Education	2,479,498	99,751	4.02%
Funded Projects	1,571,417	-14,806	-0.94%
Capital Projects	300,342	215,647	71.80%
Debt Service	84,695	-0-	-0-%

General Fund

Expenditures recorded to the General Fund relate to services provided to other funds of the District, as well as, services provided to other school districts. The services provided to other school districts include curriculum/professional development, audiovisual, business services, technology services, and data processing. The services provided to

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

other school districts are performed for a fee designed to reimburse a majority of those costs.

Special Education Fund

The function of the Special Education fund is to provide special education services for the District's special education students, as well as, the special education students of nine local school districts, two charter schools, and a number of private schools. These services include instruction, support services (i.e. – speech, social work, psychologist, OT/PT, and nursing), and pupil transportation. Since the revenues generated by the Special Education fund exceed the expenditures, a portion of the money generated from property taxes is paid to local and charter school districts based upon their student enrollment to provide additional funds for the operation of their special education programs. The amount paid from those excess funds is somewhat based upon Board Policy which requires the District to maintain a fund equity of 15% to 20% of annual expenditures.

Cooperative Education Fund

The Cooperative Education Fund is used to account for revenues/expenditures related to services provided primarily to other school districts. Some of these services are funded through grants, however, many of them are funded through a fee for the service. There is no intention to make a profit for providing these services but, rather, to simply recover the cost of operating the programs.

Funded Projects Fund

The Funded Projects Fund is used to account for grants received to train workers and help them find jobs. Expenditures are reimbursed from grants and, therefore, generally do not operate at a profit or loss.

Capital Projects

The District has set aside money to fund large construction projects such as roof replacement, HVAC replacement, parking lot repairs, and to make bond payments. Money will be contributed to this fund from other funds of the District as needed to provide sufficient funds for future projects.

Debt Service Fund

The Debt Service Fund collects money from other funds of the District and receives interest earnings on bank deposits to finance the payment of interest and principal on bonds issued to renovate the Winding Brook Conference Center.

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

V. Changes to Budget and Comparison to Actual Results

It is required by State law to adopt the original budget before the beginning of the fiscal year. For the fiscal year ended June 30, 2014 the original budget was adopted on June 20, 2013. The original budget is adopted before the enrollment is known, some grants are awarded, and some staff is hired. Many assumptions are therefore made in constructing the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The significant variances for the fiscal year ended June 30, 2014 are as follows:

General Fund

Changes from Original Budget to Final Budget

- Local Sources – During the year, the District began to provide technology services to another organization which generated an additional \$168,414 in revenues.
- State Sources – The budget was amended to reflect the increase in state funding for the unfunded retirement liability \$103,872 and best practices incentive \$21,659.
- Other Financing Sources – During the year, the District began to provide technology services to other school districts which generated an additional \$313,770 in revenues.
- Instructional Staff – The original budget was amended to reduce the amount budgeted for retirement by \$81,653.
- General Administration – The original budget was amended to reduce the amount budgeted for retirement by \$52,014 and increase the amount budgeted for election expenses by \$45,000.
- Business Services – The original budget was amended to reduce the amount budgeted for retirement by \$125,041.
- Central – The original budget was amended by \$487,285 to adjust for the cost of providing technology services to other entities which was not performed in the past.
- Operating Transfers In – The original budget was increased by \$190,196 to reflect the actual indirect costs for Special Education federal programs.
- Operating Transfers Out – The original budget was amended to reflect a transfer to the Capital Projects Fund for future construction projects.

Variances between Final Budget and Actual Amounts

No individually significant variances.

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

Special Education Fund

Changes from Original Budget to Final Budget

Local Sources – The District increased the budget for property taxes by \$345,291 to reflect the actual amount of taxes levied which wasn't known when the original budget was created.

State Sources – The budget was amended to reflect an adjustment made by the State to reimburse extra costs of \$209,648 incurred during the prior year.

Federal Sources – The budget was amended to reflect a greater utilization of federal funds to pay for increased special education costs.

Pupil – The budget was amended to correct for a mathematical error in the original budget.

Other – When it was determined that the District was going to have a surplus in the Special Education Fund in the current year, a larger payment was made to local school districts to reimburse them for their special education costs and the budget was amended to reflect this increase of \$270,750.

Variances between Final Budget and Actual Amounts

Local Sources – The District had not recognized property tax revenue in the preceding year of \$86,871 due to a tax tribunal case. That case was settled during the year and those revenues were recognized late in the year causing a budget variance.

Vocational Education Fund

Changes from Original Budget to Final Budget

The budget was not amended during the year.

Variances between Final Budget and Actual Amounts

Other – Startup expenses were budgeted for some new Career and Technical Education programs that weren't expended until after year end resulting in unexpended funds of \$396,664.

Cooperative Education Fund

Changes from Original Budget to Final Budget

Local Sources – The budget for Medicaid revenue was increased by \$300,000 as it became apparent that revenue collections would be greater than originally expected.

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

Federal Sources – The amount budgeted for Nutrition Assistance was reduced by \$103,810 because federal legislation was enacted during the year reducing the grant allocations.

Operations and Maintenance – The budget was increased by \$375,000 during the year to pay for some major technology purchases and building renovations.

Other – The budget was reduced for services no longer contracted from other entities including Great Start Readiness preschool \$75,000, Great Start Collaborative/Great Start Parent Coalition \$127,134, and Medicaid services \$87,000.

Operating Transfers In/Out – The budget was amended by \$425,000 to include transfers between the various projects within this fund. In the past the transfers in and out were netted.

Variations between Final Budget and Actual Amounts

Operations and Maintenance – Parking lot renovations with a budget of \$154,900 were originally scheduled to begin before the fiscal year end were delayed until the following fiscal year.

Funded Projects

Changes from Original Budget to Final Budget

Federal Sources – The district received some grant increases for training workers and helping them find jobs.

Community Services - The district received some grant increases for training workers and helping them find jobs.

Variations between Final Budget and Actual Amounts

Federal Sources – Grants received for training workers and helping them find jobs were not fully expended by year end.

Community Services – Grants received for training workers and helping them find jobs were not fully expended by year end.

VI. Capital Assets and Long-Term Debt Activity during the Year

Capital Assets

A summary of the changes in the District's capital assets is presented on page 15. The significant additions and disposals are described as follows:

Gratiot-Isabella Regional Education Service District
Management Discussion and Analysis
For the Year Ended June 30, 2014

Buildings and Additions – Replace roof and insulation at GTEC, replace a portion of the roof and insulation at Mahoney, replace a portion of the HVAC units at Mahoney, and pole barn improvements at Forest Hill Nature Center.

Furniture – Cubicle partitions purchased for the business office.

Technology Equipment – New phone system and storage area network (SAN).

Construction in Process – Improvements to the parking lot at Mahoney.

Long-Term Debt

A summary of the changes in long-term debt is presented on page 17. Detailed notes for these long-term debts are also on page 17.

VII. Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations.

In the current year, the District had \$28,939,079 in revenues of which \$13,976,363 or 48% was from property taxes. Approximately 10% of the property tax revenue is derived from 161 wind turbines located within the District. These wind turbines are taxed on 50% of their original cost in year 1 and by year 10 they are taxed on 15% of this value. Since these wind turbines depreciate at such a rapid base combined with the fact that they represent a large portion of the property tax base tends to offset any growth in other taxable values of the District. Of the current 161 wind turbines, 133 were placed into service in 2012 and 28 additional turbines were placed into service in 2013. There are currently 19 wind turbines under construction that will be placed into service in 2015 giving the district another boost in property tax revenues for the 2015/2016 fiscal year.

The wind turbines will generate a substantial increase in tax revenues that will decline over a relatively short period of time. The District will have to be careful not to become dependent on this revenue since it will decline each year.

The District along with other schools throughout Michigan are faced with significant budget challenges as the State of Michigan continues to struggle to determine an effective method to provide adequate funding for public education. Districts must continue to provide quality educational services to their students while effectively managing their resources within the ever changing financial landscape for Michigan Schools.

**District-Wide
Financial Statements**



Gratiot-Isabella Regional Education Service District
Statement of Net Position - Governmental Activities
June 30, 2014 and 2013

Assets	2014	2013
Current assets		
Cash and investments	\$ 12,338,823	\$ 9,298,085
Accounts receivable, net	9,580	49,807
Prepaid expenses	35,252	38,379
Due from other governmental units	2,452,980	2,622,662
Total current assets	<u>14,836,635</u>	<u>12,008,933</u>
Noncurrent assets		
Land	81,955	81,955
Capital assets, less accumulated depreciation	3,373,889	3,267,277
Total noncurrent assets	<u>3,455,844</u>	<u>3,349,232</u>
Total assets	<u>18,292,479</u>	<u>15,358,165</u>
Liabilities		
Current liabilities		
Accounts payable	2,848,376	1,267,751
Salaries payable	814,575	797,557
Due to other governmental units	1,191	165,579
Unearned revenues	535,883	651,635
Accrued expenses	434,777	361,157
Current portion of long-term obligations	84,695	84,695
Total current liabilities	<u>4,719,497</u>	<u>3,328,374</u>
Non-current liabilities		
Noncurrent portion of long-term obligations	571,525	656,220
Compensated absences	63,738	64,376
Total non-current liabilities	<u>635,263</u>	<u>720,596</u>
Total liabilities	<u>5,354,760</u>	<u>4,048,970</u>
Net position		
Invested in capital assets, net of related debt	2,799,624	2,608,317
Restricted for:		
Debt service	94	94
Unrestricted	10,138,001	8,700,784
Total net position	<u>\$ 12,937,719</u>	<u>\$ 11,309,195</u>

Gratiot-Isabella Regional Education Service District
Statement of Activities - Governmental Activities
For the Year Ended June 30, 2014 with Comparative Data

Functions / Programs	Expenses	Program Revenues		Governmental Activities Net Revenues (Expense) and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	2014	2013
Governmental activities:					
Instruction	\$ 6,182,944	\$ -	\$ 5,471,045	\$ (711,899)	\$ (324,533)
Support services	12,716,151	2,402,621	4,754,223	(5,559,307)	(6,301,122)
Community service	1,825,915	-	1,611,724	(214,191)	(6,575)
Interest and fees on long-term debt	-	-	-	-	15,756
Other	6,367,493	-	-	(6,367,493)	(4,450,212)
Depreciation - unallocated	218,052	-	-	(218,052)	(213,321)
Total school district	\$ 27,310,555	\$ 2,402,621	\$ 11,836,992	(13,070,942)	(11,280,007)
General revenues:					
Property taxes				13,976,363	10,111,667
State aid not restricted to specific purposes				519,876	725,849
Unrestricted interest and investment earnings				3,272	4,240
Restricted interest and investment earnings				342	475
Other				199,613	426,381
Total general revenues				14,699,466	11,268,612
Change in net position				1,628,524	(11,395)
Net position - beginning				11,309,195	11,320,590
Net position - ending				\$ 12,937,719	\$ 11,309,195

See accompanying notes to financial statements.

Fund Financial Statements



Gratiot-Isabella Regional Education Service District
Balance Sheet - Governmental Funds
June 30, 2014 with Comparative Data

	Major Funds						Total Governmental Funds		
	General	Special Education	Vocational Education	Cooperative Education	Funded Projects	Capital Projects	Debt Service	2014	2013
Assets									
Cash and investments	\$ 2,019,097	\$ 5,747,068	\$ 2,494,639	\$ 1,259,823	\$ 19,315	\$ 798,787	\$ 94	\$ 12,338,823	\$ 9,298,085
Accounts receivable, net	9	7,918	-	1,653	-	-	-	9,580	49,807
Prepaid expenses	11,873	22,700	-	679	-	-	-	35,252	38,379
Due from other funds	222,142	-	52,371	619,904	-	300,000	-	1,194,417	811,670
Due from other governmental units	305,786	1,656,410	-	196,489	294,295	-	-	2,452,980	2,622,662
Total assets	\$ 2,558,907	\$ 7,434,096	\$ 2,547,010	\$ 2,078,548	\$ 313,610	\$ 1,098,787	\$ 94	\$ 16,031,052	\$ 12,820,603
Liabilities									
Accounts payable	\$ 23,707	\$ 515,172	\$ 2,051,632	\$ 161,379	\$ 96,486	\$ -	\$ -	\$ 2,848,376	\$ 1,267,751
Salaries payable	6,118	803,890	-	1,952	2,615	-	-	814,575	797,557
Due to other funds	-	989,497	-	-	204,920	-	-	1,194,417	811,670
Due to other governmental units	376	-	-	815	-	-	-	1,191	165,579
Unearned Revenues	15,765	429,909	-	90,209	-	-	-	535,883	651,635
Accrued expenses	16,391	412,494	-	2,464	3,428	-	-	434,777	361,157
Total liabilities	62,357	3,150,962	2,051,632	256,819	307,449	-	-	5,829,219	4,055,349
Fund balance									
Non Spendable	11,873	22,700	-	679	-	-	-	35,252	38,379
Restricted	-	4,260,434	495,378	1,821,050	6,161	590,616	94	7,173,733	5,990,278
Committed:									
Future Bond Payments	-	-	-	-	-	508,171	-	508,171	592,865
Capital Improvements	-	-	-	-	-	-	-	-	100,000
Future Unemployment Costs	-	-	-	-	-	-	-	-	367,000
Undesignated	\$2,484,677	-	-	-	-	-	-	2,484,677	1,676,732
Total fund balance	2,496,550	4,283,134	495,378	1,821,729	6,161	1,098,787	94	10,201,833	8,765,254
Total liabilities and fund balance	\$ 2,558,907	\$ 7,434,096	\$ 2,547,010	\$ 2,078,548	\$ 313,610	\$ 1,098,787	\$ 94	\$ 16,031,052	\$ 12,820,603

See accompanying notes to financial statements.

Gratiot-Isabella Regional Education Service District
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
 to the Net Position of Governmental Activities on the Statement of Net Position
 For the Year Ended June 30, 2014 and 2013

	2014	2013
Total fund balance - governmental funds	\$ 10,201,833	\$ 8,765,254
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Add: Cost of capital assets	5,494,355	5,240,980
Deduct: Accumulated depreciation	(2,038,511)	(1,891,748)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Compensated absences		
Deduct: Compensated absences payable	(63,738)	(64,376)
Long-term obligations		
Deduct: 2009 improvement bonds	(656,220)	(740,915)
Net position of governmental activities	\$ 12,937,719	\$ 11,309,195

Gratiot-Isabella Regional Education Service District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2014 with Comparative Data

	Major Funds						2014	2013	
	General	Special Education	Vocational Education	Cooperative Education	Funded Projects	Capital Projects	Debt Service	Total	Total
Revenues									
Local sources	\$ 952,523	\$ 11,046,256	\$ 2,617,167	\$ 1,026,229	\$ 195	\$ 342	\$ -	\$ 15,642,712	\$ 11,326,978
Non-edu. entity or political subdivision	-	-	-	25,002	-	-	-	25,002	49,919
State sources	1,164,634	4,857,094	-	284,148	-	-	-	6,305,876	6,439,901
Federal sources	-	3,985,493	-	411,631	1,571,222	-	-	5,968,346	5,823,979
Other sources	550,742	230,974	-	215,427	-	-	-	997,143	715,184
Total revenues	2,667,899	20,119,817	2,617,167	1,962,437	1,571,417	342	-	28,939,079	24,355,961
Expenditures									
Instruction									
Added needs	-	6,140,726	-	-	-	-	-	6,140,726	5,774,979
Adult continuing education	-	-	-	42,856	-	-	-	42,856	71,570
Total instruction	-	6,140,726	-	42,856	-	-	-	6,183,582	5,846,549
Support services									
Pupil	89,122	4,967,914	-	293,911	-	-	-	5,350,947	5,053,324
Instructional staff	515,317	9,766	-	166,887	-	-	-	691,970	652,082
General administration	456,066	304,489	6,205	-	-	-	-	766,760	657,101
School administration	-	669,320	-	-	-	-	-	669,320	624,009
Business	830,076	228,911	12,248	6,471	-	-	-	1,077,706	962,115
Operation and maintenance	179,871	248,636	-	530,416	-	-	-	958,923	682,042
Pupil transportation	-	2,453,030	-	-	-	-	-	2,453,030	2,388,483
Central	626,758	124,221	-	321,087	93	-	-	1,072,159	624,565
Total support services	2,697,210	9,006,287	18,453	1,318,772	93	-	-	13,040,815	11,643,721
Community services	-	-	-	292,428	1,533,487	-	-	1,825,915	2,251,352
Debt service	-	-	-	-	-	-	84,695	84,695	101,201
Other	-	3,971,301	2,103,336	292,856	-	-	-	6,367,493	4,450,212
Total expenditures	2,697,210	19,118,314	2,121,789	1,946,912	1,533,580	-	84,695	27,502,500	24,293,035
Revenues over (under) expenditures	(29,311)	1,001,503	495,378	15,525	37,837	342	(84,695)	1,436,579	62,926
Other financing sources (uses)									
Operating transfers in	901,741	148,000	-	517,061	-	300,000	84,695	1,951,497	1,146,473
Operating transfers (out)	(534,612)	(846,712)	-	(432,835)	(52,643)	(84,695)	-	(1,951,497)	(1,146,473)
Net change in fund balance	337,818	302,791	495,378	99,751	(14,806)	215,647	-	1,436,579	62,926
Fund balance - beginning	2,158,732	3,980,343	-	1,721,978	20,967	883,140	94	8,765,254	8,702,328
Fund balance - ending	\$ 2,496,550	\$ 4,283,134	\$ 495,378	\$ 1,821,729	\$ 6,161	\$ 1,098,787	\$ 94	\$ 10,201,833	\$ 8,765,254

See accompanying notes to financial statements.

Gratiot-Isabella Regional Education Service 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 and 2013

	2014	2013
Net change in fund balances - total governmental funds	\$ 1,436,579	\$ 62,926
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 as depreciation expense.</p>		
Add: Capital outlay	340,817	33,389
Less: Disposal of fixed assets net of accumulated depreciation	(16,153)	(27,444)
Deduct: Depreciation expense	(218,052)	(213,321)
<p>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 funds.</p>		
Add: Decrease in accrual for compensated absences	638	15,282
<p>Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).</p>		
Add: Principal payment on 2009 improvement bonds	84,695	84,695
Add: Principal payment on Durant issue	-	15,756
Add: Principal payment on MMNET loan	-	17,322
Change in net position of governmental activities	\$ 1,628,524	\$ (11,395)

Gratiot-Isabella Regional Education Service District
Statement of Net Position - Fiduciary Fund
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash	\$ 35,302	\$ 49,427
Total assets	<u>35,302</u>	<u>49,427</u>
Liabilities		
Accounts payable	804	461
Due to student activities	<u>34,498</u>	<u>48,966</u>
Total Liabilities	<u>\$ 35,302</u>	<u>\$ 49,427</u>

See accompanying notes to financial statements.

Notes to the Financial Statements



Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Gratiot-Isabella Regional Education Service District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District.

Reporting Entity

The District is governed by a Board of Education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

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 District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-wide and Fund Financial Statements

The District-wide financial statements (i.e. the statement of net position and the statement of 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. All of the District-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, including taxes and intergovernmental payments, not properly included among program revenues are reported instead as general revenues.

Net position are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Financial Statements - The District-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 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.

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

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

The District reports the following major governmental funds:

- The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The debt service fund is used to record tax, interest, other revenue for payment, principal and other expenditures on bond issues.
- The capital projects fund accounts for financial resources used for the acquisition, construction, and improvement of major capital facilities other than those financed by proprietary funds. These resources are derived from contributions from the general fund.
- The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District has three special revenue funds; Cooperative Education Fund, Funded Projects Fund, and Special Education Fund.

Additionally, the District reports the following fund types:

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

The fiduciary fund is accounted for using the cash basis of accounting, which does not have an effect materially different from reporting them on the accrual basis. This fund is used to account for assets that the governmental unit holds for others in an agency capacity. The District has one fiduciary fund.

Comparative Data / Reclassifications

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations.

Certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

Budgets are adopted by the District for the general and special revenue funds. The budgets are adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level and control is exercised at the activity level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District's deposits are in accordance with statutory authority.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the State of Michigan

Property Tax Revenue

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

The taxable value for the District amounted to \$2,616,526,159 and \$2,412,334,952 for the fiscal years ending June 30, 2014 and 2013 respectively. The District levied 0.2640 mills for general operations and 4.0345 mills for special education services in both years. The District successfully passed a new vocational education millage during the year and levied an additional 1.0000 mills for that purpose.

	<u>2014</u>	<u>2013</u>
General Operations Tax Levy	\$ 690,763	\$ 636,856
Special Education Tax Levy	10,556,375	9,732,565
Vocational Education Tax Levy	2,616,526	-0-

State Aid Revenue

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

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

Inventory

Inventories, if any, are valued at cost, on a first in, first out (FIFO) basis. Fund balance is reserved for the amount of inventories on hand as of June 30th.

Capital Assets

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

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

The District does not have infrastructure-type assets.

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the District-wide financial statements.

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	Not Depreciated
Buildings and Improvements	5 - 50
Equipment	5 - 20
MMNet System	20
Technology Equipment	5 - 7
Vehicles	7

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Vacation days are accumulated at variable rates for administrative employees and other full time employees. The District's policy allows employees to accumulate vacation days earned and carry the accumulation for an indefinite period of time into the future. Amounts accumulated are to be paid to the employee and recognized as an expense when vacation days are actually taken. The vacation pay liability at June 30, 2014 and 2013 was \$63,738 and \$64,376 respectively. The vacation pay liability is reflected in the District-wide financial statements.

Sick days are accumulated at variable rates for all employees, depending on position and time of service. Amounts accumulated are paid to the employee and recognized as an expense when sick time is actually taken. Upon termination of employment all sick days are forfeited. Since accumulated sick leave does not vest with the employee, no amount is recognized as a liability in these financial statements.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and District-wide financial statements, and revenue is recognized.

Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position.

Net Position and Fund Balances

Restricted net position shown in the District-wide financial statements will generally be different from amounts reported as fund balances in the governmental funds financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the District-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Fund Balances

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

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

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

- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position – Restrictions

Net position in the District-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Unemployment Compensation

The District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the District must reimburse the Employment Commission for all benefits charged against the District for the year. The District has designated fund balance for possible future claims.

Note 2 - Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations

Budgets are adopted at the functional level and on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in governmental funds.

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2014. The District does not consider these amendments to be significant.

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

During the current year the District incurred expenditures in excess of the amounts budgeted as indicated in the budget comparison report as unfavorable variances.

Note 3 - Deposits and Investments

At June 30th, the carrying amount of the District's cash, deposits and investments were as follows:

<u>Cash, Deposits and Investments</u>	<u>2014</u>	<u>2013</u>
Petty Cash	\$600	\$ 600
Checking, Savings & Money Market Accounts	4,887,877	2,102,519
State Investment Pool – MILAF	7,450,346	7,194,966
 Total	 \$12,338,823	 \$ 9,298,085

Deposits with Financial Institutions

At year-end, the carrying amount of the District's deposits was \$4,887,877 and the bank balance was \$6,072,316. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits that exceed FDIC insurance coverage limits are held at local banks.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

The District voluntarily invests certain excess funds in external pooled investment funds which includes money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school Districts. MILAF is not regulated nor is it registered with the SEC. As of June 30, 2014, MILAF reports the fair value of the District's investments is the same as the value of the pool shares.

Investments

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

Investment Type	Fair Value	Weighted Average Maturity (years)	Standard & Poor's Rating	%
MILAF External Investment pool-MICMS	\$ 6,321,866	0.0027	AAAm	84.9%
MILAF External Investment pool-MIMAX	1,128,629	0.0027	AAAm	15.1%
Total fair value	\$ 7,450,495			100.0%
Portfolio weighted average maturity				
1 day maturity equals 0.0027, one year equals 1.00				

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

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

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

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

Custodial credit risk – deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. See above for amount of deposits held by the District that are exposed to custodial credit risk because it is uninsured and uncollateralized.

Custodial credit risk – investments - For an investment, it is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

Note 4 - Accounts Receivable

Accounts receivable as of June 30th of each year is made up of various amounts due to Gratiot-Isabella Regional Educational Service District but not received until after year-end.

Note 5 - Due from Other Governmental Units

Due from other governmental units as of June 30th, consist of the following:

<u>Due From</u>	<u>2014</u>	<u>2013</u>
General Fund		
State of Michigan – State Aid	\$ 125,960	\$ 145,735
State of Michigan – Retirement	79,489	150,512
Other Schools – Account/Finance Services	75,700	174,000
Other Schools – Technology Services	4,765	-
Other ISD – Truant Officer	16,021	-
Other ISD – Professional Development	3,851	1,234
County – Delinquent Property Taxes	-	192
Total General Fund	<u>\$ 305,786</u>	<u>\$ 471,673</u>
Special Education Fund		
State of Michigan – Flow through	\$ 751,266	\$ 986,328
State of Michigan – State Aid	856,774	855,304
State of Michigan – Preschool	29,350	-
State of Michigan - Transition	415	-
State of Michigan - EOSD	2,104	-
State of Michigan – Early On	15,557	-
Other Schools	944	5,614
County – Delinquent Property Taxes	-	2,939
Total Special Education Fund	<u>\$ 1,656,410</u>	<u>\$ 1,850,185</u>
Cooperative Education Fund		
MI Primary Care Association	\$ 20,000	\$ 17,500
MI Fitness Foundation	122,530	44,028
State of Michigan – Early Childhood Block Grant	34,301	-
State of Michigan – First Robotics	2,819	-
State of Michigan – MDCH	-	1,958
State of Michigan - Great Start Readiness	-	11,132

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

State of Michigan - Great Parents	-	9,911
State of Michigan - Great Start ECIC	-	22,349
Central Area MI Works	8,527	-
Other	8,312	783
Total Cooperative Education Fund	\$ 196,489	\$ 107,661
Funded Projects Fund		
EightCap – Adult	\$ 96,000	\$ 47,544
EightCap – Youth	-	46,045
EightCap – Dislocated Worker	46,510	21,507
EightCap – Wagner Peyser	20,555	19,623
EightCap – NAFTA (Trade)	-	323
EightCap – TAAEA	123,757	42,654
EightCap – TGAAA	35	3,761
EightCap – Negotiated OJT	7,438	6,440
EightCap – EUC	-	5,246
Total Funded Projects Fund	\$ 294,295	\$ 193,143
Total	\$ 2,452,980	\$ 2,622,662

Note 6 - Receivables and Payables

In the fund financial statements the amounts of interfund receivables and payables as of June 30th are as follows:

	<u>Amounts Due From (To)</u>	
<u>Fund</u>	<u>2014</u>	<u>2013</u>
General	\$ 222,142	\$ 389,105
Special Education	(989,497)	(754,667)
Vocational Education	52,371	-
Cooperative Education	619,904	422,565
Funded Projects	(204,920)	(57,003)
Capital Projects	300,000	-
Total	\$ -	\$ -

Note 7 - Prepaid Expenses

Prepaid expenses as of June 30th represent expenditures paid prior to year-end that are allocable to future periods for the following:

	<u>2014</u>	<u>2013</u>
<u>Prepaid Expenses</u>		
Prefunded Dental/Vision Claims	\$ 11,873	\$ 15,000
Prefunded Substitute Teacher Costs	22,700	22,700
Other	679	679
Total	\$ 35,252	\$ 38,379

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

Note 8 - Capital Assets

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

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 81,955	\$ -	\$ -	\$ 81,955
Buildings and Improvements	4,570,601	203,708	(58,877)	4,715,432
Equipment	199,388	-	(28,565)	170,823
Furniture	38,526	13,440	-	51,966
MMNet System	74,620	-	-	74,620
Technology Equipment	275,890	109,544	-	385,434
Construction in Process	-	14,125	-	14,125
Total Capital Assets	5,240,980	340,817	(87,442)	5,494,355
Accumulated Depreciation				
Buildings and Improvements	(1,517,747)	(144,238)	42,724	(1,619,261)
Equipment	(137,696)	(12,750)	28,565	(121,881)
Furniture	(9,096)	(4,861)	-	(13,957)
MMNet System	(55,965)	(3,731)	-	(59,696)
Technology Equipment	(171,244)	(52,472)	-	(223,716)
Total Accumulated Depreciation	(1,891,748)	(218,052)	71,289	(2,038,511)
Net Capital Assets	\$ 3,349,232	\$ 122,765	\$(16,153)	\$ 3,455,844

Depreciation for the year ended June 30th totaled \$218,052. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Note 9 - Salaries Payable

Salaries payable represent the remaining balance on teacher contracts to be paid during the summer and other wages earned but not paid as of June 30th.

Note 10 - Accrued Expenses

Accrued expenses as of June 30th are as follows:

	<u>Accrued Expense</u>	<u>2014</u>	<u>2013</u>
Retirement		\$ 278,837	\$ 192,407
FICA		62,315	60,511
Fringes		91,186	93,783
Unemployment		2439	3,324
Great Start Readiness Program		-	11,132
		<hr/>	<hr/>
Total		<u><u>\$ 434,777</u></u>	<u><u>\$ 361,157</u></u>

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

Note 11 - Unearned Revenue

Unearned revenue represents cash received in advance of the period in which it was earned. Revenues in excess of expenditures on special purpose grants are recorded as unearned revenues until spent or refunded to the grantor. Gratiot-Isabella RESD incurred the following unearned revenue as of the end of the current fiscal year:

<u>Unearned Revenue</u>	<u>2014</u>	<u>2013</u>
ECIC, GPGS, and 32p Block Grant	\$ 90,209	\$ 92,330
TGAAA, Trade TAA, and TAAEA Grants	-	69,481
State of Michigan	180,000	140,912
Property Taxes – Tax Tribunal	261,873	348,744
Other	3,801	168
Total	\$ 535,883	\$ 651,635

Note 12 - Long-term Debt

2009 School Improvement Bonds

On October 1, 2009, the District issued bonds totaling \$995,000 for the purpose of renovating the Winding Brook Conference Center. The bonds were issued under the American Recovery and Reinvestment Act – Qualified School Construction Bonds (ARRA-QSCB) program and bear a bond interest rate of 0%. The bonds mature on October 1, 2019. Rather than pay a lump sum payment of \$995,000 when the bonds mature, the District has entered an agreement with the purchaser of the bonds where the District will make ten annual set-aside payments of \$84,695.19 which will be invested in a set-aside account earning 3.5% interest. These ten set-aside payments along with the projected interest earnings of \$148,048.07 will be used to retire the debt when it matures.

Changes in general long-term debt during the year ended June 30, 2014 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Less: Current Portion	Total due after one year
Comp. Absences	\$ 64,376	\$ -	\$ 638	\$ 63,738	\$ -	\$ 63,738
2009 Improvement Bonds	740,915	-	84,695	656,220	84,695	571,525
Total	\$ 805,291	\$ -	\$ 85,333	\$ 719,958	\$ 84,695	\$ 635,263

The annual requirements to pay principal and interest on the outstanding obligations on June 30, 2014 are shown in the *Schedule of Long-Term Debt* at the back of this report.

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

Note 13 – Transfers between funds

During the year the following transfers were made between funds:

	<u>2014</u>	<u>2013</u>
The general fund made the following transfers to -		
Special education fund for general expenditures.	\$ 148,000	\$ 148,000
Cooperative education fund for general expenditures	86,612	78,254
Capital projects for facility improvements	300,000	
The cooperative education fund made the following transfers to -		
General fund for general expenditures.	7,835	4,451
Cooperative education fund to transfer money to other programs	425,000	
The funded projects fund made the following transfers to -		
General fund for general expenditures.	52,643	110,405
The special education fund made the following transfers to -		
Cooperative education fund for general expenditures.	5,449	22,449
General fund for general expenditures.	841,263	698,219
The capital projects fund made the following transfers to -		
Debt fund for general expenditures.	84,695	84,695
Total	<u>\$ 1,951,497</u>	<u>\$ 1,146,473</u>

Note 14 - Employee Retirement System

Plan Description - The 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>. The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget.

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.

Pension Reform

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an

Gratiot-Isabella Regional Education Service District
Notes to the Financial Statements
June 30, 2014

employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

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

Option 1

Members voluntarily elected to increase their contributions to the pension fund and retain the 1.5% pension factor in their pension formula. Basic Plan members were to contribute 4% and MIP (Fixed, Graded and Plus) members were to contribute 7%. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

Option 2

Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3

Members voluntarily elected maintain their current level of contribution to the pension fund and therefore not increase their contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4

Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution (DC) plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their *total* years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Non-electing Members

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

New Members

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

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 and 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. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

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

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. For the period October 1 through September 30, the District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employee's contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

The District's contributions to MPSERS were \$2,546,819 for the year ending June 30, 2014, \$2,290,874 for the year ending June 30, 2013 and \$2,047,756 for the year ending June 30, 2012.

Included in the amounts paid above, the District received \$436,994 for the year ending June 30, 2014 and \$165,579 for the year ending June 30, 2013 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures.

Other Postemployment Benefits

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

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

The District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

Note 15 - 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; and natural disasters for which the District carries commercial insurance. Settled claims for the commercial insurance, if any, have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Note 16 - Joint Venture

During the year ended June 30, 1999 the District elected to join the Middle Michigan Network for Educational Telecommunications (MMNET). As a member of MMNET, the District was required to purchase a 12.5% undivided interest in various communication equipment and services. Gratiot-Isabella RESD is the administrative agent for MMNET. Information regarding the purchase of equipment and services is shown in the above notes.

The MMNET Consortium was established by a previously approved inter-local Consortium Agreement among the following entities: Beal City Public Schools, Breckenridge Community Schools, Clinton County RESA, Central Montcalm Public Schools, DeWitt Public Schools, Fulton Schools, Gratiot-Isabella RESD, Ovid-Elsie Area Schools, and St. Johns Public Schools. The purpose of MMNET is to provide for interactive voice/video/data interconnections and services required for, or useful in, the instruction and training of students and other persons utilizing the participants services, the conducting of research, or the administrative operations of the participants; and to enable the participants to cooperatively share their resources for the ownership, financing, installation, administration and operation of MMNET.

Requests for additional financial information relating to MMNET should be addressed to:

Gratiot-Isabella RESD
Business Office
1131 E. Center Street, P.O. Box 310
Ithaca, MI 48847-0310

NOTE 17 - 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 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.

Required Supplemental Information

Budgetary Comparison Schedules



Gratiot-Isabella Regional Education Service District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local sources	\$ 753,916	\$ 943,398	\$ 952,523	\$ 9,125
State sources	1,007,072	1,176,169	1,164,634	(11,535)
Federal sources	5,000	-	-	-
Other sources	175,000	488,770	550,742	61,972
Total revenues	1,940,988	2,608,337	2,667,899	59,562
Expenditures				
Support services				
Pupil	89,057	87,721	89,122	(1,401)
Instructional staff	646,759	544,676	515,317	29,359
General administration	510,975	499,457	456,066	43,391
Business	991,244	869,736	830,076	39,660
Operation and maintenance	201,803	200,650	179,871	20,779
Central	246,781	700,758	626,758	74,000
Total support services	2,686,619	2,902,998	2,697,210	205,788
Other	-	-	-	-
Total expenditures	2,686,619	2,902,998	2,697,210	205,788
Revenues over (under) expenditures	(745,631)	(294,661)	(29,311)	265,350
Other financing sources (uses)				
Operating transfers in	730,989	901,543	901,741	198
Operating transfers (out)	(259,500)	(532,500)	(534,612)	(2,112)
Net change in fund balance	(274,142)	74,382	337,818	263,436
Fund balance - beginning	2,158,732	2,158,732	2,158,732	-
Fund balance - ending	\$ 1,884,590	\$ 2,233,114	\$ 2,496,550	\$ 263,436

Gratiot-Isabella Regional Education Service District
 Budgetary Comparison Schedule for the Special Education Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local sources	\$ 10,521,000	\$ 10,864,991	\$ 11,046,256	\$ 181,265
State sources	4,570,725	4,814,733	4,857,094	42,361
Federal sources	3,471,065	4,045,238	3,985,493	(59,745)
Other sources	275,000	230,974	230,974	-
Total revenues	18,837,790	19,955,936	20,119,817	163,881
Expenditures				
Instruction				
Added needs	6,076,277	6,149,076	6,140,726	8,350
Total instruction	6,076,277	6,149,076	6,140,726	8,350
Support services				
Pupil	4,580,844	5,030,032	4,967,914	62,118
Instructional staff	13,500	13,300	9,766	3,534
General administration	307,458	304,196	304,489	(293)
School administration	627,995	677,914	669,320	8,594
Business	316,784	237,939	228,911	9,028
Operation and maintenance	225,036	282,517	248,636	33,881
Pupil transportation	2,520,000	2,529,000	2,453,030	75,970
Central	118,229	146,445	124,221	22,224
Total support services	8,709,846	9,221,343	9,006,287	215,056
Other	3,700,000	3,970,750	3,971,301	(551)
Total expenditures	18,486,123	19,341,169	19,118,314	222,855
Revenues over (under) expenditures	351,667	614,767	1,001,503	386,736
Other financing sources (uses)				
Operating transfers in	148,000	148,000	148,000	-
Operating transfers (out)	(842,945)	(869,800)	(846,712)	23,088
Net change in fund balance	(343,278)	(107,033)	302,791	409,824
Fund balance - beginning	3,980,343	3,980,343	3,980,343	-
Fund balance - ending	\$ 3,637,065	\$ 3,873,310	\$ 4,283,134	\$ 409,824

Gratiot-Isabella Regional Education Service District
 Budgetary Comparison Schedule for the Vocational Education Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local sources	\$ 2,605,113	\$ 2,605,113	\$ 2,617,167	\$ 12,054
Total revenues	2,605,113	2,605,113	2,617,167	12,054
Expenditures				
Support services				
General administration	6,000	6,000	6,205	(205)
Business	32,100	32,100	12,248	19,852
Total support services	38,100	38,100	18,453	19,647
Other	2,500,000	2,500,000	2,103,336	396,664
Total expenditures	2,538,100	2,538,100	2,121,789	416,311
Revenues over (under) expenditures	67,013	67,013	495,378	428,365
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ 67,013	\$ 67,013	\$ 495,378	\$ 428,365

Gratiot-Isabella Regional Education Service District
 Budgetary Comparison Schedule for the Cooperative Education Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local sources	\$ 678,280	\$ 977,136	\$ 1,026,229	\$ 49,093
Non-educational entity or political subdivision	2,000	24,246	25,002	756
State sources	347,000	344,571	284,148	(60,423)
Federal sources	582,565	486,931	411,631	(75,300)
Other sources	222,267	222,267	215,427	(6,840)
Total revenues	1,832,112	2,055,151	1,962,437	(92,714)
Expenditures				
Instruction				
Adult / continuing education	40,000	44,057	42,856	1,201
Total instruction	40,000	44,057	42,856	1,201
Support services				
Pupil	382,049	344,627	293,911	50,716
Instructional staff	133,912	169,811	166,887	2,924
Business	10,000	7,000	6,471	529
Operation and maintenance	366,029	686,574	530,416	156,158
Central	326,317	348,322	321,087	27,235
Total support services	1,218,307	1,556,334	1,318,772	237,562
Community services	254,800	358,318	292,428	65,890
Other	594,000	304,866	292,856	12,010
Total expenditures	2,107,107	2,263,575	1,946,912	316,663
Revenues over (under) expenditures	(274,995)	(208,424)	15,525	223,949
Other financing sources (uses)				
Operating transfers in	96,000	517,061	517,061	-
Operating transfers (out)	(74,000)	(432,204)	(432,835)	(631)
Net change in fund balance	(252,995)	(123,567)	99,751	223,318
Fund balance - beginning	1,721,978	1,721,978	1,721,978	-
Fund balance - ending	\$ 1,468,983	\$ 1,598,411	\$ 1,821,729	\$ 223,318

Gratiot-Isabella Regional Education Service District
 Budgetary Comparison Schedule for the Funded Projects Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local sources	\$ -	\$ -	\$ 195	\$ 195
Federal sources	888,173	1,519,287	1,571,222	51,935
Total revenues	<u>888,173</u>	<u>1,519,287</u>	<u>1,571,417</u>	<u>52,130</u>
Expenditures				
Central	-	-	93	(93)
Community services	827,750	1,463,388	1,533,487	(70,099)
Total expenditures	<u>827,750</u>	<u>1,463,388</u>	<u>1,533,580</u>	<u>(70,192)</u>
Revenues over (under) expenditures	60,423	55,899	37,837	(18,062)
Other financing sources (uses)				
Operating transfers (out)	(60,423)	(55,899)	(52,643)	3,256
Net change in fund balance	-	-	(14,806)	(14,806)
Fund balance - beginning	<u>20,967</u>	<u>20,967</u>	<u>20,967</u>	<u>-</u>
Fund balance - ending	<u>\$ 20,967</u>	<u>\$ 20,967</u>	<u>\$ 6,161</u>	<u>\$ (14,806)</u>

Other Supplemental Information



Gratiot-Isabella Regional Education Service District
General Fund
Statement of Revenues
For the Years Ended June 30, 2014 and 2013

	2014	2013
Local sources		
Property taxes	\$ 692,453	\$ 621,876
Interest	1,565	1,879
Other local revenues	258,505	88,683
Total local sources	952,523	712,438
State sources		
Unrestricted		
Section 81	682,048	682,591
Renaissance zone	2,537	903
Best practices	21,659	21,659
Restricted		
Section 147c - retirement	436,994	165,579
Technology infrastructure	7,146	2,018
Vocational education administration	14,250	14,000
Total state sources	1,164,634	886,750
Other financing sources		
Other sources	550,742	203,217
Transfers from other funds	901,741	813,075
Total other financing sources	1,452,483	1,016,292
Total general fund revenues and other financing sources	\$ 3,569,640	\$ 2,615,480

Gratiot-Isabella Regional Education Service District
 General Fund
 Statement of Expenditures
 For the Years Ended June 30, 2014 and 2013

	2014	2013
Support services		
Pupil		
Attendance		
Salaries	\$ 46,369	\$ 47,156
Employee benefits	22,215	27,533
Purchased services	10,398	10,226
Supplies and materials	140	-
Total attendance	<u>79,122</u>	<u>84,915</u>
Other pupil services		
Payments to other schools	<u>10,000</u>	<u>-</u>
Total pupil	<u>89,122</u>	<u>84,915</u>
Instructional staff		
Curriculum coordinator		
Salaries	74,420	72,828
Employee benefits	46,124	53,451
Purchased services	14,195	13,052
Supplies and materials	-	374
Other	1,078	2,604
Total curriculum coordinator	<u>135,817</u>	<u>142,309</u>
Audiovisual		
Salaries	206,250	195,956
Employee benefits	134,256	152,857
Purchased services	33,343	22,207
Supplies and materials	120	295
Other	5,531	5,523
Total audiovisual	<u>379,500</u>	<u>376,838</u>
Total instructional staff	<u>515,317</u>	<u>519,147</u>
General administration		
Board of education		
Employee benefits	129	277
Purchased services	<u>108,806</u>	<u>59,934</u>
Total board of education	<u>108,935</u>	<u>60,211</u>

Gratiot-Isabella Regional Education Service District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2014 and 2013

	2014	2013
Support services (continued)		
General administration (continued)		
Executive administration		
Salaries	\$ 199,803	\$ 188,473
Employee benefits	108,479	122,026
Purchased services	17,560	13,207
Supplies and materials	4,210	1,142
Other	17,079	15,090
Total executive administration	<u>347,131</u>	<u>339,938</u>
Total general administration	<u>456,066</u>	<u>400,149</u>
Business		
Fiscal services		
Salaries	420,618	402,558
Employee benefits	248,362	282,743
Purchased services	25,017	8,878
Other	2,020	1,851
Total fiscal services	<u>696,017</u>	<u>696,030</u>
Internal services		
Salaries	45,645	41,896
Employee benefits	26,759	28,680
Purchased services	6,076	6,115
Supplies and materials	35,052	32,088
Capital outlay	877	-
Other	2,400	-
Total internal services	<u>116,809</u>	<u>108,779</u>
Other business services		
Purchased services	9,819	9,770
Other	7,431	2,261
Total other business services	<u>17,250</u>	<u>12,031</u>
Total business	<u>830,076</u>	<u>816,840</u>
Operations and maintenance		
Salaries	48,985	44,040
Employee benefits	31,992	36,188
Purchased services	50,705	30,975
Supplies and materials	48,189	44,876
Total operations and maintenance	<u>179,871</u>	<u>156,079</u>

Gratiot-Isabella Regional Education Service District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2014 and 2013

	2014	2013
Support services (continued)		
Central		
Planning, research and development and evaluation		
Salaries	\$ -	\$ 22,007
Employee benefits	-	6,468
Purchased services	-	312
Payments of other schools	12,492	11,690
	12,492	11,690
Total planning, research and development and evaluation	12,492	40,477
Staff and personnel services		
Purchased services	139	93
	139	93
Total staff and personnel services	140	93
Technology		
Salaries	206,906	12,794
Employee benefits	124,088	11,112
Purchased services	189,490	117,894
Supplies and materials	46,823	-
Capital outlay	4,603	-
Other	6,641	3,351
	578,551	145,151
Total data processing	578,551	145,151
Pupil accounting		
Payments to other schools	35,575	31,272
	35,575	31,272
Total pupil accounting	35,575	31,272
Total central	626,758	216,993
Total support services	2,697,210	2,194,123
Other financing uses		
Operating transfers out	534,612	226,254
	534,612	226,254
Total other financing uses	534,612	226,254
Total expenditures	\$ 3,231,822	\$ 2,420,377

Gratiot-Isabella Regional Education Service District
Special Education Fund
Statement of Revenues
For the Year Ended June 30, 2014 and 2013

	2014	2013
Local sources		
Property taxes	\$ 10,666,743	\$ 9,489,791
Interest	1,330	1,750
Charges for services	371,755	361,172
Other local revenues	6,428	5,490
Total local sources	<u>11,046,256</u>	<u>9,858,203</u>
State sources		
Restricted		
Membership - section 52	1,482,005	1,399,690
Renaissance Zone	55,083	14,143
Special education - section 51	2,841,762	2,955,414
Special education - section 53	13,451	86,589
Special education - section 56	464,793	711,706
Total state sources	<u>4,857,094</u>	<u>5,167,542</u>
Federal sources		
Restricted		
P.L. 94-142 flowthrough	3,642,102	2,961,954
P.L. 94-142 preschool incentive	129,384	130,025
P.L. 94-142 state initiated projects - EOSD	50,000	50,000
Transition service	58,000	58,000
Infant / toddler formula	106,007	157,688
Total federal sources	<u>3,985,493</u>	<u>3,357,667</u>
Incoming transfers and other transactions		
Payments from other school districts	<u>230,974</u>	<u>273,951</u>
Total incoming transfers and other transactions	<u>230,974</u>	<u>273,951</u>
Other financing sources		
Transfers from other funds	<u>148,000</u>	<u>148,000</u>
Total other financing sources	<u>148,000</u>	<u>148,000</u>
Total revenues	<u><u>\$ 20,267,817</u></u>	<u><u>\$ 18,805,363</u></u>

Gratiot-Isabella Regional Education Service District
Special Education Fund
Statement of Expenditures
For the Year Ended June 30, 2014 and 2013

	2014	2013
Instruction		
Added needs		
Special education instruction		
Salaries	\$ 3,162,099	\$ 3,073,903
Employee benefits	2,157,588	1,959,499
Purchased services	174,246	134,006
Supplies and materials	29,279	20,996
Capital outlay	4,660	5,439
Payments to other schools for services	612,854	581,136
	6,140,726	5,774,979
Total special education instruction	6,140,726	5,774,979
Total added needs	6,140,726	5,774,979
Support services		
Pupil services		
Guidance Services		
Salaries	37,468	-
Employee benefits	21,811	-
Purchased services	13,872	-
Supplies and materials	1,983	-
	75,134	-
Total health services	75,134	-
Health services		
Salaries	726,157	720,934
Employee benefits	429,191	375,435
Purchased services	45,125	93,173
Supplies and materials	27,239	4,931
	1,227,712	1,194,473
Total health services	1,227,712	1,194,473
Psychological services		
Salaries	374,985	364,772
Employee benefits	198,781	177,409
Purchased services	9,381	9,513
Supplies and materials	33,359	17,336
	616,506	569,030
Total psychological services	616,506	569,030
Speech pathology services		
Salaries	1,014,935	1,031,367
Employee benefits	591,132	518,764
Purchased services	29,716	29,031
Supplies and materials	2,458	5,402
Payments to other schools for services	22,187	23,978
	1,660,428	1,608,542
Total speech pathology services	1,660,428	1,608,542

Gratiot-Isabella Regional Education Service District
Special Education Fund
Statement of Expenditures
For the Year Ended June 30, 2014 and 2013

	2014	2013
Support services (continued)		
Pupil services (continued)		
Social worker services		
Salaries	\$ 363,244	\$ 356,566
Employee benefits	226,567	199,742
Purchased services	14,159	15,205
Supplies and materials	2,461	4,282
Total social worker services	<u>606,431</u>	<u>575,795</u>
Teacher consultant services		
Salaries	208,107	203,253
Employee benefits	112,995	104,318
Purchased services	75,788	74,588
Supplies and materials	298	1,491
Total teacher consultant services	<u>397,188</u>	<u>383,650</u>
Other pupil services		
Salaries	235,179	251,281
Employee benefits	123,990	118,755
Purchased services	21,064	18,358
Supplies and materials	4,282	2,759
Total other pupil services	<u>384,515</u>	<u>391,153</u>
Total pupil services	<u>4,967,914</u>	<u>4,722,643</u>
Instructional staff		
Improvement of instruction		
Purchased services	7,462	6,347
Supplies and materials	2,280	3,718
Total improvement of instruction	<u>9,742</u>	<u>10,065</u>
Educational media		
Supplies and materials	24	60
Total educational media	<u>24</u>	<u>60</u>
Total instructional staff	<u>9,766</u>	<u>10,125</u>
General administration		
Board of education		
Purchased services	45,683	15,836
Other	1,577	1,762
Total board of education	<u>47,260</u>	<u>17,598</u>

Gratiot-Isabella Regional Education Service District
Special Education Fund
Statement of Expenditures
For the Year Ended June 30, 2014 and 2013

	2014	2013
Support services (continued)		
General administration (continued)		
Executive administration		
Salaries	\$ 149,418	\$ 147,213
Employee benefits	100,380	88,231
Purchased services	4,986	3,170
Supplies and materials	1,884	-
Other	561	740
Total executive administration	257,229	239,354
Total general administration	304,489	256,952
School administration		
Supervision and direction of instructional staff		
Salaries	377,345	360,287
Employee benefits	249,172	223,253
Purchased services	18,333	18,819
Supplies and materials	24,470	21,650
Total school administration	669,320	624,009
Business services		
Fiscal services		
Salaries	10,184	-
Employee benefits	8,451	-
Total Fiscal services	18,635	-
Internal services		
Purchased services	5,815	7,683
Supplies and materials	13,638	19,948
Total internal services	19,453	27,631
Other business services		
Purchased services	77,914	77,967
Other	112,909	33,282
Total other business services	190,823	111,249
Total business services	228,911	138,880

Gratiot-Isabella Regional Education Service District
Special Education Fund
Statement of Expenditures
For the Year Ended June 30, 2014 and 2013

	2014	2013
Support services (continued)		
Operations and maintenance		
Salaries	\$ 26,913	\$ 25,179
Employee benefits	15,520	15,978
Purchased services	157,366	138,019
Supplies and materials	40,669	28,956
Other	-	180
Payments to other schools	8,168	4,906
Total operations and maintenance	<u>248,636</u>	<u>213,218</u>
Pupil transportation		
Contracted services	<u>2,453,030</u>	<u>2,388,483</u>
Central		
Planning, research development and evaluation		
Salaries	31,620	35,084
Employee benefits	13,965	12,230
Purchased services	515	-
Total planning, research development and evaluation	<u>46,100</u>	<u>47,314</u>
Staff and personnel services		
Contracted services	<u>2,629</u>	<u>1,411</u>
Total staff and personnel services	<u>2,629</u>	<u>1,411</u>
Data processing		
Salaries	14,807	26,005
Employee benefits	5,908	13,645
Purchased services	54,777	41,331
Total data processing	<u>75,492</u>	<u>80,981</u>
Total central	<u>124,221</u>	<u>129,706</u>
Total support services	<u>9,006,287</u>	<u>8,484,016</u>
Community services		
Parent training		
Purchased services	<u>-</u>	<u>227</u>
Payments to other governmental agencies		
Payments to other schools	3,954,341	3,757,271
Payments to other governmental entities	<u>16,960</u>	<u>149,421</u>
Total payments to other governmental agencies	<u>3,971,301</u>	<u>3,906,692</u>

Gratiot-Isabella Regional Education Service District
Special Education Fund
Statement of Expenditures
For the Year Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Other financing uses		
Operating transfers out	<u>\$ 846,712</u>	<u>\$ 720,668</u>
Total other financing uses	<u>846,712</u>	<u>720,668</u>
Total expenditures	<u>\$ 19,965,026</u>	<u>\$ 18,886,582</u>

Gratiot-Isabella Regional Education Service District
Vocational Education
Statement of Revenues and Expenditures
For the Year Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Local sources		
Property taxes	\$ 2,617,167	\$ -
Total revenues	<u>\$ 2,617,167</u>	<u>\$ -</u>
Expenditures		
Support services		
General administration		
Board of education		
Purchased services	\$ 6,205	\$ -
Business services		
Other business services		
Other	12,248	-
Total support services	<u>18,453</u>	<u>-</u>
Payments to other governmental agencies		
Payments to other schools	<u>2,103,336</u>	<u>-</u>
Total expenditures	<u>\$ 2,121,789</u>	<u>\$ -</u>

Gratiot-Isabella Regional Education Service District
 Cooperative Education Fund
 Statement of Revenues
 For the Years Ended June 30, 2014 and 2013

	2014	2013
Local sources		
Interest	\$ 364	\$ 586
Charges for services	797,930	384,386
Rentals	40,200	53,067
Donations	57,644	69,059
Other local revenues	130,091	248,739
Total local sources	<u>1,026,229</u>	<u>755,837</u>
Non-educational entity or political subdivision		
Community Foundation	3,356	2,927
Commodities	21,646	46,992
Total non-educational entity or political subdivision	<u>25,002</u>	<u>49,919</u>
State sources		
Restricted		
First Robotics	15,500	-
Great parents great start	10,870	87,687
Great start ecic collagerative	186,255	142,563
Great start readiness	-	61,200
Michigan model health	71,523	77,653
Total state sources	<u>284,148</u>	<u>369,103</u>
Federal sources		
Unrestricted		
Medicaid	72,763	69,795
Restricted		
Nutrition assistance	332,466	150,957
Other	6,402	783
Federal sources	<u>411,631</u>	<u>221,535</u>
Incoming transfers and other transactions		
Payments from other schools	215,427	238,016
Total incoming transfers and other transactions	<u>215,427</u>	<u>238,016</u>
Other financing sources		
Operating transfers in	517,061	100,703
Total financing sources	<u>517,061</u>	<u>100,703</u>
Total Revenues	<u>\$ 2,454,496</u>	<u>\$ 1,685,194</u>

Gratiot-Isabella Regional Education Service District
 Cooperative Education Fund
 Statement of Expenditures
 For the Years Ended June 30, 2014 and 2013

	2014	2013
Instruction		
High School/Adult Occupational Training		
Salaries	\$ 5,000	\$ 33,502
Employee benefits	6,125	17,734
Purchased services	21,401	12,317
Supplies and materials	10,330	8,017
	<u>42,856</u>	<u>71,570</u>
Support services		
Pupil services		
Other pupil services		
Salaries	74,645	97,229
Employee benefits	45,927	55,602
Purchased services	93,029	28,007
Supplies and materials	50,109	38,553
Other	30,201	26,375
	<u>293,911</u>	<u>245,766</u>
Total pupil services		
Instructional staff		
Improvement of instruction		
Purchased services	21,097	22,132
Supplies and materials	23,467	19,643
Other	26,973	57,658
	<u>71,537</u>	<u>99,433</u>
Total improvement of instruction		
Educational media		
Salaries	1,075	12,490
Employee benefits	871	8,372
Purchased services	102	1,505
Payments to other schools	1,055	1,010
	<u>3,103</u>	<u>23,377</u>
Total educational media		
Technology assisted instruction		
Purchased services	1,500	-
Payments to other schools	17,160	-
	<u>18,660</u>	<u>-</u>
Total technology assisted instruction		

Gratiot-Isabella Regional Education Service District
 Cooperative Education Fund
 Statement of Expenditures
 For the Years Ended June 30, 2014 and 2013

	2014	2013
Support services (continued)		
Instructional staff (continued)		
Staff Supervision		
Salaries	\$ 41,625	\$ -
Employee benefits	29,262	-
Employee benefits	2,700	-
	<u>73,587</u>	<u>-</u>
Total educational media		
	<u>73,587</u>	<u>-</u>
Total instructional staff	<u>166,887</u>	<u>122,810</u>
Business services		
Other business services		
Purchased services	6,471	6,395
	<u>6,471</u>	<u>6,395</u>
Total business services	<u>6,471</u>	<u>6,395</u>
Operations and maintenance		
Salaries	23,391	19,359
Employee benefits	12,348	10,256
Purchased services	79,769	63,834
Supplies and materials	56,165	145,143
Capital outlay	355,466	69,247
Payments to other schools	3,277	4,906
	<u>530,416</u>	<u>312,745</u>
Total operations and maintenance	<u>530,416</u>	<u>312,745</u>
Central		
Planning research and evaluation		
Purchased services	1,121	-
	<u>1,121</u>	<u>-</u>
Communication services		
Purchased services	67	-
	<u>67</u>	<u>-</u>
Staff and personnel services		
Purchased services	15,584	14,873
Other	342	456
	<u>15,926</u>	<u>15,329</u>
Total staff and personnel services	<u>15,926</u>	<u>15,329</u>

Gratiot-Isabella Regional Education Service District
 Cooperative Education Fund
 Statement of Expenditures
 For the Years Ended June 30, 2014 and 2013

	2014	2013
Support services (continued)		
Central services (continued)		
Data processing		
Salaries	\$ 100,048	\$ 107,665
Employee benefits	65,626	64,159
Purchased services	12,847	8,740
Supplies and materials	38,398	38,193
Other	55	50
Total data processing	<u>216,974</u>	<u>218,807</u>
Pupil activities		
Purchased services	81,309	43,451
Other	5,690	-
Total pupil activities	<u>86,999</u>	<u>43,451</u>
Total central	<u>321,087</u>	<u>277,587</u>
Total support services	<u>1,318,772</u>	<u>965,303</u>
Community services		
Community recreation		
Purchased services	35,868	36,767
Supplies and materials	850	803
Capital outlay	16,188	5,481
Other	8,015	8,351
Total community recreation	<u>60,921</u>	<u>51,402</u>
Community activities		
Salaries	17,553	-
Employee benefits	10,768	-
Purchased services	4,021	-
Other	679	-
Total community activities	<u>33,021</u>	<u>-</u>

Gratiot-Isabella Regional Education Service District
 Cooperative Education Fund
 Statement of Expenditures
 For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Community services (continued)		
Other community services		
Salaries	\$ 43,006	\$ -
Employee benefits	20,364	-
Purchased services	114,404	36,853
Supplies and materials	19,279	10,139
Supplies and materials	1,433	-
Total other community services	<u>198,486</u>	<u>46,992</u>
Total community services	<u>292,428</u>	<u>98,394</u>
Payments to other governmental agencies		
Payments to other schools	230,990	299,566
Payments to other governmental entities	61,866	243,954
Total payments to other governmental agencies	<u>292,856</u>	<u>543,520</u>
Other financing uses		
Operating transfers out	432,835	4,451
Total other financing uses	<u>432,835</u>	<u>4,451</u>
Total expenditures	<u>\$ 2,379,747</u>	<u>\$ 1,683,238</u>

Gratiot-Isabella Regional Education Service District
 Funded Projects Fund
 Statement of Revenues and Expenditures
 For the Years Ended June 30, 2014 and 2013

	2014	2013
Revenues		
Local sources		
Interest	\$ 13	\$ 25
Other local revenues	182	-
Total local sources	<u>195</u>	<u>25</u>
Federal sources		
Restricted		
Workforce in action - adult	515,808	655,190
Workforce in action - dislocated worker	273,434	245,615
Workforce in action - youth activities		584,551
Employment services/Wagner-Peyser	203,724	268,338
Trade adjustment assistance	<u>578,256</u>	<u>491,083</u>
Total federal sources	<u>1,571,222</u>	<u>2,244,777</u>
Total revenues	<u>1,571,417</u>	<u>2,244,802</u>
Expenditures		
Central		
Staff and personnel services		
Contracted services	<u>93</u>	<u>279</u>
Total central services	<u>93</u>	<u>279</u>
Community services		
Employment programs		
Salaries	315,140	640,374
Employee benefits	178,970	337,914
Purchased services	12,107	122,463
Supplies and materials	7,956	11,079
Other	<u>1,019,314</u>	<u>1,040,901</u>
Total community services	<u>1,533,487</u>	<u>2,152,731</u>
Other financing uses		
Operating transfers out	<u>52,643</u>	<u>110,405</u>
Total other financing uses	<u>52,643</u>	<u>110,405</u>
Total expenditures	<u>\$ 1,586,223</u>	<u>\$ 2,263,415</u>

Gratiot-Isabella Regional Education Service District
 Capital Projects Fund
 Statement of Revenues and Expenditures
 For the Years Ended June 30, 2014 and 2013

	2014	2013
Revenues		
Local sources		
Interest	\$ 342	\$ 475
Other financing sources		
Operating transfers in	300,000	-
Total revenues	300,342	475
Expenditures		
Outgoing transfers and other transactions		
Debt service	84,695	84,695
Total expenditures	\$ 84,695	\$ 84,695

Gratiot-Isabella Regional Education Service District
Schedule of Long-Term Debt
For the Year Ended June 30, 2014

Maturity Date	Interest Rate (%)	Annual Principal Due	Interest Due		Total
			November	May	
2009 School Improvement Bonds - \$995,000					
Due October 1,					
2014	0.00%	\$ 84,695	-	-	\$ 84,695
2015	0.00%	84,695	-	-	84,695
2016	0.00%	84,695	-	-	84,695
2017	0.00%	84,695	-	-	84,695
2018	0.00%	84,695	-	-	84,695
2019	0.00%	232,745	-	-	232,745
		<u>\$ 656,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,220</u>

The District is to make annual contributions of \$84,695 to a set-aside account. On October 1, 2019, the District is to repay the bond in full from the set-aside deposits and interest earned on those deposits. If the balance in the set-aside account does not equal the principal due, the District shall increase or decrease the account accordingly. This potential adjustment to the set-aside account has been shown as a balloon payment on October 1, 2019 in the table above.