

JOHANNESBURG-LEWISTON AREA SCHOOLS  
BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

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## **INDEPENDENT AUDITOR'S REPORT**

October 24, 2013

Board of Education  
Johannesburg-Lewiston Area Schools  
Johannesburg, Michigan 49751

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

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johannesburg-Lewiston Area Schools as of and for the year ended June 30, 2013, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my 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 Johannesburg-Lewiston Area Schools as of June 30, 2013 and the respective changes in financial position thereof 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 on pages 3 through 6 and 24 through 27 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Johannesburg-Lewiston Area Schools' basic financial statements. Other supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The non-major governmental funds' combining balance sheet and combining statement of revenues, expenditures and changes in fund balances are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the non-major governmental funds' combining balance sheet and combining statement of revenues, expenditures, and changes in fund balances 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*, I have also issued my report dated October 24, 2013, on my consideration of Johannesburg-Lewiston Area Schools' internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Johannesburg-Lewiston Area Schools' internal control over financial reporting and compliance.



THOMAS R. ZICK CPA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

# **JOHANNESBURG-LEWISTON AREA SCHOOLS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management discussion and analysis, a requirement of GASB 34, is intended to be the Johannesburg-Lewiston Area Schools District ("the District") Management's discussion and analysis of the financial results for the year ended June 30, 2013. The intent of this discussion and analysis is to provide a look at the district's performance and current position. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the district's financial performance.

### **FINANCIAL HIGHLIGHTS**

The overall financial condition of the district remains strong. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available.

The assets of the Johannesburg-Lewiston Area Schools District exceeded its liabilities at the close of the most recent fiscal year by \$6,098,468 (net position).

The district's total net position increased by \$302,056 in the 2012/13 school year.

At the end of the current fiscal year, the fund balance for the District's General Fund is \$422,220 with an increase of \$63,420 for the fiscal year ended 6/30/13.

### **USING THE ANNUAL REPORT**

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

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

#### **Reporting the District as a Whole – The Statement of Net Position and Statement of Activities**

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

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

#### **Reporting the District's Most Significant Funds**

##### **Fund Financial Statements**

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Governmental Funds

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

### Fiduciary Funds

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the District's net position as of June 30, 2013 and June 30, 2012.

TABLE 1      Governmental Activities

	<u>06/30/2013</u>	<u>06/30/2012</u> <u>(as restated)</u>
<u>Assets</u>		
Current Assets	\$ 1,397,767	\$ 1,519,034
Noncurrent Assets - Capital	<u>8,127,216</u>	<u>8,555,369</u>
Total Assets	<u>9,524,983</u>	<u>10,074,403</u>
<u>Liabilities</u>		
Current Liabilities	699,449	597,904
Noncurrent Liabilities	<u>2,726,863</u>	<u>3,680,087</u>
Total Liabilities	<u>3,426,312</u>	<u>4,277,991</u>
<u>Net Assets</u>		
Invested in Capital Assets - Net of Debt	5,439,616	4,922,488
Restricted	287,286	581,579
Unrestricted	<u>371,566</u>	<u>292,345</u>
Total Net Position	<u>\$ 6,098,468</u>	<u>\$ 5,796,412</u>

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

The results of this year's operations for the District as a whole are represented in a statement of activities (Table 2), which shows the changes in net position for the fiscal year 2013 and fiscal year 2012.

TABLE 2      Governmental Activities

	<u>06/30/2013</u>	<u>06/30/2012</u>
Program Revenues		
Charges for services	\$ 105,289	\$ 123,955
Operating grants and contributions	823,158	868,784
General Revenues		
Property taxes	6,190,650	6,087,765
State School Aid	969,514	1,039,217
Other and interest	<u>48,410</u>	<u>46,176</u>
Total Revenues	<u>8,137,021</u>	<u>8,165,897</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Functions/Program Expenses		
Instruction	4,321,192	4,612,405
Supporting services	2,897,421	2,891,410
Athletics & food services	496,262	586,935
Transfers and other	120,090	147,932
Total Expenses	<u>7,834,965</u>	<u>8,238,682</u>
Change in Net Position	<u>\$ 302,056</u>	<u>\$ (72,785)</u>

As reported in the statement of activities the cost of all governmental activities for the year was \$7,834,965. While \$6,190,650 in revenue was generated directly from local taxpayers, another \$105,289 was generated through "charges for actual services" to local districts, or individuals that benefited directly from our services. State, federal, other regional grants and programs brought \$823,158 to the district. The district received \$969,514 in state education funding and just over \$48,410 in other miscellaneous sources, inclusive of investment earnings. Net position for the year ending June 30, 2013 increased by \$302,056.

## MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. During the fiscal year of 2012/13 the District amended the budgets of these major governmental funds several times. This has been the normal business practice of the district. Due to the timing of grant awards and pupil counts, the general fund budget could change significantly from the beginning to the end of the year.

### General Fund

The General Fund revenues were higher than expenditures in the past year of operations by \$63,420. The district has evaluated expenditures in all operational areas in order to make budgetary cuts where necessary. General Fund expenditures in total decreased by \$403,717 from 2011/12 to 2012/13,

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District's assets have accumulated \$10,666,776 of depreciation. Our capitalized assets include our buildings, land, equipment and transportation fleet. This year saw a \$428,153 decrease in Net Capital Assets. A categorized listing of the assets is below.

TABLE 3 Governmental Activities

	Balance (As Restated) <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 6,253	\$ -	\$ -	\$ 6,253
Capital assets being depreciated:				
Land improvements	814,868	-	-	814,868
Building and building improvements	14,935,105	-	-	14,935,105
Buses and other vehicles	833,958	154,148	195,635	792,471
Furniture and equipment	<u>2,231,080</u>	<u>15,215</u>	-	<u>2,246,295</u>
Subtotal	<u>18,815,011</u>	<u>169,363</u>	<u>195,635</u>	<u>18,788,739</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Accumulated depreciation:				
Land improvements	614,724	27,067	-	641,791
Building and building improvements	7,524,998	341,729	-	7,866,727
Buses and other vehicles	482,145	67,883	191,510	358,518
Furniture and equipment	<u>1,644,028</u>	<u>156,712</u>	<u>-</u>	<u>1,800,740</u>
Subtotal	<u>10,265,895</u>	<u>593,391</u>	<u>191,510</u>	<u>10,667,776</u>
Net capital assets being depreciated	<u>8,549,116</u>	<u>(424,028)</u>	<u>4,125</u>	<u>8,120,963</u>
Net governmental capital assets	<u>\$ 8,555,369</u>	<u>\$ (424,028)</u>	<u>\$ 4,125</u>	<u>\$ 8,127,216</u>

### Long Term Debt

The District owes \$2,687,600 on debt that will be paid over the next four years. Debt principal in an amount of \$700,000 was paid on the 2004 Refunding Bond. The District borrowed \$29,923 to purchase band equipment during the 2010/11 year and will repay this with interest over the next three years. The District borrowed \$129,880 to finance the lease/purchase of two buses during the 2011/12 year which was repaid in full during the 2012/13 year. The District also received voter approval for a \$500,000 bus bond to pay off the \$129,880 as well as purchase additional buses in future years. Principal in an amount of \$100,000 was paid on this bond during 2012/13. Long-term debt decreased by \$953,224 for the year ended June 30, 2013.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the State of Michigan is still slow. The exact implications on school funding are unknown at this time. Our budgets were prepared with these factors in mind. We also are dependent on student counts which vary from year to year, for our foundation allowance.

### REQUESTS FOR INFORMATION

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

Superintendent, Johannesburg-Lewiston Area Schools, 10854 M-32, Johannesburg, MI 49751 –  
Phone 989-732-1773



**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash demand and time deposits	\$ 1,046,760
Receivables	
Other governments	348,426
Accounts	1,464
Inventory	914
Capital assets	
Land	6,253
Other capital assets, net of depreciation	<u>8,120,963</u>
 TOTAL ASSETS	 <u>9,524,780</u>
 <b>LIABILITIES</b>	
Account payable	214,644
Accrued liabilities	484,805
Noncurrent liabilities:	
Due within one year	845,927
Due in more than one year	1,841,673
Compensated absences	<u>39,263</u>
 TOTAL LIABILITIES	 <u>3,426,312</u>
 <b>NET POSITION</b>	
Invested in capital assets	5,439,616
Restricted for:	
Debt Service	17,961
Capital Projects	264,162
Food Service	5,163
Unrestricted	<u>371,566</u>
 TOTAL NET POSITION	 <u>\$ 6,098,468</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Instruction	\$ 4,321,192	\$ -	\$ 375,937	\$ (3,945,255)
Support Services	2,897,421	-	217,984	(2,679,437)
Athletics	154,571	37,207	-	(117,364)
Food Service	341,691	68,082	229,237	(44,372)
Interest on Debt	<u>120,090</u>	<u>-</u>	<u>-</u>	<u>(120,090)</u>
 Total Governmental Activities	 <u>\$ 7,834,965</u>	 <u>\$ 105,289</u>	 <u>\$ 823,158</u>	 <u>(6,906,518)</u>
 <b>General revenues:</b>				
Taxes:				
Property taxes levied for general purposes				5,069,752
Property taxes, levied for debt services				928,188
Property taxes, levied for special education through ESD				192,710
State aid not restricted to specific purposes				969,514
Interest, investment, and royalty earnings				11,919
Other				<u>36,491</u>
 Total general revenues, contributions and transfers				 <u>7,208,574</u>
 Change in net position				 302,056
Net position, beginning of year as restated (Note 11)				<u>5,796,412</u>
 Net position, end of year				 \$ 6,098,468

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	GENERAL FUND	2004 REFUNDING BONDS	2012 CAPITAL PROJECTS	OTHER FUNDS	TOTAL
<b>ASSETS</b>					
Cash	\$ 765,707	\$ 2,569	\$ 199,637	\$ 78,847	\$ 1,046,760
Receivables					
Accounts	345	162	-	957	1,464
Inventory	-	-	-	914	914
Due From Other Funds	1,356	5,709	-	2,868	9,933
Due From Other Governmental Units	<u>343,965</u>	<u>-</u>	<u>-</u>	<u>4,461</u>	<u>348,426</u>
 TOTAL ASSETS	 <u>\$ 1,111,373</u>	 <u>\$ 8,440</u>	 <u>\$ 199,637</u>	 <u>\$ 88,047</u>	 <u>\$ 1,407,497</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 201,145	\$ 4,437	\$ -	\$ 1,045	\$ 206,627
Accrued Liabilities	473,414	-	-	-	473,414
Due to Other Governments	217	-	-	-	217
Due to Other Funds	6,577	2,000	-	1,356	9,933
Deferred Revenue	<u>7,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,800</u>
 TOTAL LIABILITIES	 <u>689,153</u>	 <u>6,437</u>	 <u>-</u>	 <u>2,401</u>	 <u>697,991</u>
<b>FUND BALANCES</b>					
Non-Spendable					
Inventory	-	-	-	914	914
Restricted					
Debt Service	-	2,003	-	15,958	17,961
Capital Projects	-	-	199,637	64,525	264,162
Food Service	-	-	-	4,249	4,249
Unassigned	<u>422,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,220</u>
 TOTAL FUND BALANCES	 <u>422,220</u>	 <u>2,003</u>	 <u>199,637</u>	 <u>85,646</u>	 <u>709,506</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,111,373</u>	 <u>\$ 8,440</u>	 <u>\$ 199,637</u>	 <u>\$ 88,047</u>	 <u>\$ 1,407,497</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Position of**  
**Governmental Activities on the Statement of Net Position**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Fund Balances - Total Governmental Funds	\$ 709,506
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital Assets - at Cost	18,794,992
Accumulated Depreciation	(10,667,776)
Certain liabilities such as bonds and notes payable are not due and payable in the current period and therefore are not reported in the governmental funds	
Bonds payable	(2,675,000)
Installment debt payable	(12,600)
Compensated absences payable	(39,263)
Accrued interest payable is not included as a liability in governmental funds	<u>(11,391)</u>
Net Position of Governmental Activities	<u>\$ 6,098,468</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	GENERAL FUND	2004 REFUNDING BONDS	2012 CAPITAL PROJECTS	OTHER FUNDS	TOTAL
<b>REVENUES</b>					
Local Sources	\$ 5,262,462	\$ 806,032	\$ -	\$ 190,238	\$ 6,258,732
State Sources	1,187,209	-	-	35,968	1,223,177
Federal Sources	365,608	-	-	203,888	569,496
Interest Income	11,829	47	23	20	11,919
Athletic Admissions	37,207	-	-	-	37,207
Other Revenue	40,615	-	-	-	40,615
<b>TOTAL REVENUES</b>	<u>6,904,930</u>	<u>806,079</u>	<u>23</u>	<u>430,114</u>	<u>8,141,146</u>
<b>EXPENDITURES</b>					
Current					
Instruction	4,035,216	-	-	-	4,035,216
Supporting Services	2,585,356	-	-	12,592	2,597,948
Athletic Events	154,571	-	-	-	154,571
Food Services	-	-	-	341,691	341,691
Capital Outlay	15,215	-	154,148	-	169,363
Debt Service:					
Principal	5,265	700,000	129,880	110,136	945,281
Interest and Other Charges	2,247	115,741	3,270	6,691	127,949
<b>TOTAL EXPENDITURES</b>	<u>6,797,870</u>	<u>815,741</u>	<u>287,298</u>	<u>471,110</u>	<u>8,372,019</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>107,060</u>	<u>(9,662)</u>	<u>(287,275)</u>	<u>(40,996)</u>	<u>(230,873)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	43,640	43,640
Transfers (Out)	(43,640)	-	-	-	(43,640)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(43,640)</u>	<u>-</u>	<u>-</u>	<u>43,640</u>	<u>-</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>63,420</u>	<u>(9,662)</u>	<u>(287,275)</u>	<u>2,644</u>	<u>(230,873)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>358,800</u>	<u>11,665</u>	<u>486,912</u>	<u>83,002</u>	<u>940,379</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 422,220</u>	<u>\$ 2,003</u>	<u>\$ 199,637</u>	<u>\$ 85,646</u>	<u>\$ 709,506</u>

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds	\$ (230,873)
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Amounts reported for *governmental activities* in the statement of activities are different because:

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

Add - Capital Outlay	169,363
Deduct - Depreciation Expense	(593,391)

Deduct - Net book value of assets disposed	(4,125)
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The issuance of long-term debt provides current financial resources to the governmental funds while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Add - Principal Payments on Long-term Liabilities	945,281
Less - Proceeds from Long-term Debt	-

Accrued interest, compensated absences, and retirement incentive payable do not require the use of current financial resources and therefore are not reported as expenditures in the fund statements

Add - Decrease in accrued interest payable on bonds	7,859
Add - Decrease in compensated absences	<u>7,942</u>

Change in Net Position of Governmental Activities	<u><u>\$ 302,056</u></u>
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**JOHANNESBURG-LEWISTON AREA SCHOOLS  
STATEMENT OF FIDUCIARY FUND NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2013**

ASSETS

Cash	<u>\$ 148,021</u>
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TOTAL ASSETS	<u>\$ 148,021</u>
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LIABILITIES

Due to Student Groups	<u>\$ 148,021</u>
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TOTAL LIABILITIES	<u>\$ 148,021</u>
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**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

The accounting policies of Johannesburg-Lewiston Area Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District.

**REPORTING ENTITY**

The school district is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the 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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

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



**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

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

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

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

2004 Refunding Bonds Debt Retirement Fund – The 2004 Refunding Bonds Debt Retirement Fund is used to record tax, interest, and other revenue for the payment of general long-term debt principal, interest, and related costs.

2012 School Bus Bonds Capital Projects Fund – This fund recorded the issuance of bonds in 2011/12 and will record the capital outlay expenditures in 2013/14 and future periods.

Additionally, the District reports the following non-major governmental types:

Special Revenue Funds - Special Revenue Funds are governmental funds used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District's Special Revenue Funds include the Food Service. Any operating deficit generated by these activities is the responsibility of the General Fund.

2009 Technology Capital Projects Fund – This fund recorded the issuance of bonds in 2008/09 and will record the capital outlay expenditures in 2013/14.

Durant Debt Fund – This is also non-major fund operated by the school district.

Fiduciary Funds – The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**

**Cash and Investments** – Cash and investments include cash on hand, demand deposits, and savings accounts.

**Receivables and Payables** – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 of the following year. These taxes are due on September 14 with the final collection date of February 28 of the following year before they are added to the county delinquent tax rolls. The County operates a delinquent tax revolving fund and normally pays to the District all current taxes annually prior to June 30.

**Restricted Assets** – The fund balance in the debt service fund is shown as a restricted fund balance. This balance can only be used to service the debt.

**Capital Assets** – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings, building additions, and land improvements	10-50 years
Buses and other vehicles	7-15 years
Furniture and other equipment	2-15 years

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

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

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Excess Expenditures Over Appropriations in Budgeted Funds** - The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas.

**NOTE 3 - CASH AND INVESTMENTS**

The captions on the combined balance sheet related to cash and investments are as follows:

	<u>Imprest Cash</u>	<u>Cash/checking and Savings</u>	<u>Total</u>
Governmental Activities	\$ 210	\$ 1,046,550	\$ 1,046,760
Agency Funds	<u>-</u>	<u>148,021</u>	<u>148,021</u>
	<u>\$ 210</u>	<u>\$ 1,194,571</u>	<u>\$ 1,194,781</u>

**Deposits** - At year-end, the carrying amount of the District's deposits was \$1,194,781 and the bank balance was \$1,425,738 classified as to risk as follows.

Insured	\$ 923,662
Uninsured – Uncollateralized	<u>270,909</u>
	<u>\$ 1,194,571</u>

The District deposited all of its funds in interest bearing checking accounts.

**Investments** – Act 217, PA 1982, authorized the School District to deposit and invest in the following:

- a. Bonds, bills, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit and other savings instruments issued by a federally insured bank, savings and loan or credit union maintaining an office in Michigan.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Mutual Funds comprised of investments which are legal for direct investment by local units of government in Michigan.
- e. U.S. Government or federal agency obligation repurchase agreements.

The Board of Education is authorized to designate depositories for District funds, and the funds are invested in accordance with State of Michigan statutory authority

**Credit Risk**

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). There were no investments at June 30, 2013.

b. JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

Interest Rate Risk

The School District has not adopted a policy that indicates how the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time. There were no investments at June 30, 2013.

Concentration of Credit Risk

The School District has not adopted a policy that indicates how 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. There were no investments at June 30, 2013.

Custodial Credit Risk

The School District has not adopted a policy that indicates how the District will minimize custodial credit risk, which 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 of collateral securities that are in possession of an outside party. There were no investments at June 30, 2013.

**NOTE 4 – RECEIVABLES**

Receivables as of year-end for the School District's individual major funds and the other nonmajor governmental funds are as follows:

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Receivables			
Accounts	\$ 345	\$ 1,119	\$ 1,464
State of Michigan	<u>343,965</u>	<u>4,461</u>	<u>348,426</u>
Net Receivables	<u>\$ 344,310</u>	<u>5,580</u>	<u>\$ 349,890</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Total</u>
Transfers In/Out			
General Fund	\$ -0-	\$ (43,640)	\$ (43,640)
Special Revenue:			
Food Service Fund	<u>43,640</u>	<u>-0-</u>	<u>43,640</u>
Total	<u>\$ 43,640</u>	<u>\$ (43,640)</u>	<u>\$ -0-</u>

Transfers between funds are all normal recurring transfers needed to transfer funds from revenue generating funds to funds required under statute or by school designation to expend the funds.

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

Due to / From	<u>Due from</u>	<u>Due To</u>
General Fund	\$ 1,356	\$ 6,577
2004 Refunding Bond Fund	5,709	2,000
Food Service Fund	-0-	1,356
2012 Bus bond Debt Fund	<u>2,868</u>	<u>-0-</u>
Total	<u>\$ 9,933</u>	<u>\$ 9,933</u>

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity of the School District's governmental activities was as follows:

	Balance (As Restated) <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 6,253	\$ -	\$ -	\$ 6,253
Capital assets being depreciated:				
Land improvements	814,868	-	-	814,868
Building and building improvements	14,935,105	-	-	14,935,105
Buses and other vehicles	833,958	154,148	195,635	792,471
Furniture and equipment	<u>2,231,080</u>	<u>15,215</u>	<u>-</u>	<u>2,246,295</u>
Subtotal	<u>18,815,011</u>	<u>169,363</u>	<u>195,635</u>	<u>18,788,739</u>
Accumulated depreciation:				
Land improvements	614,724	27,067	-	641,791
Building and building improvements	7,524,998	341,729	-	7,866,727
Buses and other vehicles	482,145	67,883	191,510	358,518
Furniture and equipment	<u>1,644,028</u>	<u>156,712</u>	<u>-</u>	<u>1,800,740</u>
Subtotal	<u>10,265,895</u>	<u>593,391</u>	<u>191,510</u>	<u>10,667,776</u>
Net capital assets being depreciated	<u>8,549,116</u>	<u>(424,028)</u>	<u>4,125</u>	<u>8,120,963</u>
Net governmental capital assets	<u>\$ 8,555,369</u>	<u>\$ (424,028)</u>	<u>\$ 4,125</u>	<u>\$ 8,127,216</u>

The June 30, 2012 balances were restated as discussed in more detail in Note 11.

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:	
Instruction	\$ 289,028
Support services	<u>304,063</u>
Total	<u>\$ 593,391</u>

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 7 - LONG-TERM DEBT**

The following is a summary of debt transactions for the School District for the Year ended June 30, 2013:

	Payable July 1, 2012	Additions	(Reductions)	Payable June 30, 2013	Due Within One Year
Durant Debt	\$ 10,137	\$ -	\$ (10,137)	\$ -	-
Installment Debt	17,865	-	(5,265)	12,600	5,927
Lease Purchase	129,880	-	(129,880)	-	-
2004 Refunding Bond	2,975,000	-	(700,000)	2,275,000	730,000
2012 Bus Bond	500,000	-	(100,000)	400,000	110,000
Compensated Absences	47,205	-	(7,942)	39,263	-
	<u>\$ 3,680,087</u>	<u>\$ -</u>	<u>\$ (953,224)</u>	<u>\$ 2,726,863</u>	<u>\$ 845,927</u>

	Outstanding 6/30/13		
Description	Principal	Interest	Total
Installment Debt	12,600	2,424	15,024
2012 Capital Project Bonds	400,000	14,666	414,666
2004 Refunding Bonds	2,275,000	184,200	2,459,200
Total	<u>\$2,687,600</u>	<u>\$ 201,290</u>	<u>\$ 2,888,890</u>

**DURANT DEBT** - During a previous fiscal year the district received proceeds in the amount of \$151,222 as partial resolution of litigation. The District will receive State Aid equal to the debt service cost annually. If the legislature fails to appropriate the funds, the District is under no obligation to make the payment.

Original issue - \$151,222 – School Improvement Bond, Series 1998 due in annual installments as scheduled below. The annual interest rate is 4.761343%. The final payment is due May 15, 2013.

During the 2006/07 school year the Michigan Municipal bond Authority determined that certain payments of principal and interest (those payments due May of 2009, and 2011) shall be deferred until a later date which increases the amounts due in the later years of the contract but does not increase the total number of years outstanding. This was paid in full during the 2012/13 year.

**INSTALLMENT DEBT** - During the 2010/11 school year the district financed band equipment with an installment debt obligation. The original loan amount was \$29,923, and the agreement called for 5 annual payments including interest at a rate of 12.576% per annum.

	Principal	Interest	Total
2013/14	\$ 5,927	\$ 1,585	\$ 7,512
2014/15	6,673	839	7,512
Total	<u>\$ 12,600</u>	<u>\$ 2,424</u>	<u>15,024</u>

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**LEASE PURCHASE** – During the 2011/12 school year the district financed the purchase of two buses with a lease/purchase installment debt obligation. The original loan amount was \$129,880 and the agreement called for payments of \$29,400 for two years and a final payment of \$81,261.76 in August of 2014.

This debt was paid in full in July of 2012 with proceeds from the 2012 school bus bonds.

**2012 SCHOOL BUS BONDS - GENERAL OBLIGATION** - Original issue - \$500,000 – School bus bonds due in annual installments as scheduled below. Interest rates vary from 0.80% to 1.90% throughout the life of the bond issue. The final payment is due May 1, 2016.

	May 1 Principal	Interest Rate	May 1 Interest	Nov 1 Interest	Total
2013		0.80		\$ 3,274	\$ 3,274
2014	\$ 110,000	1.25	\$ 3,274	2,586	\$ 115,860
2015	135,000	1.65	2,586	1,473	139,059
2016	155,000	1.90	1,473		156,473
	<u>\$ 400,000</u>		<u>\$ 7,333</u>	<u>\$ 7,333</u>	<u>\$ 414,666</u>

**2004 REFUNDING GENERAL OBLIGATION BONDS** - Original issue - \$7,195,000 – Building improvements serial bonds due in annual installments as scheduled below. Interest rates vary from 2.00% to 4.00% throughout the life of the bond issue. The final payment is due May 1, 2016.

	May 1 Principal	Interest Rate	May 1 Interest	Nov 1 Interest	Total
2013		3.5-4.0		\$ 45,500	\$ 45,500
2014	\$ 730,000	4.000	\$ 45,500	30,900	806,400
2015	760,000	4.000	30,900	15,700	806,600
2016	785,000	4.000	15,700	-0-	800,700
	<u>\$ 2,275,000</u>		<u>\$ 92,100</u>	<u>\$ 92,100</u>	<u>\$ 2,459,200</u>

Five Year Annual Debt Service for all debt, other than retirement incentive and compensated absences, combined is as follows:

**Annual Debt Service Requirements:**

	Governmental Activities		
	Principal	Interest	Total
2013/14	\$ 845,927	\$ 99,133	\$ 945,060
2014/15	901,673	67,811	969,484
2015/16	940,000	34,346	974,346
Total	<u>\$ 2,687,600</u>	<u>\$ 201,290</u>	<u>\$ 2,888,890</u>

\$17,961 is available in the Debt Retirement Funds to service the general obligation bonds.

**COMPENSATED ABSENCES / RETIREMENT INCENTIVE** – Compensated absences paid for unused sick leave and comp time amounted to \$39,263 and \$47,205 for 2013 and 2012 respectively.

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN**

All District full-time employees participate in the Michigan Public School Employees' Retirement System, ("System"), a cost-sharing multiple-employer public employee retirement system. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

All full-time employees of the District are required by law to participate in the System. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service or at age 60 with 5 years of service. Both basic and MIP plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. Benefits are paid monthly over the member's or survivor's lifetime and are equal to 1.5% of the member's final average compensation times the member's years of credited service. The final average compensation period for basic members is 60 consecutive months and for MIP members is 36 consecutive months. The system also provides health, dental and vision insurance coverage for retirees.

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at various rates depending on school fiscal year compensation. Basic plan members make no contributions. The District was required to contribute 24.46% of participant's salary to the System for the fiscal year ended 6/30/13, and the State of Michigan is responsible for any further contributions necessary to keep the fund actuarially sound. The School District's contributions to the MPSERS plan for the years ended June 30, 2013, 2012, and 2011 were \$934,063, \$844,602, and \$777,020

**Post-Employment Benefits**

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. In prior years the State pre-funded these benefits using the entry age actuarial cost method. Retirees having this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. These contributions are deducted from the retiree's monthly pension. No additional contributions are required from the District on these post-employment benefits. The 24.46% noted above includes these costs.

**NOTE 9 - RISK MANAGEMENT**

The School District participates in the MASB-SEG Property and Casualty Pool and Workers Compensation Pool.

The MASB-SEG Property/Casualty Pool, Inc. was created on May 23, 1985 and organized under Public Act 138 of 1982 as amended, as a governmental group property and casualty self-insurance pool. Approximately 375 educational institutions within the State of Michigan participate in the Pool.

The Pool limits the maximum net loss that may arise from large risks or in concentrated areas of exposure by reinsuring certain levels of risks with other insurers or reinsurers. The Pool purchases excess liability coverage from one or more insurers or reinsurers to provide 100 percent coverage at each insured level.



**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 10 – GASB NO. 54**

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with new classifications – nonspendable, restricted, committed, assigned, and unassigned. The School District implemented Statement No. 54 during the fiscal year ended June 30, 2012.

- § In the fund financial statements, governmental funds report the following components of fund balance:
- § Nonspendable: Amounts that are not in a spendable form or are legally or contractually required to be maintained. Examples include inventory.
- § Restricted: Amounts that can only be spent for the specific purposes stipulated by external resource providers, law, regulation, or contract agreement.
- § Committed: Amounts that may be committed for a specific source by formal action of the Board of Education. Creation, amendment, or modification to this balance must also be approved by formal action of the Board by the end of the fiscal year. The actual amount committed may be computed subsequent to year end using prescribed methodologies. Committed fund balance does not lapse at year end.
- § Assigned: The Board of Education delegates authority to assign fund balance for a specific purpose allowed under applicable accounting standards to the superintendent. Assigned fund balance does not lapse at year end.
- § Unassigned: Includes all amounts that are not contained in other classifications and are available for any purpose.

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

The beginning net asset value has been restated to reflect an adjustment to net capital assets based upon a correction to accumulated depreciation computed by district's outside capital appraisal company. This was a result of the reinventory which occurred in the 2011/12 fiscal year. The effect of this reevaluation was to adjust the beginning net asset value as follows:

Capital Asset Accumulated Depreciation	<u>\$ (436,447)</u>
Decrease in Net Asset Value	<u>\$ (436,447)</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, OTHER SOURCES (USES)**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Local Sources	\$ 4,744,848	\$ 5,321,139	\$ 5,352,113	\$ 30,974
State Sources	1,797,795	1,079,867	1,187,209	107,342
Federal Sources	<u>285,030</u>	<u>387,464</u>	<u>365,608</u>	<u>(21,856)</u>
 TOTAL REVENUES	 <u>6,827,673</u>	 <u>6,788,470</u>	 <u>6,904,930</u>	 <u>116,460</u>
EXPENDITURES				
Instruction:				
Basic programs	3,376,165	3,049,763	3,064,742	(14,979)
Added Needs	856,813	1,026,509	984,633	41,876
Support Services:				
Student Services	336,439	231,254	220,623	10,631
General Administration	213,554	278,689	269,575	9,114
Office of Principal	528,938	615,181	608,799	6,382
Business Office	127,645	108,590	107,570	1,020
Technology	49,000	50,399	41,610	8,789
Plant Operation and Maintenance	772,772	723,970	711,400	12,570
Transportation	603,778	611,260	596,734	14,526
Athletics	87,259	152,409	154,571	(2,162)
Other Services	4,500	29,000	29,045	(45)
Capital Outlay	30,000	1,500	1,056	444
Debt Service				
Principal	4,000	5,265	5,265	-
Interest	<u>-</u>	<u>2,250</u>	<u>2,247</u>	<u>3</u>
 TOTAL EXPENDITURES	 <u>6,990,863</u>	 <u>6,886,039</u>	 <u>6,797,870</u>	 <u>88,169</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(163,190)</u>	<u>(97,569)</u>	<u>107,060</u>	<u>204,629</u>
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	<u>(4,000)</u>	<u>(45,000)</u>	<u>(43,640)</u>	<u>1,360</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(4,000)</u>	 <u>(45,000)</u>	 <u>(43,640)</u>	 <u>1,360</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(167,190)	(142,569)	63,420	205,989
FUND BALANCES, BEGINNING OF YEAR	<u>(115,047)</u>	<u>371,371</u>	<u>358,800</u>	<u>(12,571)</u>
 FUND BALANCES, END OF YEAR	 <u>\$ (282,237)</u>	 <u>\$ 228,802</u>	 <u>\$ 422,220</u>	 <u>\$ 193,418</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER SOURCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGETED AMOUNT</u>			VARIANCE WITH FINAL BUDGET OVER (UNDER)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
LOCAL SOURCES				
Taxes and Penalties	\$ 4,468,352	\$ 5,037,814	\$ 5,069,752	\$ 31,938
Interest & Royalties	12,000	11,720	11,829	109
Athletics Admissions	33,000	37,059	37,207	148
Miscellaneous Income	36,000	41,836	40,615	(1,221)
Incoming Transfers ISD	<u>195,496</u>	<u>192,710</u>	<u>192,710</u>	<u>-</u>
TOTAL LOCAL SOURCES	<u>4,744,848</u>	<u>5,321,139</u>	<u>5,352,113</u>	<u>30,974</u>
STATE SOURCES				
Categorical State Aid	1,797,795	1,079,867	1,187,209	107,342
Incoming Transfers ISD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL STATE SOURCES	<u>1,797,795</u>	<u>1,079,867</u>	<u>1,187,209</u>	<u>107,342</u>
FEDERAL SOURCES				
Title I	208,231	322,057	302,173	(19,884)
Title II A	45,939	44,961	44,961	-
Rural VI Part B Rural & Low Income	20,000	15,070	15,070	-
Incoming Transfers ISD & Other	<u>10,860</u>	<u>5,376</u>	<u>3,404</u>	<u>(1,972)</u>
TOTAL FEDERAL SOURCES	<u>285,030</u>	<u>387,464</u>	<u>365,608</u>	<u>(21,856)</u>
TOTAL REVENUE	<u>\$ 6,827,673</u>	<u>\$ 6,788,470</u>	<u>\$ 6,904,930</u>	<u>\$ 116,460</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES, AND OTHER USES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGETED AMOUNT</u>			VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>OVER (UNDER)</u>
<b>EXPENDITURES</b>				
<b>INSTRUCTION</b>				
Basic Programs:				
Elementary	\$ 1,636,149	\$ 1,410,038	\$ 1,409,314	\$ 724
Middle School	566,820	562,584	560,996	1,588
High School	<u>1,173,196</u>	<u>1,077,141</u>	<u>1,094,432</u>	<u>(17,291)</u>
Total Basic Programs	<u>3,376,165</u>	<u>3,049,763</u>	<u>3,064,742</u>	<u>(14,979)</u>
Added Needs:				
Special Education	339,862	288,865	288,719	146
Title I	195,581	326,057	302,173	23,884
At Risk	321,370	266,584	259,877	6,707
Vocational Education		128,003	119,705	8,298
Capital Outlay - Vocational Education	<u>-</u>	<u>17,000</u>	<u>14,159</u>	<u>2,841</u>
Total Added Needs	<u>856,813</u>	<u>1,026,509</u>	<u>984,633</u>	<u>41,876</u>
TOTAL INSTRUCTION	<u>4,232,978</u>	<u>4,076,272</u>	<u>4,049,375</u>	<u>26,897</u>
<b>SUPPORTING SERVICES</b>				
Student Services:				
Guidance Services	97,682	100,102	97,766	2,336
Other Services	2,000	40,476	39,676	800
Library	185,057	49,360	46,217	3,143
Student Activities	46,700	37,066	32,809	4,257
Computers & Technology	<u>5,000</u>	<u>4,250</u>	<u>4,155</u>	<u>95</u>
Total Student Services	<u>336,439</u>	<u>231,254</u>	<u>220,623</u>	<u>10,631</u>
General Administration:				
Board of Education	67,300	103,800	97,505	6,295
Executive Administration	<u>146,254</u>	<u>174,889</u>	<u>172,070</u>	<u>2,819</u>
Total General Administration	<u>213,554</u>	<u>278,689</u>	<u>269,575</u>	<u>9,114</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES, AND OTHER USES  
BUDGET AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGETED AMOUNT</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
INSTRUCTION (CONTINUED)				
School Administration				
Office of Principal	\$ 528,938	\$ 615,181	\$ 608,799	\$ 6,382
Business Office	<u>127,645</u>	<u>108,590</u>	<u>107,570</u>	<u>1,020</u>
Total School Administration	<u>656,583</u>	<u>723,771</u>	<u>716,369</u>	<u>7,402</u>
Technology	49,000	50,399	41,610	8,789
Plant Operation and Maintenance	772,772	723,970	711,400	12,570
Pupil Transportation	603,778	611,260	596,734	14,526
Athletics	87,259	152,409	154,571	(2,162)
Other Services	4,500	29,000	29,045	(45)
Capital Outlay	<u>30,000</u>	<u>1,500</u>	<u>1,056</u>	<u>444</u>
TOTAL SUPPORTING SERVICES	<u>2,753,885</u>	<u>2,802,252</u>	<u>2,740,983</u>	<u>61,269</u>
DEBT SERVICE				
Principal Payments	4,000	5,265	5,265	-
Interest Expense	<u>-</u>	<u>2,250</u>	<u>2,247</u>	<u>3</u>
TOTAL DEBT SERVICE	<u>4,000</u>	<u>7,515</u>	<u>7,512</u>	<u>3</u>
OUTGOING TRANSFERS				
Food Service Fund	<u>4,000</u>	<u>45,000</u>	<u>43,640</u>	<u>1,360</u>
TOTAL OUTGOING TRANSFERS	<u>4,000</u>	<u>45,000</u>	<u>43,640</u>	<u>1,360</u>
TOTAL EXPENDITURES AND TRANSFERS OUT	<u>\$ 6,994,863</u>	<u>\$ 6,931,039</u>	<u>\$ 6,841,510</u>	<u>\$ 89,529</u>

See Notes to Financial Statements

## **OTHER SUPPLEMENTARY INFORMATION**

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE		
	FOOD SERVICE FUND	TECHNOLOGY	2012 BUS BOND DEBT FUND	DURANT DEBT FUND	TOTAL
ASSETS					
Cash	\$ 211	\$ 64,525	\$ 14,111	\$ -	\$ 78,847
Receivables					
Accounts	933		24		957
Due From Other Funds	-	-	2,868	-	2,868
Due From Other Governments	4,461	-	-	-	4,461
Inventory	914	-	-	-	914
	<u>914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>914</u>
 TOTAL ASSETS	 <u>\$ 6,519</u>	 <u>\$ 64,525</u>	 <u>\$ 17,003</u>	 <u>\$ -</u>	 <u>\$ 88,047</u>
 LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 1,045	\$ -	\$ 1,045
Due to Other Funds	1,356	-	-	-	1,356
	<u>1,356</u>	<u>-</u>	<u>1,045</u>	<u>-</u>	<u>2,401</u>
 TOTAL LIABILITIES	 <u>1,356</u>	 <u>-</u>	 <u>1,045</u>	 <u>-</u>	 <u>2,401</u>
 FUND BALANCE					
Non-Spendable					
Inventory	914	-	-	-	914
Restricted					
Debt Service	-	-	15,958	-	15,958
Capital Projects	-	64,525	-	-	64,525
Food Service	4,249	-	-	-	4,249
	<u>4,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,249</u>
 TOTAL FUND BALANCES	 <u>5,163</u>	 <u>64,525</u>	 <u>15,958</u>	 <u>-</u>	 <u>85,646</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 6,519</u>	 <u>\$ 64,525</u>	 <u>\$ 17,003</u>	 <u>\$ -</u>	 <u>\$ 88,047</u>

See Notes to Financial Statements



**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>		
	<u>FOOD SERVICE FUND</u>	<u>TECHNOLOGY</u>	<u>2012 BUS BOND DEBT FUND</u>	<u>DURANT DEBT FUND</u>	<u>TOTAL</u>
REVENUES					
Local Sources	\$ 68,082	\$ -	\$ 122,156	\$ -	\$ 190,238
Interest	4	6	10	-	20
State Sources	25,349	-	-	10,619	35,968
Federal Sources	<u>203,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,888</u>
TOTAL REVENUES	<u>297,323</u>	<u>6</u>	<u>122,166</u>	<u>10,619</u>	<u>430,114</u>
EXPENDITURES					
Athletics	-	-	-	-	-
Food Service	341,691	-	-	-	341,691
Capital Outlay	-	-	-	-	-
Other	-	12,592	-	-	12,592
Debt Service					
Principal	-	-	100,000	10,136	110,136
Interest	<u>-</u>	<u>-</u>	<u>6,208</u>	<u>483</u>	<u>6,691</u>
TOTAL EXPENDITURES	<u>341,691</u>	<u>12,592</u>	<u>106,208</u>	<u>10,619</u>	<u>471,110</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(44,368)</u>	<u>(12,586)</u>	<u>15,958</u>	<u>-</u>	<u>(40,996)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	<u>43,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,640</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>43,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,640</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(728)	(12,586)	15,958	-	2,644
FUND BALANCES:					
BEGINNING OF YEAR	<u>5,891</u>	<u>77,111</u>	<u>-</u>	<u>-</u>	<u>83,002</u>
END OF YEAR	<u>\$ 5,163</u>	<u>\$ 64,525</u>	<u>\$ 15,958</u>	<u>\$ -</u>	<u>\$ 85,646</u>

See Notes to Financial Statements



**Thomas R. Zick CPA, P.C.**  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 24, 2013

Board of Education  
Johannesburg-Lewiston Area Schools  
Johannesburg, Michigan 49751

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johannesburg-Lewiston Area Schools as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise Johannesburg-Lewiston Area Schools' basic financial statements and have issued my report thereon dated October 24, 2013.

**Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a deficiency in internal control that I consider to be a significant deficiency in internal control.

Establishment and maintenance of internal control over the financial reporting process requires management to prepare annual financial statements in accordance with GASB Statement Number 34. The School's auditor prepares these statements.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Johannesburg-Lewiston Area Schools' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Johannesburg-Lewiston Schools' Response to the Significant Deficiency**

Johannesburg-Lewiston Area Schools' response to the significant deficiency identified in my audit was: It is not economically feasible to prepare their own financial statements at this time. Johannesburg-Lewiston Area Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



THOMAS R. ZICK CPA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT



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## **REPORT TO MANAGEMENT / BOARD OF EDUCATION**

October 24, 2013

Board of Education  
Johannesburg-Lewiston Area Schools  
Johannesburg, Michigan 49751

I have audited the basic financial statements of Johannesburg-Lewiston Area Schools, Johannesburg, Michigan, for the year ended June 30, 2013, and have issued my report thereon dated October 24, 2013. My report is unqualified. Professional standards require that I provide you with the following information related to my audit.

### **My Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

In planning and performing my audit, I considered Johannesburg-Lewiston Area Schools' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on the financial statements.

As part of obtaining reasonable assurance about whether Johannesburg-Lewiston Area Schools' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination of Johannesburg-Lewiston Area Schools' compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Johannesburg-Lewiston Area Schools are described in Note 1 to the financial statements. I noted no transactions entered into by Johannesburg-Lewiston Area Schools during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Some accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience and past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. My conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Johannesburg-Lewiston Area Schools' financial reporting process (that is, cause future financial statements to be materially misstated). All of the adjustments, I proposed, have been recorded by Johannesburg-Lewiston Area Schools.

### **Disagreements with Management**

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

### **Consultations with Other Independent Accountants**

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

### **Issues Discussed Prior to Retention of Independent Auditors**

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Johannesburg-Lewiston Area Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

### **Difficulties Encountered in Performing the Audit**

I encountered no significant difficulties in dealing with management in performing and completing my audit.

### **Comments and Recommendations**

The following is a summary of my observations with suggestions for improvements I believe should be brought to your attention.

### **BUDGETS**

The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas. During the 2012/13 fiscal year the District exceeded the revenue budget and spent \$89,529 less than budgeted for expenditures in the general fund.

### **PROPERTY TAX REVENUE / STATE AID**

The present system for assuring that each school district gets its entire foundation allowance (which is a combination of property taxes and State Aid) is, in my opinion, flawed. There are few controls in place to make certain all taxable value adjustments are timely and correctly processed. The responsibility primarily rests with each County Treasurer whose tax revenue (the County revenue) is not dependent on the accuracy of this system. With all of the Tax Tribunal adjustments, Board of Review adjustments and homestead/non-homestead adjustments it is very important that each district reconcile taxable values, as reported on the Michigan Department of Education website, monthly.

Changes that occur on the web site are postings made by the county treasurers. These changes are then posted to your State Aid Status Report which directly affects the State Aid funds received each month. Reconciling those changes monthly is important.

The best approach is to print the MDE taxable value data each month and then agree any changes in these reports to page two of your monthly status report.

### **WRITTEN PROCEDURES**

As a precondition to receive federal funds recipients must have effective administrative and financial internal controls. School districts are required to have written procedures to document these administrative and financial controls. Written procedures are in process but are not complete.

### **2009 TECHNOLOGY CAPITAL PROJECTS FUND**

This fund was set up to receive and disburse funds related to the Capital Projects Technology bond issue from 2009. There still is more than \$60,000 in the fund. The District needs to spend those funds during the 2013/14 fiscal year on qualifying projects and close the fund.

This report is intended solely for the information and use of the Johannesburg-Lewiston Area Schools management, Board of Education, the Michigan Departments of Treasury and Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



THOMAS R. ZICK CPA, P.C.  
Certified Public Accountant