

**Beal City Public Schools**

**Annual Financial Statements  
and  
Independent Auditors' Report**

**June 30, 2014**

## Table of Contents

<u>Section</u>	<u>Page</u>	
1	<b>Members of the Board of Education and Administration</b>	1 - 1
2	<b>Independent Auditors' Report</b>	2 - 1
3	<b>Management's Discussion and Analysis</b>	3 - 1
4	<b>Basic Financial Statements</b>	
	District-wide Financial Statements	
	Statement of Net Position	4 - 1
	Statement of Activities	4 - 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 - 4
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position of Governmental Activities	4 - 5
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 6
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 8
	Internal Service Fund	
	Statement of Net Position	4 - 9
	Statement of Revenues, Expenditures, and Changes in Fund Net Position	4 - 10
	Statement of Cash Flow	4 - 11
	Fiduciary Funds	
	Statement of Fiduciary Net Position	4 - 12
	Notes to Financial Statements	4 - 13
5	<b>Required Supplementary Information</b>	
	Budgetary Comparison Schedule – General Fund	5 - 1

<u>Section</u>		<u>Page</u>
6	<b>Other Supplementary Information</b>	
	Nonmajor Governmental Funds	
	Combining Balance Sheet	6 - 1
	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 - 2
	General Fund	
	Comparative Balance Sheet	6 - 4
	Schedule of Revenues Compared to Budget	6 - 5
	Schedule of Expenditures Compared to Budget	6 - 6
	Fiduciary Funds	
	Statement of Changes in Amounts Due to Student Groups	6 - 14
	Schedule of Outstanding Bonded Indebtedness	6 - 16
7	<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	
		7 - 1
	Schedule of Findings and Responses	7 - 3
	Corrective Action Plan	7 - 4

**Beal City Public Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2014**

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Members of the Board of Education

Terry Hutchinson – President

Rod Cole – Vice President

Denise McBride – Secretary

Robert Pasch – Treasurer

Curt Gottschalk – Trustee

Jane Finnerty – Trustee

Kari Rojas – Trustee

Administration

William Chilman – Superintendent

Jeff Jackson – High School Principal

Jason Wolf – Elementary Principal

Julie Freeze – Business Manager



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## Independent Auditors' Report

Management and the Board of Education  
Beal City Public Schools

### **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 Beal City Public Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

### ***Auditors' 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 auditors' 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 Beal City Public Schools, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows 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, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beal City Public Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary 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, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Prior Year Information***

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Beal City Public Schools' financial statements as of and for the year ended June 30, 2013, which are not presented with the accompanying financial statements. In our report dated October 7, 2013, we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beal City Public Schools' financial statements as a whole. The 2013 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the financial statements from which they have been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2014 on our consideration of Beal City Public Schools' 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 Beal City Public Schools' internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Alma, MI  
September 11, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS



**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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Beal City Public Schools (the District) management's discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address financial challenges in the years to come. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2014.

The following is an outline of how this financial report is presented.

<b><u>Section 3</u></b> <b>MD&amp;A</b>	Management's Discussion and Analysis (required supplementary information)
<b><u>Section 4</u></b> <b>Basic Financial Statements</b>	District – Wide Financial Statements Fund Financial Statements Internal Service Fund Fiduciary Funds Notes to Financial Statements
<b><u>Section 5</u></b> <b>Required Supplementary Information</b>	Budgetary Comparison Schedule
<b><u>Section 6</u></b> <b>Other Supplementary Information</b>	Combining Balance Sheets Combining Statement of Revenues, Expenditures and Changes in Fund Balances Comparative Balance Sheet Schedule of Revenues Compared to Budget Schedule of Expenses Compared to Budget Fiduciary Fund Statement of Changes in Amounts Due to Student Groups Schedule of Outstanding Bonded Indebtedness
<b><u>Section 7</u></b> <b>Report on Internal Control</b>	Schedule of Findings and Responses Corrective Action Plan

**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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As noted above, Section 4 contains two basic types of financial statements: District Wide Financial Statements and Fund Financial Statements in accordance with GASB 34.

**District Wide Financial Statements**

The District wide financial statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

The Statement of Activities presents information showing how the school district's net position changed during the fiscal year. To be consistent with full accrual basis accounting, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**Fund Financial Statements**

The fund statements are reported using the modified accrual method of accounting. Under this method of accounting, revenues are recorded when received or when they are measurable and expenditures are accounted for in the period those goods and services were used to provide school programs. In addition, capital asset purchases are expensed in totality in the year purchased and not recorded as an asset. Debt payments are recorded as expenditures when they are paid and future debt obligations are not recorded.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Funds, Capital Project Fund, Internal Service Fund and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived primarily from property taxes, state and federal distributions and grants. The Special Revenue Fund is used to record the activities of the food service operation. The Debt Funds are used to record the funding and payment of principal and interest on bonded debt. The Capital Project Fund is used to record the funding and payment of building construction and major site improvements. The Internal Service Fund is used to finance services provided to other funds on the School District on a cost-reimbursement basis. The Internal Service Fund accounts for medical, dental and vision insurance coverage. The Fiduciary Fund accounts for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**Financial Analysis of the District as a Whole**

**Summary of Statement of Net Position**

	2013	2014
<b>Assets</b>		
Current assets	\$2,605,740	\$2,449,673
Other assets		
Capital assets	10,749,428	10,760,242
less accumulated depreciation	<u>(5,177,603)</u>	<u>(5,340,458)</u>
Capital Assets, net book value	<u>5,571,825</u>	<u>5,419,784</u>
Total assets	<u>8,177,565</u>	<u>7,869,457</u>
<b>Deferred Outflows of Resources</b>	<u>71,072</u>	<u>107,467</u>
Total assets and deferred outflows of resources	<u>8,248,637</u>	<u>7,976,924</u>
<b>Liabilities</b>		
Current liabilities	1,068,936	1,146,310
Long-term liabilities	<u>4,261,884</u>	<u>3,889,188</u>
Total liabilities	<u>5,330,820</u>	<u>5,035,498</u>
<b>Net Position</b>		
Net investment in capital assets	1,104,923	1,381,039
Restricted for debt service	105,261	73,991
Restricted for food service	49,625	61,622
Restricted for capital projects		165,144
Restricted for grants	22,902	16,991
Unrestricted	<u>1,635,106</u>	<u>1,242,639</u>
Total net position	<u>\$2,917,817</u>	<u>\$2,941,426</u>

**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**Summary of Net Position**

As indicated by the statement above, total net position is \$2,941,426. Net position can be separated into the following categories: net investment in capital assets, restricted for debt service, restricted for food service, restricted for capital projects, restricted for grants, and unrestricted.

Net investment in capital assets is a combination of capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is \$10,760,242 which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$5,340,458. Many capital asset acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters and is recorded as a liability in the summary of the statement of net position statement.

Net investment in capital assets is \$1,381,039. Net position restricted for debt service is \$73,991 and consists of cash balances in the debt service funds. Net position restricted for grants is \$16,991 and consists of tribal grant dollars awarded but not yet spent. Net position restricted for food service is \$61,622 and consists of resources available to the food service operations. Net position restricted for Capital Projects is \$165,144 and consists of funds set aside by the board of education to pay for future capital outlays. The remaining \$1,242,639 of net position is unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**Summary of Statement of Activities**

	<u>2013</u>	<u>2014</u>
<b>Revenues</b>		
Charges for Services	\$229,651	\$222,206
Operating and Capital Grants and Contributions	824,227	1,065,321
General Revenues	<u>5,538,025</u>	<u>5,605,324</u>
<b>Total revenue</b>	<u>6,591,903</u>	<u>6,892,851</u>
<b>Expenses</b>		
Instruction	3,800,773	3,928,200
Supporting services	2,232,817	2,480,083
Food services	292,218	288,504
Community Services	6,138	6,613
Interest on long-term debt	<u>178,986</u>	<u>165,842</u>
<b>Total expenses</b>	<u>6,510,932</u>	<u>6,869,242</u>
 <b>Increase in net position</b>	 <u>\$80,971</u>	 <u>\$23,609</u>

The total increase in revenue from 2012/2013 to 2013/2014 at the District wide level was \$300,948. The majority of that increase was in the General Fund where State aid and Operating Grants & Contributions saw an increase in revenues over last year. State aid increased due to an increase in the foundation allowance and an equity payment of \$50 per student. Operating Grants & Contributions increased due to the new vocational education millage levied by the Gratiot-Isabella RESD and the payments from the Michigan Public Schools Retirement System for the UAAL rate stabilization payments.

The total increase in expenses from 2012/2013 to 2013/2014 at the District wide level was \$358,310. The majority of this increase was in the instruction and support services area of the General Fund. The increases to instruction were primarily due to increases in personnel costs. Wages, retirement, and health insurance costs all saw an increase in 2013/2014. The support services expenses increase was primarily due to the overlap of personnel in the maintenance/transportation area as we had the replacement for our maintenance/transportation director start prior to July 1<sup>st</sup> to allow him time to work with the retiring supervisor to gain knowledge of the district's operations. Bus repair expense also increased in the 2013/2014 school year. The repair service the district had utilized prior to 2013/2014 is no longer available. The new repair service seemed to find more issues with the buses and more necessary repairs. Our hope is that the new repair facility made sure each of our buses were fixed properly when taken in the first time. The district anticipates a decrease in bus repair costs during the 2014/2015 year.

**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**Revenues**

Local revenues are primarily made up of property taxes to fund operating expenses and retire debt of previous bond issues. Local revenues also include grant awards from the Saginaw Chippewa Indian Tribe in the amount of \$20,543. Other sources of local revenue include fees and charges for services such as hot lunch, athletic gate receipts, sports participation fees and driver's education tuition.

State revenues account for the majority of the district's revenues and consist primarily of the per student foundation allowance. State revenues made up 87% of the district's general fund revenues in 2013/2014. This ties the district directly to the overall economy of the State of Michigan.

Federal sources include Title grants in the General Fund and monies for the Food Service Fund. Federal revenues totaled less than \$500,000 alleviating the need for a single audit of federal funds.

Interdistrict sources of revenue consist of the County special education tax and the vocational education tax collected and distributed by the local Intermediate School District. This was the first year for the vocational education tax. The voters in Gratiot and Isabella counties approved a 1 mill levy for ten years to support the vocational educational programs. The superintendents in the RESD have worked together to determine how the funds will be distributed to each district. This first year of the millage Beal City Schools received \$141,486.

**Property Taxes**

A major portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Funds. Property tax revenue totaled \$801,081. This amount was obtained through a combination of two voter approved millage levies totaling 18 mills on the taxable value of non-homestead properties and 6 mills on the taxable value of commercial personal property for the District's operation and a voter approved 7 mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments of bond issues. Tax revenues saw a small decrease in 2013/2014. We expected this decrease as taxable values decreased in 2013 with a negative growth percentage. Taxable values determine the amount of local tax income for the operating revenues of the General Fund, and also determine the Debt Retirement Funds revenue generated each year. While the State of Michigan will make up the shortfall in operating revenue in the General Fund, the Debt Retirement Fund is entirely dependent on the 7 mills allocated on taxable values to generate the funds necessary to pay off the districts long term debt. Fortunately, taxable values have increased for 2014. In fact it is the largest increase we have seen in four years. It is anticipated that tax revenues will increase in 2014.

**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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TAXABLE VALUE HISTORY

YEAR	TAXABLE VALUE	GROWTH
2008	78,216,273	3.07%
2009	81,878,623	4.68%
2010	81,673,543	(.25%)
2011	81,544,258	(.16%)
2012	82,561,107	1.25%
2013	81,046,450	(1.83%)
2014	82,930,946	2.33%

**State Aid Foundation Allowance**

A significant portion of state funding to the District is received through the foundation allowance. The foundation allowance is funding from the state based on student enrollment. Student enrollment is blended at 90% of current year October count and 10% of prior year February count. The blended enrollment of Beal City Public Schools for 2013/2014 was 707.15 students, an increase of 1.59 from the 2012/2013 student enrollment of 705.56. The State of Michigan establishes per student foundation allowance on an annual basis.

**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**Capital Assets and Long-term Debt**

**Capital Assets**

On June 30, 2014 the District had \$5,419,784 invested in a broad range of capital assets as illustrated below:

**Assets**

Land	\$ 187,593
Buildings and additions	7,235,547
Site improvements	1,763,938
Equipment and furniture	544,157
Buses and other vehicles	638,785
Fiber optic network	<u>390,222</u>
Subtotal	10,760,242
Less accumulated depreciation	<u>5,340,458</u>
Net capital assets	<u><u>\$ 5,419,784</u></u>

**Long-term Debt**

At the end of the current fiscal year, the Beal City Public School district had total general obligation bonded debt outstanding of \$4,076,000. The general obligation bonded debt outstanding consists of three bond issues. The 2012 refunding issue of the 2002 bond issue for the sports complex, the 2014 refunding issue of the 1996 issue for the addition to the high school and the 2012 bond issue to pay off the school bond loan fund. Other long term debt includes, compensated absences, retirement incentives, and a capital lease of copy machine equipment. Total outstanding long term debt of the district at the end of the current year is \$4,371,049. Both the compensated absences and the retirement incentives are estimates of potential costs. Teachers are eligible for a retirement incentive of \$9,000 if they retire from the MPSERS the first year they are eligible to retire. The district has estimated the likelihood of a teacher qualifying for this incentive and multiplied the likelihood by the total available benefit of \$9,000. Compensated absences consist of termination pay, accrued sick time benefits and accrued vacation and personal time. The long term debt is estimated on the premise that all staff will qualify for a payout of leave time when they end their employment with the district.



**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**General Fund Budgetary Highlights**

**Original vs. Actual Budget**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

The district amended its budget twice during the 2013/2014 school year. For the fiscal year 2013/2014, the budget was amended in March of 2014 and June of 2014.

**General Fund Revenues Budget vs. Actual Revenues**

Fiscal Year	Original Budget	Final Budget	Final Actual	Variance of final to actual
2013/2014	\$5,571,628	\$6,001,956	\$6,013,532	\$11,576

The District's actual General Fund revenues were more than the final budget by \$11,576. The majority of this variance is due to an increase in the special education dollars received from the Gratiot-Isabella RESD from the county wide Special Education millage.

**General Fund Expenditures Budget vs. Actual Expenditures**

Fiscal Year	Original Budget	Final Budget	Final Actual	Variance of final to actual
2013/2014	\$5,778,145	\$6,092,656	\$6,011,009	\$(81,647)

The District's General Fund expenditures were less than the final expenditure budget by \$81,647. Tribal grants received from the Saginaw Chippewa Indian Tribe make up a portion of the discrepancy in budgeted to actual expenditures. Many tribal grants were budgeted for, but not spent in the 2013/2014 fiscal year. Those tribal grant budget items remaining at the end of the 2013/2014 fiscal year will be carried over to the 2014/2015 budget. The expenditures in most of the function areas were less than the final expenditure budget. Individually they were not significant.

**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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**Excess of Expenditures over appropriations**

Function	Final Budget	Amount of Expenditures	Budget Variance
General Fund			
Alternative Education	\$ 96,856	\$ 97,096	\$ 240
Central Services	100,104	103,439	3,335

Expenditures were over the final budget in the alternative education function due to the necessity to hire a substitute at the end of the year so the alternative education director could attend his son's baseball games as the team made their way to the state championship game. Central Services was over budget due to a charge for services from the RESD. In the past, the RESD has not charged us to maintain our servers. At the time of final budget amendments, the technology director was not aware that the RESD would be billing us for this service for the 2013/2014 school year. It has been included in the budget for the 2014/2015 year.

**Economic Factors and Next Year's Budgets and Rates**

The foundation allowance for 2014/2015 has been set at \$7,126 per student. This includes a \$50 increase to the 2014 foundation allowance as well as the \$50 per pupil equity payment under section 22c of the state school aid act. That equity payment is now a part of the foundation allowance. The State is also offering a \$50 per pupil incentive to any district that meets seven out of nine revised "best practices" that the state has identified. The nine "best practices" include: the district be the policy holder of all employee health benefit packages; obtain a competitive bid for the provision of 2014-2015 non-instructional services; accept applications for enrollment of non-resident pupils under Section 105 or 105c, offer online courses or blended learning opportunities to all eligible pupils and publish course syllabi; provide to parents and community members a dashboard/report card with required financial information on website, teacher and administrator job performance is significant factor in compensation determination, collective bargaining agreements do not include provisions contrary to prohibited subjects by statute, implement a comprehensive guidance and counseling program and offer K-8 students 1 credit worth of non-English language learning experiences. Seven out of eight best practices were met last year. Administration will work to make any changes necessary to these best practices to ensure the district's eligibility for the best practices incentive in 2014/2015.

Under the direction of our State Governor, Mr. Rick Snyder, we have seen a number of education reform laws pass in the last two years. It is easy to get the feeling that educators are being attacked by our republican lead legislature. Many of the laws passed in the last two years seem to be more about punishing educators, and educator unions in particular, as they do about improving education in the State of Michigan.

The State legislator passed a retirement reform bill in 2012 to try to ensure that the Michigan Public School Retirement System will be sustainable for years to come. The reforms affected all current, retired, and future school personnel. Retirees saw a decrease in the amount of insurance premium subsidy they received from the Michigan Public Schools Retirement System. New hires will no longer be offered an insurance premium subsidy upon retirement and all current public school employees in the State of Michigan were required to make choices about the amount they will

**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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contribute to their retirement benefits and the amount they will receive upon retirement. The reforms have complicated the reporting of retirement benefits as there are now multiple retirement scenarios an employee may fall under. In addition, the Office of Retirement Services is still struggling with online reporting. When the retirement reforms went into place in 2012 the web reporting system was not yet capable of calculating all of the various retirement possibilities correctly. We are still waiting for minor adjustments to retirement reports from 2012.

The legislature has agreed to limit the unfunded liability amount of the retirement rate to 20.96%. While this should help keep the cost of retirement down, there is the possibility that it will decrease other funding provided to public schools. The legislature only has so much money to work with. If they use dollars to keep the retirement rate down, they will have to make up for that use of dollars somewhere else in the budget. So while the retirement rate may be more stable, other funding may be decreased to make up for it.

Mr. William C. Chilman IV is now starting his eighth year as the Superintendent of Beal City Public Schools. Mr. Chilman believes the three most important jobs a Superintendent has are to first and for most, improve student achievement. Secondly, during these financially difficult times, maintain the district's fiscal integrity, which is becoming even more challenging with ongoing changes at the state level. Third, but not least of all, promote the school district and provide positive school and community relations throughout the region. These three jobs have become part of our three board goals, so the board members and Mr. Chilman are working together as a team. We continue to deficit spend, but we work hard to reduce the overall effect on the budget. We must weather the long storm and hopefully we will see better days ahead if we can keep the ship above water long enough to get some help bailing the water out.

Beal City has two mottos that we live by. One is "Educational Teamwork Today Equals Educational Excellence Tomorrow". Our staff, students, parents and the community work together to create an environment where all parties can achieve excellence. The second motto is "a BIG education in a small school environment". Again, we all work hard each day to balance the financial part of education with the educational opportunities we provide to our students, and we are getting it done with true success. Beal City Public Schools continues to be recognized in the region and around the state as an educational leader academically, artistically, and athletically.

The Beal City Board of Education and the Beal City Education Association (BCEA) settled a three year contract in September of 2013. Teachers will see small % increases each year and steps in the first and third year of the contract. The teachers have moved back to MESSA insurance. Beginning January of 2014 the teaching staff was given the option of MESSA choices II or the MESSA ABC plan which is a high deductible insurance plan with a health saving component. The remainder of the staff also moved to MESSA on July 1, 2014. Our insurance representative did not even give us the renewal rates for ASR as he knew they were not feasible. He presented a McClaren health plan that the district considered. After analyzing the risks and rewards of the McClaren plan and MESSA's plan it was decided that MESSA was the better option for our employees. Both the MESSA Choices II plan and the MESSA ABC plan exceed the allowable cap established by our State legislature so all employees will be contributing to the cost of their health insurance. Those who receive dental and vision benefits will be paying 20% of the premium for those insurance benefits also.

District administration has been diligent about learning the details of the Patient Protection and Affordable Care Act. It is not easy to keep up to speed on the provisions of the law and when they take effect. In fact, the effective date of some provisions of the law have been moved back to start later than originally planned. One of those provisions is the "play or pay" rule which states that an employer must offer affordable health care

**Beal City Public School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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to all staff who work an average of 30 hours per week. This was to start at the beginning of the district's insurance plan year after January 1, 2014. That date has been pushed back to January 1, 2015. The district will be tracking hours for all current staff who do not receive health benefits to make sure they are not working more than an average of 30 hours per week. There is the potential of significant added costs to employee benefits as we have a number of employees not receiving health benefits who work at or over 30 hours per week.

Student count numbers for fall of 2014 have not yet been determined. As an overall district, we do anticipate stable enrollment. Administration is more concerned about the 2015/2016 school year. We anticipate our student count going down for the 2015/2106 year as we will be graduating approximately 70 seniors in the spring of 2015. Our normal kindergarten class hovers around 40 students per year. 2015/2016 is also the year that teachers will be receiving a step increase and a .5% increase on the salary schedule.

The Board of Education is committed to ensuring the financial stability of the school district. As there seems to be no end in sight to the poor economic conditions of the State of Michigan, the Board feels the need to be very cautious with spending. The uncertainty of State funding is an ongoing problem. The instability and lack of state funding creates a real challenge to Michigan's public schools.

**Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the finances for the Beal City Public Schools for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Beal City Public Schools Central Office, 3180 W Beal City Road, Mt. Pleasant, MI 48858.

## BASIC FINANCIAL STATEMENTS

**Beal City Public Schools**  
**Statement of Net Position**  
**June 30, 2014**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 1,282,699
Accounts receivable	1,343
Due from other governmental units	1,121,578
Inventory	1,234
Prepaid items	42,819
Capital assets not being depreciated	187,593
Capital assets - net of accumulated depreciation	<u>5,232,191</u>
 Total assets	 <u>7,869,457</u>
 <b>Deferred Outflows of Resources</b>	
Deferred amount on debt refunding	<u>107,467</u>
 Total assets and deferred outflows of resources	 <u>7,976,924</u>

See Accompanying Notes to Financial Statements

**Beal City Public Schools**  
**Statement of Net Position**  
**June 30, 2014**

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	<u>Governmental Activities</u>
<b>Liabilities</b>	
Accounts payable	\$ 9,955
Accrued expenditures	321,548
Accrued salaries payable	320,674
Unearned revenue	12,272
Noncurrent liabilities	
Due within one year	481,861
Due in more than one year	<u>3,889,188</u>
 Total liabilities	 <u>5,035,498</u>
 <b>Net Position</b>	
Net investment in capital assets	1,381,039
Restricted for:	
Debt service	73,991
Food service	61,622
Capital projects	165,144
Grants	16,991
Unrestricted	<u>1,242,639</u>
 Total net position	 <u>\$ 2,941,426</u>

See Accompanying Notes to Financial Statements

**Beal City Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 3,928,200	\$ 7,575	\$ 917,041	\$ -
Supporting services	2,480,083	71,362	-	-
Food services	288,504	143,269	148,280	-
Community services	6,613	-	-	-
Interest on long-term debt	165,842	-	-	-
	<u>\$ 6,869,242</u>	<u>\$ 222,206</u>	<u>\$ 1,065,321</u>	<u>\$ -</u>
				(5,581,715)
General revenues				
Property taxes, levied for general purposes				236,018
Property taxes, levied for debt service				565,062
State aid - unrestricted				4,751,411
Interest and investment earnings				3,197
Other				38,453
Insurance recoveries				7,333
				<u>5,605,324</u>
Change in net position				23,609
Net position - beginning				<u>2,917,817</u>
Net position - ending				<u>\$ 2,941,426</u>

See Accompanying Notes to Financial Statements



**Beal City Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 968,848	\$ 307,670	\$ 1,276,518
Accounts receivable	1,343	-	1,343
Due from other funds	-	23,199	23,199
Due from other governmental units	1,119,380	2,198	1,121,578
Inventory	-	1,234	1,234
Prepaid items	29,819	-	29,819
Total assets	<u>\$ 2,119,390</u>	<u>\$ 334,301</u>	<u>\$ 2,453,691</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 9,955	\$ -	\$ 9,955
Due to other funds	23,199	-	23,199
Accrued expenditures	288,658	-	288,658
Accrued salaries payable	320,674	-	320,674
Unearned revenue	7,087	5,185	12,272
Total liabilities	<u>649,573</u>	<u>5,185</u>	<u>654,758</u>
<b>Fund Balance</b>			
<b>Non-spendable</b>			
Inventory	-	1,234	1,234
Prepaid items	29,819	-	29,819
<b>Restricted for:</b>			
Food service	-	60,388	60,388
Debt service	-	102,350	102,350
Capital projects	-	165,144	165,144
Grants	16,991	-	16,991
<b>Assigned</b>			
Future budget deficit	303,240	-	303,240
Unassigned	1,119,767	-	1,119,767
Total fund balance	<u>1,469,817</u>	<u>329,116</u>	<u>1,798,933</u>
Total liabilities and fund balance	<u>\$ 2,119,390</u>	<u>\$ 334,301</u>	<u>\$ 2,453,691</u>

See Accompanying Notes to Financial Statements

**Beal City Public Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**of Governmental Activities**  
**June 30, 2014**

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<b>Total fund balances for governmental funds</b>	<b>\$ 1,798,933</b>
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	187,593
Capital assets - net of accumulated depreciation	5,232,191
Deferred outflows of resources resulting from debt refunding	107,467
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(28,359)
Retirement incentive payable	(55,309)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(169,528)
Bonds payable	(4,103,953)
Other loans payable and liabilities	(42,259)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	14,650
<b>Net position of governmental activities</b>	<b>\$ 2,941,426</b>

**Beal City Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 395,111	\$ 714,467	\$ 1,109,578
State sources	5,202,037	17,399	5,219,436
Federal sources	92,911	136,252	229,163
Interdistrict sources	323,473	-	323,473
	<u>6,013,532</u>	<u>868,118</u>	<u>6,881,650</u>
Total revenues			
<b>Expenditures</b>			
Current			
Education			
Instruction	3,759,050	-	3,759,050
Supporting services	2,159,869	-	2,159,869
Food services	-	286,731	286,731
Community services	6,613	-	6,613
Capital outlay	61,585	202,457	264,042
Debt service			
Principal	17,612	412,000	429,612
Interest and other expenditures	6,280	158,867	165,147
Bond issuance costs	-	37,325	37,325
	<u>6,011,009</u>	<u>1,097,380</u>	<u>7,108,389</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>2,523</u>	<u>(229,262)</u>	<u>(226,739)</u>

See Accompanying Notes to Financial Statements

**Beal City Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>			
Proceeds from refinancing debt	\$ -	\$ 2,110,000	\$ 2,110,000
Payment to bond refunding escrow agent	-	(2,070,000)	(2,070,000)
Insurance recoveries	7,333	-	7,333
Proceeds from sale of capital assets	3,850	-	3,850
Transfers in	-	100,000	100,000
Transfers out	(100,000)	-	(100,000)
	<u>(88,817)</u>	<u>140,000</u>	<u>51,183</u>
Total other financing sources (uses)			
Net change in fund balance	(86,294)	(89,262)	(175,556)
Fund balance - beginning	<u>1,556,111</u>	<u>418,378</u>	<u>1,974,489</u>
Fund balance - ending	<u>\$ 1,469,817</u>	<u>\$ 329,116</u>	<u>\$ 1,798,933</u>

See Accompanying Notes to Financial Statements

**Beal City Public 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, 2014**

<b>Net change in fund balances - Total governmental funds</b>	\$	(175,556)
Total change in net position reported for governmental activities in the statement of activities is 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.		
Depreciation expense		(346,082)
Capital outlay		196,503
Loss on sale of capital assets (net book value)		(2,462)
Expenses are recorded when incurred in the statement of activities.		
Interest		(1,915)
Retirement incentive payable		865
Compensated absences		(72,180)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.		
Debt issued		(2,110,000)
Repayments of long-term debt		429,612
Payment to bond refunding escrow agent		2,070,000
Deferred amount on refunding		40,000
Amortization of premiums		2,150
Amortization of deferred amount on refunding		(3,605)
Internal Service Fund revenues and expenses are included in the governmental activities in the statement of activities		(3,721)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>23,609</b>

See Accompanying Notes to Financial Statements

**Beal City Public Schools**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Net Position**  
**June 30, 2014**

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**Assets**

Cash	\$ 6,181
Prepaid items	<u>13,000</u>
Total assets	<u>19,181</u>

**Liabilities**

Current liabilities	
Accrued expenditures	<u>4,531</u>

**Net Position**

Unrestricted	<u><u>\$ 14,650</u></u>
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See Accompanying Notes to Financial Statements

**Beal City Public Schools**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Net Position**  
**For the Year Ended June 30, 2014**

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**Operating revenues**

Charges to other funds \$ 509,741

**Operating expenses**

Health, dental, and vision insurance premiums and claims 513,480

Operating loss (3,739)

**Nonoperating revenues**

Interest income 18

Net change in net position (3,721)

Net position - beginning 18,371

Net position - ending \$ 14,650

**Beal City Public Schools**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

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**Cash flows from operating activities**

Receipts from General Fund	\$ 621,124
Claims paid	(620,332)
	792

**Cash flows from investing activities**

Interest received	18
	18

Net change in cash	810
Cash - beginning	5,371
Cash - ending	\$ 6,181

**Reconciliation of operating loss to net cash provided by operating activities**

Operating loss	\$ (3,739)
Adjustments to reconcile operating loss to net cash provided by operating activities - changes in assets and liabilities	
Decrease in due from other funds	111,383
Decrease in accrued expenditures	(71,527)
Decrease in incurred but not reported expenditures (IBNR)	(35,325)
	(75,271)

<b>Net cash provided by operating activities</b>	<b>\$ 792</b>
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**Beal City Public Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

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	<u>Agency Fund</u>
<b>Assets</b>	
Cash	<u>\$ 93,187</u>
<b>Liabilities</b>	
Due to student groups	<u>\$ 93,187</u>

See Accompanying Notes to Financial Statements

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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

The accounting policies of the Beal City Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**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. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three

parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

**Fund Financial Statements**

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.

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

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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thereafter to pay liabilities of the current period. For this purpose, the School 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 government.

Proprietary fund and fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. The only proprietary fund maintained is an Internal Service Fund that is used to account for the financing of risk management services provided to other funds on a cost reimbursement basis. The Internal Service Fund maintained by the School District is the Self Insurance Fund, which includes transactions related to the School District's risk management programs for medical claims.

The School District reports the following major governmental fund:

*General Fund* – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Fund includes the Food Service Fund. The annual operating deficit generated by these activities is generally transferred from the General Fund.

*Debt Service Funds* – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

*Capital Projects Fund* – The Public Improvement Fund is used to account for financial resources to be used for construction or major renovation of facilities and is funded by General Fund transfers and interest earnings.

*Internal Service Fund* – The School District's proprietary fund is the Internal Service Fund. The purpose of the fund is to finance services provided to other funds of the School District on a cost-reimbursement basis. The Internal Service Fund maintained by the School District accounts for medical, dental, and vision insurance coverage. It is funded through transfers primarily from the General Fund in amounts equal to normal estimated risk management claims.

*Fiduciary Funds* – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Assets, Liabilities and Net Position or Equity**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2014, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence exemption	18.00000
Commercial personal property	6.00000
 Debt Service Funds	 7.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. Approximately 96% of the School District’s tax roll lies within the Townships of Nottawa, Isabella and Deerfield.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before July 31. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Isabella and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Fiber optic network	20 years
Buses and other vehicles	5-10 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Compensated Absences – Retiring staff are paid four (4) percent of the staff members current annual salary, provided the staff member has been employed by the school district for at least ten (10) years. This liability is measured using the Termination Method.

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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Staff members may accumulate a maximum of one hundred eighty-three (183) unused sick days. Upon retirement or termination of employment, unused sick days are paid at 50% of the teachers' sub rate times the number of unused days up to a maximum of 100 days. Ten (10) years of service as an employee of the Beal City Public Schools is necessary in order to qualify. There is no provision for payment of unused personal days for teaching staff.

For all non teaching staff accumulated personal time and vacation time will be paid out upon leaving the district if the employee notifies the district of their intent to leave the district two weeks prior to their last day worked. Personal and vacation time will be paid out at the individual's hourly or daily rate.

The current portion of any accrued sick, personal or vacation pay cannot be reasonably estimated and, as such, is not included as a current liability.

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that

are not considered available to liquidate liabilities of the current period. There were no current year deferred inflows of resources.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature. The District does not have any assigned fund balance at year end.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Use of 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 and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

**Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued *Statement 68 Accounting and Financial Reporting for Pensions* and *Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability will be recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. The District is evaluating the impact these standards will have on its financial

reporting. Statements 68 and 71 are effective for the year ending June 30, 2015.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending June 30, 2015.

**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 fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

**Excess of Expenditures over Appropriations**

Actual expenditures exceeded amounts appropriated as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Adult and continuing education	\$ 96,856	\$ 97,096	\$ 240
Central	100,104	103,439	3,335

**NOTE 3 - DEPOSITS**

The School District's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 1,282,699	\$ 93,187	\$ 1,375,886

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	<u>\$ 1,375,886</u>
--	---------------------

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

*Concentration of credit risk* – The District has no policy that would limit the amount that may be invested with any one issuer.

*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. The District does not have a deposit policy for custodial credit risk. As of year end, the District's bank balance was \$1,395,594. Of the bank balance, \$1,145,594 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 4 - CAPITAL ASSETS**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 187,593	\$ -	\$ -	\$ 187,593
Construction in progress	8,892	-	8,892	-
<b>Total capital assets not being depreciated</b>	<b>196,485</b>	<b>-</b>	<b>8,892</b>	<b>187,593</b>
Capital assets being depreciated				
Buildings and additions	7,076,470	159,077	-	7,235,547
Site improvements	1,725,248	38,690	-	1,763,938
Equipment and furniture	627,475	7,628	90,946	544,157
Fiber optic network	390,222	-	-	390,222
Buses and other vehicles	733,528	-	94,743	638,785
<b>Total capital assets being depreciated</b>	<b>10,552,943</b>	<b>205,395</b>	<b>185,689</b>	<b>10,572,649</b>
Less accumulated depreciation for				
Buildings and additions	3,016,223	145,573	-	3,161,796
Site improvements	863,573	90,132	-	953,705
Equipment and furniture	434,928	43,599	88,484	390,043
Fiber optic network	302,420	19,511	-	321,931
Buses and other vehicles	560,459	47,267	94,743	512,983
<b>Total accumulated depreciation</b>	<b>5,177,603</b>	<b>346,082</b>	<b>183,227</b>	<b>5,340,458</b>
<b>Net capital assets being depreciated</b>	<b>5,375,340</b>	<b>(140,687)</b>	<b>2,462</b>	<b>5,232,191</b>
<b>Net capital assets</b>	<b>\$ 5,571,825</b>	<b>\$ (140,687)</b>	<b>\$ 11,354</b>	<b>\$ 5,419,784</b>

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

<b>Governmental activities</b>	
Instruction	\$ 220,358
Support services	123,951
Food services	1,773
<b>Total governmental activities</b>	<b>\$ 346,082</b>

**NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS**

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General	Food Service	<b>\$ 23,199</b>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	<b>Transfers Out</b>
	General
	Fund
<b>Transfers in</b>	
Public Improvement Fund	<b>\$ 100,000</b>

The transfer to the Public Improvement Fund was made to cover the costs of School District improvements.



**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 6 – UNEARNED REVENUE**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Student deposits	\$ 5,185
Technology grant	<u>7,087</u>
Total	<u><u>\$ 12,272</u></u>

**NOTE 7 – LEASES**

**Capital Lease**

The School District has a capital lease for copy machines. The future minimum lease payments are as follows:

<b>Year ending June 30,</b>	
2015	\$ 23,891
2016	<u>23,891</u>
Total minimum lease payments	47,782
Less amount representing interest	<u>(5,523)</u>
Present value of minimum lease payments	<u><u>\$ 42,259</u></u>

The assets acquired through capital leases are as follows:

<b>Assets</b>	
Machinery and equipment	\$ 90,235
Less accumulated depreciation	<u>(54,145)</u>
Total	<u><u>\$ 36,090</u></u>

**NOTE 8 – LONG-TERM DEBT**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, capital leases, and retirement incentives.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	\$ 4,448,000	\$ 2,110,000	\$ 2,482,000	\$ 4,076,000	\$ 462,000
Capital lease	59,871	-	17,612	42,259	19,861
Compensated absences	97,348	72,180	-	169,528	-
Retirement incentives	56,174	-	865	55,309	-
Premium on bonds	30,103	-	2,150	27,953	-
Total	<u>\$ 4,691,496</u>	<u>\$ 2,182,180</u>	<u>\$ 2,502,627</u>	<u>\$ 4,371,049</u>	<u>\$ 481,861</u>

For governmental activities, compensated absences and retirement incentives are primarily liquidated by the general fund.

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

General obligation bonds payable at year end, consists of the following:

\$1,157,000 serial bond due in annual installments of \$71,000 to \$81,000 through May 1, 2027, interest at 3.45%.	\$	1,006,000
\$1,009,000 serial bond due in annual installments of \$51,000 to \$240,000 through May 1, 2021, interest at 1.95% to 3.95%.		960,000
\$2,110,000 serial bond due in annual installments of \$240,000 to \$380,000 through May 1, 2021, interest at 0.50% to 2.60%.		2,110,000
Total general obligation bonded debt	\$	4,076,000

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 462,000	\$ 107,432	\$ 569,432
2016	477,000	95,095	572,095
2017	491,000	87,173	578,173
2018	511,000	77,091	588,091
2019	535,000	64,986	599,986
2020-2024	1,382,000	122,423	1,504,423
2025-2027	218,000	14,939	232,939
Total	\$ 4,076,000	\$ 569,139	\$ 4,645,139

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$102,350 to pay this debt. Future debt and interest will be payable from future tax levies.

**Compensated Absences**

Accrued compensated absences at year end, consists of \$83,816 of termination pay, \$61,651 in accrued sick time benefits, and \$24,061 of vacation and personal time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

**Retirement Incentive**

In the event a teacher retires from the district, as soon as he/she is eligible for full benefits under the Michigan Public Schools Retirement System or at the end of the school year during which he/she becomes eligible for full benefits, the teacher shall be paid \$3,000 per year on January 1 following his/her retirement for three consecutive years. The School District has estimated the likelihood of a teacher qualifying for this incentive and multiplied the likelihood by the total available benefit of \$9,000. The School District has recorded a long term liability of \$55,309 at year end.

**Advance Refunding**

On February 20, 2014, the School District issued general obligation bonds of \$2,110,000 (par value) with an interest rate of 0.50% to 2.60% to advance refund the 2004 general obligation bonds with an interest rate of 3.50% to 4.10% and a par value of \$2,070,000. After paying issuance costs of \$37,325, the net proceeds were \$2,072,675. \$2,070,000 of the proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments. The remaining \$2,675 was returned to the debt service fund. The advance refunding met the requirements of an in-substance debt defeasance and the school bond loan fund debt was removed from the School District's financial statements.

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

As a result of the advance refunding, the School District reduced its total debt service requirements by \$104,961, which resulted in an economic gain of \$103,222.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$40,000. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2021.

**NOTE 9 – RISK MANAGEMENT**

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

The School 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 School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$0 of unemployment compensation expense for the year. No provision has been made for possible future claims.

The School District was self-insured for health benefits paid on behalf of its teacher through December 31, 2013. The School District was self-insured for dental, and vision benefits paid on behalf of its teachers through December 31, 2013 and all other qualifying employees through June 30, 2014. The self-funded program ended June 30, 2014. Payments are made to the insurance administrator based on actual claims and administration fees. The health portion

was self funded for only the deductible portion which is a maximum of \$2,500 per policy. There is no stop-loss provision for the dental and vision portion. For governmental activities, the liability for health benefits is primarily liquidated by the general fund.

Changes in estimated liabilities for claims for benefits for the year are as follows:

	2014	2013
Estimated liability at the beginning of the year	\$ 35,325	\$ -
Estimated claims incurred including changes in estimates	508,949	347,382
Claim payments	(544,274)	(312,057)
Estimated liability end of year	\$ -	\$ 35,325

**NOTE 10 – PENSION PLANS AND POST EMPLOYMENT BENEFITS**

**Plan Description**

The School District has a group of defined benefit and defined contribution retirement plans covering substantially all employees. The plans are operated by the State of Michigan's Public School Employees' Retirement System (MPSERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The plans provide retirement, survivor and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and their beneficiaries who elect to receive the benefits.

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, under the authority established by the Michigan Public School Employees Retirement Act (Retirement Act), as enacted and amended by the

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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Michigan Legislature. The Michigan Legislature has the authority to amend the Retirement Act. The Michigan Department of Technology, Management and Budget issues a publicly-available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plans as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

Full details on each of these plans are available on the MPSERS website at the address provided above.

**Pension Benefits**

Employer contributions to MPSERS result from the applying rules and applicable changes of the School Finance Reform Act. Accordingly, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. Depending on the plan selected, a plan member's contribution may range from 0% to 7% of their gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

For the period July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

For the period October 1, 2013 through June 30, 2014, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health contributions	6.45%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

The School District's required and actual contributions to the plans for the years ended June 30, 2014, 2013, and 2012 were approximately \$527,138, \$438,550, and \$448,970, respectively. Contributions made by the participants of the plan for the year ended June 30, 2014 were \$251,814.

**Beal City Public Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Post Employment Benefits**

In addition to the pension benefits described above, state law requires the School District to provide post-retirement healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes 2% of their salary, and receives a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2013 through September 30, 2013, and October 1, 2013 through June 30, 2014, the employer contribution rate ranged from 8.18% to 9.11% and 5.52% to 6.45%, respectively. See above two tables for rates.

The District's actual contributions match the required contributions for the years ended June 30, 2014, 2013, and 2012 and were approximately \$213,617, \$261,197, and \$233,044, respectively.

**Unfunded Accrued Actuarial Liability**

During the year ended June 30, 2014, the District had contributions in the amount of \$145,392 to the Michigan Public School Employee Retirement System (MPSERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 4.56% for the year. These contributions are not included in the above tables.

**NOTE 11 – CONTINGENT LIABILITIES**

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

## REQUIRED SUPPLEMENTARY INFORMATION

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**Beal City Public Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 383,950	\$ 397,346	\$ 395,111	\$ (2,235)
State sources	4,950,811	5,201,824	5,202,037	213
Federal sources	76,711	93,248	92,911	(337)
Interdistrict sources	160,156	309,538	323,473	13,935
<b>Total revenues</b>	<b>5,571,628</b>	<b>6,001,956</b>	<b>6,013,532</b>	<b>11,576</b>
<b>Expenditures</b>				
Instruction				
Basic programs	2,828,279	2,990,684	2,957,105	(33,579)
Added needs	666,795	712,412	704,849	(7,563)
Adult and continuing education	107,820	96,856	97,096	240
Supporting services				
Pupil	100,121	89,971	88,697	(1,274)
Instructional staff	144,914	143,016	137,407	(5,609)
General administration	196,272	211,401	204,839	(6,562)
School administration	325,913	336,442	334,591	(1,851)
Business	96,060	119,479	118,416	(1,063)
Operations and maintenance	451,348	454,002	443,435	(10,567)
Pupil transportation services	399,289	468,014	461,217	(6,797)
Central	107,319	100,104	103,439	3,335
Athletics	256,849	274,402	267,828	(6,574)
Community services	7,619	6,613	6,613	-
Capital outlay	65,655	65,368	61,585	(3,783)
Debt service				
Principal	17,612	17,612	17,612	-
Interest and fiscal charges	6,280	6,280	6,280	-
<b>Total expenditures</b>	<b>5,778,145</b>	<b>6,092,656</b>	<b>6,011,009</b>	<b>(81,647)</b>



**Beal City Public Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Excess (deficiency) of revenues over expenditures	\$ (206,517)	\$ (90,700)	\$ 2,523	\$ 93,223
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries	-	7,333	7,333	-
Proceeds from sale of capital assets	-	-	3,850	3,850
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	(100,000)	(92,667)	(88,817)	3,850
Net change in fund balance	(306,517)	(183,367)	(86,294)	97,073
Fund balance - beginning	1,556,111	1,556,111	1,556,111	-
Fund balance - ending	<u>\$ 1,249,594</u>	<u>\$ 1,372,744</u>	<u>\$ 1,469,817</u>	<u>\$ 97,073</u>

## OTHER SUPPLEMENTARY INFORMATION

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**Beal City Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2014**

	Special	Debt Service Funds			Capital Projects	Total
	Revenue Fund				Fund	Nonmajor
	Food Services	2012	2014	2012 SBLF Refunding	Public Improvement	Governmental Funds
<b>Assets</b>						
Cash	\$ 40,176	\$ 26,092	\$ 52,329	\$ 23,929	\$ 165,144	\$ 307,670
Due from other funds	23,199	-	-	-	-	23,199
Due from other governmental units	2,198	-	-	-	-	2,198
Inventory	1,234	-	-	-	-	1,234
<b>Total assets</b>	<b>\$ 66,807</b>	<b>\$ 26,092</b>	<b>\$ 52,329</b>	<b>\$ 23,929</b>	<b>\$ 165,144</b>	<b>\$ 334,301</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Unearned revenue	\$ 5,185	\$ -	\$ -	\$ -	\$ -	\$ 5,185
<b>Fund Balance</b>						
Non-spendable						
Inventory	1,234	-	-	-	-	1,234
Restricted for:						
Food service	60,388	-	-	-	-	60,388
Debt service	-	26,092	52,329	23,929	-	102,350
Capital projects	-	-	-	-	165,144	165,144
<b>Total fund balance</b>	<b>61,622</b>	<b>26,092</b>	<b>52,329</b>	<b>23,929</b>	<b>165,144</b>	<b>329,116</b>
<b>Total liabilities and fund balance</b>	<b>\$ 66,807</b>	<b>\$ 26,092</b>	<b>\$ 52,329</b>	<b>\$ 23,929</b>	<b>\$ 165,144</b>	<b>\$ 334,301</b>

**Beal City Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	Special	Debt Service Funds			Capital	Total
	Revenue Fund			2012 SBLF	Projects Fund	Nonmajor
	Food Services	2012	2014	Refunding	Public	Governmental
					Improvement	Funds
<b>Revenues</b>						
Local sources	\$ 149,072	\$ 119,520	\$ 381,968	\$ 63,793	\$ 114	\$ 714,467
State sources	17,399	-	-	-	-	17,399
Federal sources	136,252	-	-	-	-	136,252
<b>Total revenues</b>	<b>302,723</b>	<b>119,520</b>	<b>381,968</b>	<b>63,793</b>	<b>114</b>	<b>868,118</b>
<b>Expenditures</b>						
Current						
Food services	286,731	-	-	-	-	286,731
Capital outlay	3,995	-	-	-	198,462	202,457
Debt service						
Principal	-	82,000	300,000	30,000	-	412,000
Interest and other expenditures	-	37,736	89,688	31,443	-	158,867
Bond issuance costs	-	-	37,325	-	-	37,325
<b>Total expenditures</b>	<b>290,726</b>	<b>119,736</b>	<b>427,013</b>	<b>61,443</b>	<b>198,462</b>	<b>1,097,380</b>
Excess (deficiency) of revenues over expenditures	11,997	(216)	(45,045)	2,350	(198,348)	(229,262)

**Beal City Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	Special	Debt Service Funds			Capital	Total
	Revenue Fund			2012 SBLF	Projects Fund	Nonmajor
	Food Services	2012	2014	Refunding	Public	Governmental
					Improvement	Funds
<b>Other Financing Sources (Uses)</b>						
Proceeds from refinancing debt	\$ -	\$ -	\$ 2,110,000	\$ -	\$ -	\$ 2,110,000
Payment to bond refunding escrow agent	-	-	(2,070,000)	-	-	(2,070,000)
Transfers in	-	-	-	-	100,000	100,000
Total other financing sources (uses)	-	-	40,000	-	100,000	140,000
Net change in fund balance	11,997	(216)	(5,045)	2,350	(98,348)	(89,262)
Fund balance - beginning	49,625	26,308	57,374	21,579	263,492	418,378
Fund balance - ending	\$ 61,622	\$ 26,092	\$ 52,329	\$ 23,929	\$ 165,144	\$ 329,116

**Beal City Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2014**

	2014	2013
<b>Assets</b>		
Cash	\$ 968,848	\$ 1,196,089
Accounts receivable	1,343	778
Due from other governmental units	1,119,380	959,746
Interest receivable	-	653
Prepaid items	29,819	35,035
Total assets	\$ 2,119,390	\$ 2,192,301
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 9,955	\$ 12,977
Due to other funds	23,199	141,039
Accrued expenditures	288,658	176,319
Accrued salaries payable	320,674	298,755
Unearned revenue	7,087	7,100
Total liabilities	649,573	636,190
<b>Fund Balance</b>		
Non-spendable		
Prepaid items	29,819	35,035
Restricted for:		
Grants	16,991	22,902
Assigned		
Future budget deficit	303,240	306,517
Unassigned	1,119,767	1,191,657
Total fund balance	1,469,817	1,556,111
Total liabilities and fund balance	\$ 2,119,390	\$ 2,192,301

**Beal City Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Revenues Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue from local sources</b>				
Property tax levy	\$ 242,445	\$ 235,943	\$ 236,018	\$ 75
Tuition	11,200	7,350	7,575	225
Transportation fees	2,000	1,500	1,740	240
Earnings on investments	5,075	2,705	2,815	110
Student activities	64,030	68,605	69,622	1,017
Other local revenues	59,200	81,243	77,341	(3,902)
Total revenues from local sources	<u>383,950</u>	<u>397,346</u>	<u>395,111</u>	<u>(2,235)</u>
<b>Revenues from state sources</b>				
Grants - unrestricted	4,676,448	4,766,893	4,768,908	2,015
Grants - restricted	274,363	434,931	433,129	(1,802)
Total revenues from state sources	<u>4,950,811</u>	<u>5,201,824</u>	<u>5,202,037</u>	<u>213</u>
<b>Revenues from federal sources</b>				
Grants	76,711	93,248	92,911	(337)
<b>Interdistrict sources</b>				
ISD collected millage	159,156	307,038	320,738	13,700
Other	1,000	2,500	2,735	235
Total interdistrict sources	<u>160,156</u>	<u>309,538</u>	<u>323,473</u>	<u>13,935</u>
<b>Other financing sources</b>				
Insurance recoveries	-	7,333	7,333	-
Proceeds from sale of capital assets	-	-	3,850	3,850
Total other financing sources	<u>-</u>	<u>7,333</u>	<u>11,183</u>	<u>3,850</u>
Total revenue and other financing sources	<u>\$ 5,571,628</u>	<u>\$ 6,009,289</u>	<u>\$ 6,024,715</u>	<u>\$ 15,426</u>

**Beal City Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - elementary</b>				
Salaries	\$ 879,927	\$ 907,850	\$ 905,370	\$ (2,480)
Employee benefits	531,899	594,894	590,626	(4,268)
Purchased services	16,141	22,052	20,568	(1,484)
Supplies and materials	51,651	43,651	37,271	(6,380)
Total elementary	<u>1,479,618</u>	<u>1,568,447</u>	<u>1,553,835</u>	<u>(14,612)</u>
<b>Basic program - high school</b>				
Salaries	792,548	813,754	810,140	(3,614)
Employee benefits	480,131	511,963	507,931	(4,032)
Purchased services	58,492	60,033	57,480	(2,553)
Supplies and materials	17,490	36,487	27,719	(8,768)
Total high school	<u>1,348,661</u>	<u>1,422,237</u>	<u>1,403,270</u>	<u>(18,967)</u>
<b>Added needs - special education</b>				
Salaries	214,689	241,253	241,103	(150)
Employee benefits	119,721	146,092	143,988	(2,104)
Purchased services	48,845	32,459	30,879	(1,580)
Supplies and materials	2,300	13,205	12,880	(325)
Total special education	<u>385,555</u>	<u>433,009</u>	<u>428,850</u>	<u>(4,159)</u>



**Beal City Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Added needs - compensatory education</b>				
Salaries	\$ 73,286	\$ 72,948	\$ 71,966	\$ (982)
Employee benefits	44,456	46,009	43,926	(2,083)
Purchased services	-	1,080	1,031	(49)
Supplies and materials	400	2,100	2,086	(14)
	<u>118,142</u>	<u>122,137</u>	<u>119,009</u>	<u>(3,128)</u>
<b>Added needs - career and technical education</b>				
Employee benefits	12,121	9,291	9,266	(25)
Purchased services	427	300	237	(63)
Supplies and materials	550	550	363	(187)
Other	150,000	147,125	147,124	(1)
	<u>163,098</u>	<u>157,266</u>	<u>156,990</u>	<u>(276)</u>
<b>Adult and continuing education - basic</b>				
Salaries	61,649	60,638	60,525	(113)
Employee benefits	34,569	28,443	28,784	341
Purchased services	1,427	1,000	1,078	78
Supplies and materials	10,175	6,775	6,709	(66)
	<u>107,820</u>	<u>96,856</u>	<u>97,096</u>	<u>240</u>

**Beal City Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - guidance services</b>				
Salaries	\$ 47,747	\$ 49,692	\$ 49,357	\$ (335)
Employee benefits	50,239	38,237	37,788	(449)
Supplies and materials	-	225	225	-
Total guidance services	<u>97,986</u>	<u>88,154</u>	<u>87,370</u>	<u>(784)</u>
<b>Pupil - speech services</b>				
Purchased services	445	445	-	(445)
<b>Pupil - other support services</b>				
Salaries	1,275	1,000	980	(20)
Employee benefits	415	372	347	(25)
Total other pupil support services	<u>1,690</u>	<u>1,372</u>	<u>1,327</u>	<u>(45)</u>
<b>Instructional staff - improvement of education</b>				
Salaries	1,000	-	-	-
Employee benefits	351	8	8	-
Purchased services	24,287	20,525	16,864	(3,661)
Supplies and materials	150	275	293	18
Total improvement of education	<u>25,788</u>	<u>20,808</u>	<u>17,165</u>	<u>(3,643)</u>
<b>Instructional staff - educational media services</b>				
Purchased services	17,904	17,677	17,467	(210)
Supplies and materials	5,238	3,494	2,146	(1,348)
Total educational media services	<u>23,142</u>	<u>21,171</u>	<u>19,613</u>	<u>(1,558)</u>

**Beal City Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Instructional staff - technology assisted instruction</b>				
Salaries	\$ 46,297	\$ 46,697	\$ 46,697	\$ -
Employee benefits	33,087	32,939	32,947	8
Purchased services	11,000	19,200	18,831	(369)
Other	100	50	3	(47)
	<u>90,484</u>	<u>98,886</u>	<u>98,478</u>	<u>(408)</u>
<b>Instructional staff - academic student assessment</b>				
Supplies and materials	5,500	2,151	2,151	-
<b>General administration - board of education</b>				
Purchased services	28,515	35,190	29,002	(6,188)
Other	8,200	11,100	10,987	(113)
	<u>36,715</u>	<u>46,290</u>	<u>39,989</u>	<u>(6,301)</u>
<b>General administration - executive administration</b>				
Salaries	101,704	101,704	101,704	-
Employee benefits	53,053	58,807	59,061	254
Purchased services	1,000	700	572	(128)
Supplies and materials	2,600	3,500	3,288	(212)
Other	1,200	400	225	(175)
	<u>159,557</u>	<u>165,111</u>	<u>164,850</u>	<u>(261)</u>

**Beal City Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>School administration - office of the principal</b>				
Salaries	\$ 208,963	\$ 209,484	\$ 208,731	\$ (753)
Employee benefits	105,630	116,503	116,090	(413)
Purchased services	1,700	1,435	1,289	(146)
Supplies and materials	5,900	6,800	6,718	(82)
Other	1,300	800	590	(210)
Total office of the principal	<u>323,493</u>	<u>335,022</u>	<u>333,418</u>	<u>(1,604)</u>
<b>School administration - other</b>				
Supplies and materials	<u>2,420</u>	<u>1,420</u>	<u>1,173</u>	<u>(247)</u>
<b>Business - fiscal services</b>				
Salaries	50,956	52,075	51,960	(115)
Employee benefits	25,536	42,719	42,444	(275)
Purchased services	4,000	10,857	10,130	(727)
Supplies and materials	200	150	131	(19)
Other	150	130	316	186
Total fiscal services	<u>80,842</u>	<u>105,931</u>	<u>104,981</u>	<u>(950)</u>
<b>Business - internal services</b>				
Purchased services	<u>4,108</u>	<u>3,108</u>	<u>5,472</u>	<u>2,364</u>
<b>Business - other</b>				
Purchased services	5,610	4,940	4,939	(1)
Other	5,500	5,500	3,024	(2,476)
Total other business	<u>11,110</u>	<u>10,440</u>	<u>7,963</u>	<u>(2,477)</u>

**Beal City Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Operations and maintenance - operating building services</b>				
Salaries	\$ 144,331	\$ 151,994	\$ 151,651	\$ (343)
Employee benefits	76,687	89,347	86,537	(2,810)
Purchased services	137,130	135,407	131,656	(3,751)
Supplies and materials	93,100	77,054	73,431	(3,623)
Other	100	200	160	(40)
	<u>451,348</u>	<u>454,002</u>	<u>443,435</u>	<u>(10,567)</u>
<b>Pupil transportation services</b>				
Salaries	122,795	126,301	124,989	(1,312)
Employee benefits	155,352	184,920	185,360	440
Purchased services	93,492	102,753	98,999	(3,754)
Supplies and materials	27,400	53,900	51,729	(2,171)
Other	250	140	140	-
	<u>399,289</u>	<u>468,014</u>	<u>461,217</u>	<u>(6,797)</u>
<b>Central - communication services</b>				
Purchased services	16,500	17,250	17,668	418
<b>Central - staff/personnel services</b>				
Salaries	25,375	25,625	25,625	-
Employee benefits	17,062	18,946	18,870	(76)
Purchased services	8,400	6,314	5,527	(787)
Other	500	880	938	58
	<u>51,337</u>	<u>51,765</u>	<u>50,960</u>	<u>(805)</u>

**Beal City Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Central - support services technology</b>				
Salaries	\$ 11,574	\$ 11,674	\$ 11,674	\$ -
Employee benefits	7,408	8,235	8,236	1
Purchased services	20,000	10,680	14,666	3,986
Other	500	500	235	(265)
Total support services technology	<u>39,482</u>	<u>31,089</u>	<u>34,811</u>	<u>3,722</u>
<b>Athletic activities</b>				
Salaries	85,901	92,967	92,694	(273)
Employee benefits	48,646	54,016	51,933	(2,083)
Purchased services	99,937	93,744	92,353	(1,391)
Supplies and materials	13,250	13,250	11,744	(1,506)
Other	9,115	20,425	19,104	(1,321)
Total athletic activities	<u>256,849</u>	<u>274,402</u>	<u>267,828</u>	<u>(6,574)</u>
<b>Community services - non-public school pupils</b>				
Salaries	-	4,614	4,614	-
Employee benefits	-	1,518	1,518	-
Purchased services	7,619	481	481	-
Total non-public school pupils	<u>7,619</u>	<u>6,613</u>	<u>6,613</u>	<u>-</u>

**Beal City Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Capital outlay</b>				
Basic program - elementary	\$ 4,045	\$ 4,045	\$ 3,552	\$ (493)
Basic program - high school	3,500	2,000	1,597	(403)
Added needs - special education	820	788	349	(439)
Added needs - compensatory education	200	-	-	-
Added needs - career and technical education	27,378	19,129	19,243	114
Instructional staff - technology assisted instruction	12,712	5,212	4,589	(623)
General administration - executive administration	-	150	148	(2)
School administration - office of the principal	1,000	-	-	-
Operations and maintenance - operating building services	5,000	4,000	3,933	(67)
Central - support services technology	2,000	20,509	20,487	(22)
Athletics	9,000	7,500	5,652	(1,848)
Other support services	-	2,035	2,035	-
	<u>65,655</u>	<u>65,368</u>	<u>61,585</u>	<u>(3,783)</u>
<b>Debt service</b>				
Principal	17,612	17,612	17,612	-
Interest and other expenditures	6,280	6,280	6,280	-
	<u>23,892</u>	<u>23,892</u>	<u>23,892</u>	<u>-</u>
<b>Other financing uses</b>				
Transfers out	100,000	100,000	100,000	-
	<u>\$ 5,878,145</u>	<u>\$ 6,192,656</u>	<u>\$ 6,111,009</u>	<u>\$ (81,647)</u>

**Beal City Public Schools**  
**Other Supplementary Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2014**

	Due to (From) Student Groups June 30, 2013	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2014
Athletic account	\$ 4,102	\$ 5,834	\$ 4,235	\$ 5,701
Art	2,118	1,509	1,952	1,675
Band	181	1	-	182
Baseball	1,624	3,999	4,116	1,507
Baseball field improvement	34,637	1,800	33,916	2,521
Basketball - Boys	3,521	4,874	6,088	2,307
Basketball - Girls	3,828	4,359	4,810	3,377
Camp	14,719	30,775	30,613	14,881
Cheerleading	406	978	331	1,053
Class of 2003	54	-	-	54
Class of 2005	663	-	-	663
Class of 2008	18	-	18	-
Class of 2012	1,803	-	1,803	-
Class of 2013	1,269	-	1,269	-
Class of 2014	535	1,687	534	1,688
Class of 2015	2,661	3,118	3,603	2,176
Class of 2016	1,272	165	-	1,437
Class of 2017	3,608	280	68	3,820
Class of 2018	1,128	1,079	264	1,943
Class of 2019	-	1,017	203	814
Close up	53	-	53	-
Cross country	352	-	336	16
Dance	143	-	143	-
Drama	3,724	3,733	2,691	4,766
Miscellaneous - elementary	3,813	18,006	12,012	9,807
Elementary teachers account	7,763	11,909	8,496	11,176
Educational Foundation Fund	2,054	4,286	3,103	3,237
Football	7,972	10,036	17,912	96



**Beal City Public Schools**  
**Other Supplementary Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2014**

	Due to (From) Student Groups June 30, 2013	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2014
FFA	\$ 6	\$ 9,053	\$ 8,272	\$ 787
German links	-	683	-	683
Key account	700	400	-	1,100
Media center	936	220	494	662
Media services	323	-	-	323
National honor society	908	7,795	7,828	875
Natural helpers	456	2,153	372	2,237
Principal	810	379	1,006	183
Project Pals	995	298	927	366
Softball	1,462	2,020	694	2,788
Spanish club	70	150	-	220
Student council	1,504	8,429	6,608	3,325
Student council - elementary	-	1,701	1,543	158
Spry science	320	1,584	1,119	785
Track - men's	140	-	85	55
Track - women's	485	-	194	291
Volleyball	2,080	7,916	8,142	1,854
Yearbook	695	6,623	6,061	1,257
Youth in government - junior high	-	2,080	2,080	-
Youth in government	110	8,695	8,464	341
<b>Total</b>	<b>\$ 116,021</b>	<b>\$ 169,624</b>	<b>\$ 192,458</b>	<b>\$ 93,187</b>

**Beal City Public Schools**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2014**

Year Ending June 30,	2014	2012 Series A	2012 Series B	Total
2015	\$ 330,000	\$ 81,000	\$ 51,000	\$ 462,000
2016	320,000	80,000	77,000	477,000
2017	300,000	79,000	112,000	491,000
2018	280,000	78,000	153,000	511,000
2019	260,000	77,000	198,000	535,000
2020	240,000	81,000	240,000	561,000
2021	380,000	80,000	129,000	589,000
2022	-	79,000	-	79,000
2023	-	77,000	-	77,000
2024	-	76,000	-	76,000
2025	-	74,000	-	74,000
2026	-	73,000	-	73,000
2027	-	71,000	-	71,000
Total	<u>\$ 2,110,000</u>	<u>\$ 1,006,000</u>	<u>\$ 960,000</u>	<u>\$ 4,076,000</u>

Principal payments  
due the first day of

May

May

May

Interest payments  
due the first day of

May and  
November

May and  
November

May and  
November

Interest rate

0.50% - 2.60%

3.45%

1.95% - 3.95%

Original issue

\$ 2,110,000

\$ 1,157,000

\$ 1,009,000



## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditors' Report**

Management and the Board of Education  
Beal City Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beal City Public Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Beal City Public Schools' basic financial statements, and have issued our report thereon dated September 11, 2014.

#### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 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. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2014 – 001 to be a material weakness.

## Compliance and Other Matters

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

## Beal City Public Schools' Response to Findings

Beal City Public Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Beal City Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

Yeo & Yeo, P.C.

Alma, MI  
September 11, 2014

**Beal City Public Schools**  
**Schedule of Findings and Responses**  
**June 30, 2014**

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**2014 – 001 Audit Adjustments – Material Weakness**

<b>Specific requirement:</b>	Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.
<b>Condition:</b>	An adjusting journal entry was required so that the financial statements were not materially misstated. The auditor proposed an adjustment to record the 2014 bond refunding in the debt service fund.
<b>Cause:</b>	The entry to record the bond refunding was not initially recorded by the School District due to management oversight.
<b>Effect:</b>	The adjustment proposed by the auditor increased proceeds from refinancing debt by \$2,110,000, payment to bond refunding escrow agent by \$2,070,000, and bond issuance costs by \$40,000.
<b>Recommendation:</b>	We recommend that future bond refunding transactions be recorded in the appropriate debt service fund. If management requires external assistance in preparing the entry to record the bond refunding, that assistance should be sought prior to the audit.
<b>Views of responsible officials:</b>	The School District agrees that a journal entry was required to record the 2014 bond refunding, and an adjustment was made in the School District's general ledger per the auditor's recommendation.

# *Beal City Public Schools*

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Response to finding 2014-001

During the 2013/2014 school year the district refinanced a bond issue which was originally passed in 1996 and refinanced in 2004. At the time of refinancing a journal entry was not record in the debt retirement fund.

Julie Freeze, business manager, has recorded the required journal entry to the debt retirement fund. In the future, if a refunding or issuance of bonds occur, the district will record the transaction in the general ledger at the time of refinancing or issuance.



William C. Chilman IV  
Superintendent  
Beal City Public Schools

## *Beal City Schools*

*"In Harmony with Home and Community" ~ "No Better Place to Learn"*

Beal City Public Schools does not discriminate on the basis of race, color, religion, national origin, age, handicap, or veteran status in the provision of educational opportunities or employment opportunities and benefits in compliance with Title VII of the Civil Rights Act of 1964, Title IX of the Educational Amendments of 1972, and Section 504 of the Rehabilitation Act of 1973