

**NEGAUNEE PUBLIC SCHOOLS  
NEGAUNEE, MICHIGAN**

**FINANCIAL STATEMENTS**

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

**TABLE OF CONTENTS**

Independent Auditor’s Report.....4  
Management’s Discussion and Analysis (Unaudited) .....7

**BASIC FINANCIAL STATEMENTS**

**District-wide Financial Statements:**

Statement of Net Position .....14  
Statement of Activities .....15

**Fund Financial Statements:**

Governmental Funds:

Balance Sheet .....16  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position .....17  
Statements of Revenues, Expenditures and Changes in Fund Balance .....18  
Reconciliation of the Governmental Funds Statements of Revenues,  
Expenditures and Changes in Fund Balance to the Statement of Activities .....19

Fiduciary Funds:

Statement of Fiduciary Net Position.....20

Notes to Financial Statements .....21

**REQUIRED SUPPLEMENTAL INFORMATION**

General Fund – Budgetary Comparison Schedule .....42

**OTHER SUPPLEMENTAL INFORMATION**

**Non-major Governmental Funds:**

Combining Balance Sheet.....44  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance .....45

**Non-major Special Revenue Funds:**

Combining Balance Sheet.....46  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance .....47  
School Lunch Fund – Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual.....48  
Athletics Fund – Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual.....49

**Non-major Debt Service Funds:**

Combining Balance Sheet.....50  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance .....51

**Component Unit:**

Ishpeming-Negaunee-NICE Community Education Division – Schedule of  
Revenues, Expenditures and Changes in Fund Balance – Budget and Actual .....52

## COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	56
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	58
Schedule of Expenditures of Federal Awards.....	60
Notes to Schedule of Expenditures of Federal Awards.....	62
Schedule of Findings and Questioned Costs.....	64
Summary Schedule of Prior Audit Findings .....	65

## COMMUNICATIONS SECTION

Report to Management .....	67
Communications with Those Charged with Governance .....	68



## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Negaunee Public Schools  
101 South Pioneer Avenue, Suite 1  
Negaunee, Michigan 49866

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Negaunee Public Schools (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with 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 listed 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 Information*

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

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

Board of Education of the  
Negaunee Public Schools

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 31, 2014

## Negaunee Public Schools

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Negaunee Public Schools (School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

#### **FINANCIAL HIGHLIGHTS**

- Net position for Negaunee Public Schools as a whole were reported at \$9,949,667. Net position are comprised of 100% governmental activities.
- During the year, Negaunee Public Schools expenses were \$14,882,127, while revenues from all sources totaled \$15,264,470, resulting in an increase in net position of \$382,343.
- The general fund reported a decrease of \$696,523 before other financing sources (uses) and a total increase of \$85,913. This is \$213,337 or 167% higher than the forecasted decrease of \$127,424. This was the result of revenues being \$28,892 less than forecasted, expenditures being \$189,807 less than forecasted, other financing sources being \$52,422 more than forecasted.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Negaunee Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Position and the Statement of Activities (as listed in the table of contents) provide information about the activities of the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

#### **Reporting the School District as a Whole – *District-wide Financial Statements***

Our analysis of the Negaunee Public Schools as a whole begins in the section entitled "The School District as a Whole". One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

These two statements report the School District's net position and changes in it. The School District's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position – as reported in the Statement of Activities – is an indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

### **Reporting the School District's Most Significant Funds – *Fund Financial Statements***

Our analysis of the School District's major funds begins in the section entitled "The School District's Funds". The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District has only governmental funds which use the following accounting method.

- *Governmental Funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

### **The School District as Trustee – Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

**The School District as a Whole**

Table 1 provides a summary of the School District's net position as of June 30, 2014:

**Table 1  
Net Position**

	Governmental Activities – 2014	Governmental Activities – 2013
Current and other assets	\$4,465,717	\$4,729,389
Capital assets, net	13,172,963	12,809,287
Total Assets	<u>17,638,680</u>	<u>17,538,676</u>
Deferred outflows of resources	-	-
Current liabilities	1,911,503	1,891,220
Long-term liabilities	5,765,692	5,998,415
Total Liabilities	<u>7,677,195</u>	<u>7,889,635</u>
Deferred inflows of resources	11,818	81,717
Net Position:		
Net investment in capital assets	7,629,586	7,075,890
Restricted	591,770	890,084
Unrestricted	1,728,311	1,601,350
Total Net Position	<u>\$9,949,667</u>	<u>\$9,567,324</u>

The School District's net position was \$9,949,667 at June 30, 2014. Net investment in capital assets totaling \$7,629,586, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the School District's ability to use the net position for day-to-day operations. The remaining amount of net position of \$1,728,311 was unrestricted.

The \$1,728,311 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal year 2014 and 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

**Table 2  
Changes in Net Position**

	Governmental Activities – 2014	Governmental Activities – 2013
Revenues:		
Program revenues:		
Charges for services	\$1,515,595	\$1,474,020
Operating grants and contributions	2,149,333	1,946,907
Capital grants and contributions		
General revenues:		
Property taxes	2,579,192	2,501,862
State sources not restricted to specific program	8,961,503	8,842,602
Gain (Loss) on sale of capital assets	(970)	2,721
Interest and investment earnings	3,440	9,212
Miscellaneous	56,377	67,007
Total Revenues	<u>15,264,470</u>	<u>14,844,331</u>
Program Expenses:		
Instruction	8,451,117	7,916,233
Supporting services	4,332,426	3,999,461
Community services	100	-
Payments to other governments	-	13,600
Facilities acquisition	65,649	71,787
School lunch activities	823,134	917,560
Athletic activities	376,567	308,276
Interest on long-term debt	245,982	266,176
Depreciation – unallocated	587,152	546,846
Total Expenses	<u>14,882,127</u>	<u>14,039,939</u>
Increase (decrease) in net position	382,343	804,392
Net position, beginning, as restated	-	8,762,932
Net position, beginning	9,567,324	-
Net Position, Ending	<u>\$9,949,667</u>	<u>\$9,567,324</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$14,882,127. Certain activities were partially funded from those who benefited from the programs in the amount of \$1,515,595 or by other governments and organizations that subsidized certain programs with grants and categoricals in the amount of \$2,149,333. We paid for the remaining "public benefit" portion of our governmental activities with \$2,579,192 in taxes, \$8,961,503 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position for the year of \$382,343. The key changes in the net position was the result of capital purchases in excess of current depreciation of \$363,676, net debt activity of \$190,035 accounted for through Statement of Net Position but budgeted as fund expenditures and net decrease in employee benefit obligation of \$42,702.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$8,451,117	\$5,982,674
Supporting services	4,332,426	4,169,460
School lunch activities	823,134	56,346

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

### **The School District's Funds**

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

As the School District completed the year, its governmental funds (as presented in the balance sheet as listed in the table of contents) reported a combined fund balance of \$2,595,314, a decrease of \$214,070 from the beginning of the year.

During the annual School election in June of 2008, and a renewal in August of 2012, the residents of the School District renewed a proposal to establish a Sinking Fund to be used as allowed by law. For the 2013-14 school year, \$673,026 in revenues were collected from the millage assessed for this purpose.

### **General Fund Budgetary Highlights**

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

With the uncertainty of the revenues coming from the State of Michigan, the administration became very conservative with controllable expenses as the school year came to a close. This action, along with unexpected revenue from many different local sources, has had a positive impact on the School District's General Fund fund balance. These types of local revenues cannot be budgeted as revenue during the school year as we cannot plan on their occurrence because of the types of activities that generate the revenues.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

**Capital Asset and Debt Administration**

***Capital Assets***

At June 30, 2014, the School District had \$13,172,963 invested in a variety of capital assets including land, construction in progress, land improvements, buildings, equipment and furnishings, and school buses. (See Table 4 below).

**Table 4  
Capital Assets at Year-End  
(net of depreciation)**

	Governmental Activities – 2014	Governmental Activities – 2013
Land	\$92,536	\$92,536
Construction in progress	264,141	20,544
Land improvements	504,259	354,565
Buildings	11,765,250	11,830,640
Equipment and furnishings	303,408	364,771
School buses	243,369	146,231
Totals	<u>\$13,172,963</u>	<u>\$12,809,287</u>

This year's additions of \$951,798 included building renovations at the High School, Middle School, and Elementary School. During the year the School District began renovations on the roof of the High School, Miner's Dry and a new sign at the Lakeview School. Additions also included the purchase of two new buses. See notes to the financial statements for additional information.

Anticipated capital additions for the 2014-2015 fiscal year include completion of the High School tennis courts and alarm system replacement.

***Debt***

At June 30, 2014, the School District had \$5,543,377 in outstanding debt as depicted in Table 5 below.

**Table 5  
Outstanding Debt at Year-End**

	Governmental Activities – 2014	Governmental Activities – 2013
General obligation bonds	\$5,495,000	\$5,670,000
Notes payable	48,377	63,398
Totals	<u>\$5,543,377</u>	<u>\$5,733,398</u>

We present more detailed information about our long-term debt in the notes to the financial statements.

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

Our elected officials and administration consider many factors when setting the School District's fiscal year 2015 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2015 fiscal year budget was adopted in June 2014, based

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

on an estimate of students that will be enrolled in September 2014. Approximately 75 %to 80 % of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2014-2015 school year, we anticipate that the fall student count will be more than the estimates used in creating the 2015 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

### **Contacting the School District's Financial Management**

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Negaunee Public Schools Administration, 101 South Pioneer Avenue, Suite 1, Negaunee, Michigan, 49866.

**Negaunee Public Schools**

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,692,277	\$ 53,231
Investments	84,187	-
Receivables:		
Accounts receivable	45,106	-
Due from other governmental units	2,490,692	124,784
Inventories	1,743	-
Prepaid expenses	151,712	-
Capital Assets:		
Land and construction in progress	356,677	-
Other capital assets, net	<u>12,816,286</u>	<u>3,009</u>
<b>TOTAL ASSETS</b>	<u>17,638,680</u>	<u>181,024</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	67,207	1,352
Accrued liabilities	327,272	1,088
Accrued interest payable	41,100	-
State aid notes payable	1,241,000	-
Due to other governmental units	162,867	-
Unearned grant revenue	72,057	10,903
Non-current Liabilities:		
Portion due or payable within one year		
Notes payable	15,560	-
Bonds payable	190,000	-
Employee benefit obligations	-	-
Portion due or payable after one year		
Notes payable	32,817	-
Bonds payable	5,305,000	-
Employee benefit obligations	<u>222,315</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>7,677,195</u>	<u>13,343</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unamortized bond premium	<u>11,818</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>11,818</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	7,629,586	3,009
Restricted	591,770	6,958
Unrestricted	<u>1,728,311</u>	<u>157,714</u>
<b>TOTAL NET POSITION</b>	<u>\$ 9,949,667</u>	<u>\$ 167,681</u>

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

**Negaunee Public Schools**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Function / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
<b>Governmental Activities:</b>						
Instruction	\$ 8,451,117	\$ 855,095	\$ 1,613,348	\$ -	\$ (5,982,674)	\$ -
Supporting services	4,332,426	162,966	-	-	(4,169,460)	-
Community services	100	-	-	-	(100)	-
Payments to other governments	-	-	-	-	-	-
Facilities acquisition	65,649	-	-	-	(65,649)	-
School lunch activities	823,134	318,243	448,545	-	(56,346)	-
Athletic activities	376,567	179,291	87,440	-	(109,836)	-
Interest on retirement of debt	245,982	-	-	-	(245,982)	-
Depreciation - unallocated	587,152	-	-	-	(587,152)	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 14,882,127</b>	<b>\$ 1,515,595</b>	<b>\$ 2,149,333</b>	<b>\$ -</b>	<b>(11,217,199)</b>	<b>-</b>
<b>Component Unit:</b>						
Instruction and instructional support	\$ 454,345	\$ 43,318	\$ 416,377	\$ -	-	5,350
<b>General revenues:</b>						
Taxes						
Property taxes, levied for general purposes					1,604,286	61,240
Property taxes, levied for debt services					301,880	-
Property taxes, levied for sinking fund					673,026	-
State Aid not restricted to specific purposes						
General					8,961,503	-
Contributions and other unrestricted grants					-	-
Gain (Loss) on sale of capital assets					(970)	(43)
Interest and investment earnings					3,440	-
Miscellaneous					56,377	1,378
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>11,599,542</b>	<b>67,925</b>
<b>CHANGES IN NET POSITION</b>					<b>382,343</b>	<b>67,925</b>
Net Position, July 1					9,567,324	99,756
<b>NET POSITION, JUNE 30</b>					<b>\$ 9,949,667</b>	<b>\$ 167,681</b>

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

**Negaunee Public Schools**

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2014

	<u>General Fund</u>	<u>Other Non-major Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,229,507	\$ 462,770	\$ 1,692,277
Investments	74,998	9,189	84,187
Receivables:			
Accounts receivable	6,105	39,001	45,106
Due from other governmental units	2,422,523	68,169	2,490,692
Due from other funds	52,236	-	52,236
Inventories	-	1,743	1,743
Prepaid expenditures	151,712	-	151,712
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	3,937,081	580,872	4,517,953
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<hr/>	<hr/>	<hr/>
	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 3,937,081</u>	<u>\$ 580,872</u>	<u>\$ 4,517,953</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 21,125	\$ 46,082	\$ 67,207
Accrued liabilities	327,209	63	327,272
Due to other governmental units	161,509	1,358	162,867
Due to other funds	-	52,236	52,236
State aid notes payable	1,241,000	-	1,241,000
Unearned grant revenue	29,239	42,818	72,057
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	1,780,082	142,557	1,922,639
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<hr/>	<hr/>	<hr/>
	-	-	-
<b>FUND BALANCES</b>			
Non-spendable	151,712	1,743	153,455
Restricted	-	438,315	438,315
Committed	-	-	-
Assigned	408,792	-	408,792
Unassigned	1,596,495	(1,743)	1,594,752
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCES</b>	2,156,999	438,315	2,595,314
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 3,937,081</u>	<u>\$ 580,872</u>	<u>\$ 4,517,953</u>

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



**Negaunee Public Schools**

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION

June 30, 2014

**Total Fund Balances for Governmental Funds** \$ 2,595,314

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Cost of capital assets	\$ 22,678,501		
Accumulated depreciation	<u>(9,505,538)</u>		13,172,963

Unamortized bond premiums are not financial resources  
and therefore are not reported in the funds. (11,818)

Long-term liabilities are not due and payable in the current  
period and are not reported in the funds. Long-term liabilities  
at year-end consist of:

Accrued Interest	41,100		
Notes payable - current portion	15,560		
Bonds payable - current portion	190,000		
Employee benefits payable - current portion	-		
Notes payable - long-term portion	32,817		
Bonds payable - long-term portion	5,305,000		
Employee benefits payable	222,315		<u>(5,806,792)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 9,949,667

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

**Negaunee Public Schools**

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Non-major Governmental Funds</u>	<u>Total</u>
<b>REVENUES:</b>			
Local sources	\$ 1,726,213	\$ 1,561,933	\$ 3,288,146
State sources	10,269,634	46,356	10,315,990
Federal sources	238,089	402,190	640,279
<b>TOTAL REVENUES</b>	<u>12,233,936</u>	<u>2,010,479</u>	<u>14,244,415</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction	8,493,819	-	8,493,819
Supporting services	4,419,243	71,437	4,490,680
Community services	100	-	100
Payments to other governments	-	-	-
Facilities acquisition	-	858,223	858,223
Debt service:			
Principal	15,021	175,000	190,021
Interest	2,276	242,752	245,028
Paying agent fees	-	968	968
Bond issuance costs	-	-	-
School lunch activities	-	823,134	823,134
Athletic activities	-	376,567	376,567
<b>TOTAL EXPENDITURES</b>	<u>12,930,459</u>	<u>2,548,081</u>	<u>15,478,540</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(696,523)</u>	<u>(537,602)</u>	<u>(1,234,125)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of capital assets	-	-	-
Transfers from other governmental units	1,020,055	-	1,020,055
Other sources	-	-	-
Transfers in	-	237,619	237,619
Transfers out	(237,619)	-	(237,619)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>782,436</u>	<u>237,619</u>	<u>1,020,055</u>
<b>NET CHANGE IN FUND BALANCES</b>	85,913	(299,983)	(214,070)
Fund Balance, July 1	<u>2,071,086</u>	<u>738,298</u>	<u>2,809,384</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 2,156,999</u>	<u>\$ 438,315</u>	<u>\$ 2,595,314</u>

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

**Negaunee Public Schools**

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ (214,070)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	\$	(587,152)	
Capital outlays		951,798	
Loss on disposals		<u>(970)</u>	363,676

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

190,021

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.

-

Unamortized bond premiums are reported as other financing sources in the governmental funds when incurred. However, for governmental activities those sources are shown in the statement of net position and amortized over the life of the bond issuance as other sources in the statement of activities.

656

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the Statement of Activities.

(642)

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

42,702

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 382,343

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

**Negaunee Public Schools**

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

June 30, 2014

	<b>Agency Fund</b>
	<u>Student Activity</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 308,613
Due from other funds	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 308,613</u></b>
<b>LIABILITIES</b>	
Due to groups, organizations and activities	\$ 305,042
Accounts Payable	3,571
Due to other funds	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 308,613</u></b>

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

NEGAUNEE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Negaunee Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

**REPORTING ENTITY**

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of the criteria described above, it has been determined that the Community Education Division of the Ishpeming, Negaunee, and NICE Community School Districts is a discretely presented component unit of Negaunee Public Schools due to its financial interdependency. No other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity. The financial statements of the Community Education Division are not separately presented.

**BASIS OF PRESENTATION**

*District-Wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### *Fund Financial Statements:*

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
- b. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund and the Sinking Fund as its major governmental funds in accordance with the above criteria. The funds of the School District are described below:

### Governmental Funds

**General Fund** – General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Lunch and Athletics Funds.

**Debt Retirement Funds** – The Debt Retirement Funds are used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

**Capital Projects Funds** – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

### Fiduciary Funds

**Trust and Agency Fund** – The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

#### **Measurement Focus**

On the district-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

#### **Basis of Accounting**

In the district-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

#### **Cash and Cash Equivalents**

The School District cash and cash equivalents as reported in the Statement of Net Position are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

#### **Investments**

Investments are carried at market value.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

### Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

### Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	15 – 20 years
Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.



## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

### Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

### Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category:

On the district fund financial statements, bond premiums received on debt issuance are reported as other financing sources; the amount by which the market price of the bond is higher than its principal amount due at maturity. For district-wide financial statement purposes the amount of the bond premium is deferred and amortized over the life of the bonds using straight line amortization.

### Equity Classification

#### *District-Wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

- c. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned.

### Revenues

#### *District-Wide Statements*

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

#### *Fund Statements*

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

### Property Taxes

Property taxes are levied on July 1, on behalf of the School District by various taxing units and are payable without penalty by September 14. The School District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected. Various units of local government bill and collect the property taxes for the School District.

### Expenses/Expenditures

#### *District-Wide Statements*

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

#### *Fund Statements*

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Position.

### Budgets and Budgetary Accounting

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

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 31, 2014, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

**NOTE B – DEPOSITS AND INVESTMENTS:**

Cash and Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Position.

	Primary Government	Component Unit	Fiduciary Funds	Total
Cash and cash equivalents	\$1,692,277	\$53,231	\$308,613	\$2,054,121
Investments	84,187	-	-	84,187
TOTALS	<u>\$1,776,464</u>	<u>\$53,231</u>	<u>\$308,613</u>	<u>\$2,138,308</u>

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. State law does not require and the School District does not have a deposit policy for custodial credit risk. The carrying amounts of the School District's deposits with financial institutions were \$2,054,121 and the bank balance was \$2,463,710. The bank balance is categorized as follows:

Amount insured by the FDIC	\$250,786
Amount uncollateralized and uninsured	2,212,924
Total Bank Balance	<u>\$2,463,710</u>

Investments

As of June 30, 2014, the School District had the following investments.

Investment Type	Fair Value	Investment Maturities Less than 1 Year
Michigan Liquid Asset Fund – Mutual Funds	<u>\$84,187</u>	<u>\$84,187</u>

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School District's investments. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Michigan statutes authorize the School District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**

Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The School District’s investments are in accordance with statutory authority.

**NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:**

Amounts due from other governmental units consist of \$1,945,236 due from the State of Michigan for State Aid, \$164,962 due from the Federal Government for grants, and \$380,494 due from other governmental units for the operation of special programs and grant projects.

**NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:**

The Agency reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE FROM OTHER FUNDS					
	General Fund	School Lunch Fund	Athletic Fund	Debt Service Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	General Fund	\$-	\$-	\$-	\$-
	School Lunch Fund	39,768	-	-	39,768
	Athletic Fund	12,468	-	-	12,468
	Debt Service Funds	-	-	-	-
	<b>Total Due From Other Funds</b>	<b>\$52,236</b>	<b>\$-</b>	<b>\$-</b>	<b>\$52,236</b>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

**NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued):**

		TRANSFERS OUT TO OTHER FUNDS			
		General Fund	Sinking Fund	2008 Construction Fund	Total Transfers In From Other Funds
TRANSFERS IN FROM OTHER FUNDS	General Fund	\$-	\$-	\$-	\$-
	Sinking Fund	-	-	-	-
	School Lunch Fund	59,203	-	-	59,203
	Athletic Fund	178,416	-	-	178,416
	Total Transfers Out to Other Funds	<u>\$237,619</u>	<u>\$-</u>	<u>\$-</u>	<u>\$237,619</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE E – CAPITAL ASSETS:**

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

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
Capital assets not being depreciated:				
Land	\$92,536	\$-	\$-	\$92,536
Construction in progress	20,544	264,141	(20,544)	264,141
Capital assets being depreciated:				
Land improvements	662,866	180,135	(17,100)	825,901
Buildings and additions	19,076,049	348,444	-	19,424,493
Equipment and furniture	1,876,222	21,368	(797,702)	1,099,888
School buses	975,454	158,254	(162,166)	971,542
Total Capital Assets	<u>22,703,671</u>	<u>972,342</u>	<u>(997,512)</u>	<u>22,678,501</u>
Less accumulated depreciation:				
Land improvements	(308,301)	(30,441)	17,100	(321,642)
Buildings and additions	(7,245,409)	(413,834)	-	(7,659,243)
Equipment and furniture	(1,511,451)	(81,760)	796,731	(796,480)
School buses	(829,223)	(61,117)	162,167	(728,173)
Total Accumulated Depreciation	<u>(9,894,384)</u>	<u>(587,152)</u>	<u>975,998</u>	<u>(9,505,538)</u>
CAPITAL ASSETS, NET	<u>\$12,809,287</u>	<u>\$385,190</u>	<u>\$(21,514)</u>	<u>\$13,172,963</u>

Depreciation expense charged to governmental activities was \$587,152.

**NOTE E – CAPITAL ASSETS (Continued):**

Capital asset activity of the School District's component unit was as follows:

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
Capital assets being depreciated:				
Machinery and Equipment	\$112,206	\$-	\$(29,635)	\$82,571
Total Capital Assets	<u>112,206</u>	<u>-</u>	<u>(29,635)</u>	<u>82,571</u>
Less accumulated depreciation:				
Machinery and Equipment	(104,425)	(4,729)	29,592	(79,562)
Total Accumulated Depreciation	<u>(104,425)</u>	<u>(4,729)</u>	<u>29,592</u>	<u>(79,562)</u>
CAPITAL ASSETS, NET	<u>\$7,781</u>	<u>\$(4,729)</u>	<u>\$(43)</u>	<u>\$3,009</u>

Depreciation expense charged to the component unit was \$4,729.

**NOTE F – CONSTRUCTION IN PROGRESS:**

A Sinking Millage was passed in 2003 to be used for a variety of Capital Improvement Projects.

Current year projects funded by the millage include the completion of a major renovation to the parking lot at the Elementary School, new tennis courts and a roofing project.

**NOTE G – ACCRUED LIABILITIES:**

A summary of accrued liabilities at June 30, 2014 as follows:

	Governmental Activities
Accrued wages	\$157,283
MESSA payable	59,009
Accrued fringes	110,980
Total	<u>\$327,272</u>

**NOTE H – SHORT TERM DEBT:**

The School District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of changes in short-term debt for the year ended June 30, 2014 is as follows:

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
State Anticipation Note:				
2012-2013	\$1,300,000	\$-	\$(1,300,000)	\$-
2013-2014	-	1,241,000	-	\$1,241,000
TOTAL	<u>\$1,300,000</u>	<u>\$1,241,000</u>	<u>\$(1,300,000)</u>	<u>\$1,241,000</u>

**NOTE I – LONG-TERM DEBT:**

The following is a summary of the long-term debt activity for the year ending June 30, 2014:

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14	Due in One year
Governmental Activities:					
Bonds Payable:					
General Obligation, Series 2006	\$2,865,000	\$-	\$(90,000)	\$2,775,000	\$100,000
General Obligation, Series 2008	2,805,000	-	(85,000)	2,720,000	90,000
Notes Payable:					
2011 School Bus	63,398	-	(15,021)	48,377	15,560
Subtotal	<u>5,733,398</u>	<u>-</u>	<u>(190,021)</u>	<u>5,543,377</u>	<u>205,560</u>
Employee Benefit Obligations:					
Accrued sick & vacation	204,010	792	(14,224)	190,578	-
VSRP – 2009	36,000	-	(36,000)	-	-
Terminal leave	25,007	6,730	-	31,737	-
Subtotal	<u>265,017</u>	<u>7,522</u>	<u>(50,224)</u>	<u>222,315</u>	<u>-</u>
TOTAL	<u>\$5,998,415</u>	<u>\$7,522</u>	<u>\$(240,245)</u>	<u>\$5,765,692</u>	<u>\$205,560</u>

Long-term debt at June 30, 2014 consists of the following:

**2006 General Obligation  
School Building and Site Bonds  
June 30, 2014**

School Year	November 1	May 1		Total
	Interest	Interest	Principal	
2015	\$56,704	\$56,704	\$100,000	\$213,408
2016	54,705	54,705	105,000	214,410
2017	52,604	52,604	105,000	210,208
2018	50,505	50,505	115,000	216,010
2019	48,204	48,204	125,000	221,408
2020-2024	200,722	200,722	750,000	1,151,444
2025-2029	111,799	111,799	1,035,000	1,258,598
2030-2034	13,860	13,860	440,000	467,720
TOTALS	<u>\$589,103</u>	<u>\$589,103</u>	<u>\$2,775,000</u>	<u>\$3,953,206</u>

General Obligation School Building and Site Bonds originally issued for \$3,145,000 and dated November 30, 2006 mature annually as scheduled above on May 1, 2007 through May 1, 2031 and bear interest at a rate of 4.0% to 4.2% per annum. Interest is paid semi-annually on May 1 and November 1 each year.



**NOTE I – LONG-TERM DEBT (Continued):**

**2008 General Obligation  
School Building and Site Bonds  
June 30, 2014**

School Year	November 1	May 1		Total
	Interest	Interest	Principal	
2015	\$61,384	\$61,384	\$90,000	\$212,768
2016	59,809	59,809	105,000	224,618
2017	57,840	57,840	125,000	240,680
2018	55,340	55,340	140,000	250,680
2019	52,540	52,540	150,000	255,080
2020-2024	223,480	223,480	600,000	1,046,960
2025-2029	148,025	148,025	750,000	1,046,050
2030-2034	57,375	57,375	760,000	874,750
<b>TOTALS</b>	<b>\$715,793</b>	<b>\$715,793</b>	<b>\$2,720,000</b>	<b>\$4,151,586</b>

General Obligation School Building and Site Bonds originally issued for \$3,005,000 and dated September 15, 2008 mature annually as scheduled above on May 1, 2010 through May 1, 2034 and bear interest at a rate of 3.25% to 5.0% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

**2011 School Bus Notes Payable  
June 30, 2014**

School Year	Interest	Principal	Total
2015	\$1,737	\$15,560	\$17,297
2016	1,178	16,119	17,297
2017	599	16,698	17,297
<b>TOTALS</b>	<b>\$3,514</b>	<b>\$48,377</b>	<b>\$51,891</b>

Notes payable originally issued for \$77,899 for the purchase of a school bus and dated July 1, 2011 mature annually as scheduled above on July 1, 2012 through July 1, 2016 bearing an interest rate of 3.59% per annum.

As of June 30, 2014 the aggregate maturities of long-term debt are as follows:

School Year	Principal	Interest	Total
2015	\$205,560	\$237,913	\$443,473
2016	226,119	230,206	456,325
2017	246,698	221,487	468,185
2018	255,000	211,690	466,690
2019	275,000	201,488	476,488
2020-2024	1,350,000	848,404	2,198,404
2025-2029	1,785,000	519,648	2,304,648
2030-2034	1,200,000	142,470	1,342,470
	5,543,377	2,613,306	8,156,683
Employee Benefits Payable	222,315	-	222,315
<b>TOTALS</b>	<b>\$5,765,692</b>	<b>\$2,613,306</b>	<b>\$8,378,998</b>

## NOTE J – EMPLOYEE BENEFIT OBLIGATIONS:

### Voluntary Severance Retirement Plan

On June 11, 2009, the Board of Education of the Negaunee Public Schools and the Negaunee Education Association adopted the 2009 Voluntary Severance Retirement Plan (“Plan”). The aggregate benefit to be remitted to the eligible teachers participating in the Plan was to be \$30,000 if 8 or more teachers participated in the Plan. In order to participate in the Plan, the teacher must be eligible to retire under MPERS and retire by June 30, 2009. A total of 6 teachers elected to participate in the Plan. The Board is to make five (5) equal contributions to a non-elective Valic 403(b) tax deferred annuity on January 1<sup>st</sup> of each calendar year beginning 2010.

### Terminal Leave

The School District offers terminal leave benefits for teachers having ten years of service. This payment is based upon the teacher's base salary at retirement and the number of years of service beyond ten years.

### Compensated Absences

There is also an unused sick leave incentive plan provided to teachers eligible to retire under the Michigan Teacher Retirement Act. This payment is based upon the accumulated sick days at a rate of \$20 for each day accumulated prior to September 1, 1981 and \$50 for each day accumulated after September 1, 1981. The sick leave liability has been calculated in accordance with Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*.

Accrued vacation represents vacation time that has been earned but not taken. This vacation time must be used by the union employees within three months after their next anniversary date, or it will be forfeited. For administrative/supervisory employees this vacation time is paid out at their next anniversary date.

As of June 30, 2014, accrued employee benefit obligations reported in the Statement of Net Position consist of the following:

Terminal Leave	\$31,737
Sick Leave	170,781
Vacation	19,797
TOTAL	<u>\$222,315</u>

## NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS:

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

*Non-spendable* — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — amounts that can be used only for specific purposes determined by a formal

**NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):**

action of the Board of Education. Board of Education is the highest level of decision-making authority for the School District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Education.

*Assigned* — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the School District’s adopted policy, only the Board of Education may assign amounts for specific purposes.

*Unassigned* — all other spendable amounts.

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Governmental Funds
Non-spendable:					
Inventories	\$-	\$1,743	\$-	\$-	\$1,743
Prepays	151,712	-	-	-	151,712
Restricted:					
Debt service	-	-	174,352	-	174,352
Construction projects	-	-	-	263,963	263,963
Committed:	-	-	-	-	-
Assigned:					
FY14/15 budgeted shortfall	408,792	-	-	-	408,792
Unassigned	1,596,495	(1,743)	-	-	1,594,752
Total Fund Balances	<u>\$2,156,999</u>	<u>\$-</u>	<u>\$174,352</u>	<u>\$263,963</u>	<u>\$2,595,314</u>

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Education through amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

**NOTE L – CAPITAL PROJECT FUNDS:**

The Capital Project Fund records capital project activities funded with Sinking Fund millage and the proceeds from bond issuance in the Construction Fund. For this fund, the School District has complied with the applicable provisions of §1212 (1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

**NOTE M – ECONOMIC DEPENDENCY:**

The School District receives approximately 72% of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of Negaunee Public Schools.

**NOTE N – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:**

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenue from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2014, the foundation allowance was based on a blended count consisting of 10% of the February 2014 pupil count and 90% of the October 2013 pupil count.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills.

The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2013 – August 2014.

**NOTE O – NON-MONETARY TRANSACTIONS:**

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$14,080 during fiscal year 2013-14 in revenues and expenditures for USDA commodities.

**NOTE P – PROPERTY TAXES:**

The taxable value of real and personable property located in the School District for the 2013 tax year which represents approximately 50% of the estimated current value, totaled \$241,400,061 (consisting of \$143,601,723 for Homestead, \$88,625,303 for Non-Homestead, \$8,671,235 for Commercial Personal Property, and \$501,800 for Industrial Personal Property). The tax levy for the year was based on a rate of 18.0000 mills on the non-homestead property and 6.0000 mills on the commercial personal property (one mill is equal to \$1.00 per \$1,000 of taxable value). Total tax levied consists of 18.0000 mills for the General Fund, .9000 for debt retirement, and 1.9588 for the Building and Site Fund.

**NOTE Q – CONTINGENT LIABILITIES:**

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to

## **NOTE Q – CONTINGENT LIABILITIES (Continued):**

audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

### Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

## **NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

### Plan Description

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

## **NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):**

The MPSERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

### Pension Benefits

Employer contributions to the pension system result from the implementing effects of the School Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The School District was required by state statute to contribute 15.21% (of the total 24.32% required contribution) of covered compensation to the Plan through September 30, 2013, and 18.34% (of the total 24.79% required contribution) of covered compensation for the remainder of the year. Basic plan members can make contributions, but member investment plan members contribute at rates ranging from 3% to 6.4% of gross wages. The total amount contributed to the Plan for the year ended June 30, 2014 was \$2,795,134 which consisted of \$2,237,680 from the School District and \$557,454 from employees electing the MIP option. These represent approximately 29.97% and 7.47% of covered payroll, respectively. The School District's aggregate contribution to the MPSERS plan for the years ended June 30, 2014, 2013 and 2012 were \$2,795,134, \$2,435,512, and \$2,036,113, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2014 was approximately \$7,476,294. The School District's total payroll was approximately \$7,668,709.

### Post Employment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees electing this coverage contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 9.11% (of the total 24.32% required contribution) of covered payroll for the period from July 1, 2013 through September 30, 2013 and 6.45% (of the total 24.79% required contribution) from October 1, 2013 through June 30, 2014. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, PO Box 30673, Lansing, Michigan 48909-8173.

## **NOTE S – SINGLE AUDIT:**

The School District's audited financial statements report a total of \$681,567 in federal expenditures. As the amount is more than the single audit threshold of \$500,000, the District is therefore required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2014.

## **NOTE T – UPCOMING STANDARDS:**

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the School District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the School District.

### GASB 66: 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)

*Effective for fiscal years beginning after 12/15/2013 (School District's fiscal year 2015)*

This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the School District at this time.

### GASB 67: Financial Reporting for Pension Plans

*Effective for fiscal years beginning after 06/15/2014 (School District's fiscal year FY 2015)*

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information.

The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

### GASB 68: Accounting and Financial Reporting for Pensions

*Effective for fiscal years beginning after 06/15/2015 (School District's fiscal year FY 2016)*

This standard establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of

## **NOTE T – UPCOMING STANDARDS (Continued):**

the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

### **GASB 69: Government Combinations and Disposals of Government Operations**

*Effective for fiscal years beginning after 12/15/2014 (School District's fiscal year FY 2016)*

This standard 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.



**REQUIRED SUPPLEMENTAL  
INFORMATION**

**Negaunee Public Schools**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
<b>REVENUES:</b>					
Local sources	\$ 1,635,162	\$ 1,714,289	\$ 1,726,213	\$ 79,127	\$ 11,924
State sources	10,058,063	10,264,127	10,269,634	206,064	5,507
Federal sources	210,067	284,412	238,089	74,345	(46,323)
<b>TOTAL REVENUES</b>	<b>11,903,292</b>	<b>12,262,828</b>	<b>12,233,936</b>	<b>359,536</b>	<b>(28,892)</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Basic programs	6,645,925	6,600,782	6,564,415	45,143	36,367
Added needs	1,787,933	1,917,943	1,929,404	(130,010)	(11,461)
<b>Total Instruction</b>	<b>8,433,858</b>	<b>8,518,725</b>	<b>8,493,819</b>	<b>(84,867)</b>	<b>24,906</b>
<b>Supporting Services:</b>					
Pupil services	601,381	623,268	617,830	(21,887)	5,438
Instructional staff	304,168	334,067	296,733	(29,899)	37,334
General administration	327,113	325,133	298,266	1,980	26,867
School administration	794,036	835,264	819,367	(41,228)	15,897
Business services	323,953	324,369	296,934	(416)	27,435
Operations and maintenance	1,062,727	1,121,967	1,104,337	(59,240)	17,630
Pupil transportation	836,077	858,874	840,279	(22,797)	18,595
Central support	93,193	161,201	145,497	(68,008)	15,704
<b>Total Supporting Services</b>	<b>4,342,648</b>	<b>4,584,143</b>	<b>4,419,243</b>	<b>(241,495)</b>	<b>164,900</b>
<b>Community Services:</b>					
Community activities	-	100	100	(100)	-
<b>Total Community Services</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>(100)</b>	<b>-</b>
<b>Payments to Other Governments</b>					
Payment to other governments	-	-	-	-	-
<b>Total Payments to Other Governments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Debt Service:</b>					
Principal	-	15,021	15,021	(15,021)	-
Interest	-	2,277	2,276	(2,277)	1
<b>Total Debt Service</b>	<b>-</b>	<b>17,298</b>	<b>17,297</b>	<b>(17,298)</b>	<b>1</b>
<b>Facilities Acquisition:</b>					
Capital outlay	-	-	-	-	-
<b>Total Facilities Acquisition</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>12,776,506</b>	<b>13,120,266</b>	<b>12,930,459</b>	<b>(343,760)</b>	<b>189,807</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(873,214)</b>	<b>(857,438)</b>	<b>(696,523)</b>	<b>15,776</b>	<b>160,915</b>
<b>OTHER FINANCING SOURCES (Uses)</b>					
Sale of capital assets	-	-	-	-	-
Transfers from other governmental units	843,407	1,012,537	1,020,055	169,130	7,518
Other sources	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(259,961)	(282,523)	(237,619)	(22,562)	44,904
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>583,446</b>	<b>730,014</b>	<b>782,436</b>	<b>146,568</b>	<b>52,422</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(289,768)</b>	<b>(127,424)</b>	<b>85,913</b>	<b>162,344</b>	<b>213,337</b>
Fund Balance, July 1	2,071,086	2,071,086	2,071,086	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 1,781,318</b>	<b>\$ 1,943,662</b>	<b>\$ 2,156,999</b>	<b>\$ 162,344</b>	<b>\$ 213,337</b>

**OTHER SUPPLEMENTAL  
INFORMATION**

**Negaunee Public Schools**

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Sinking Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 60	\$ 164,815	\$ 297,895	\$ 462,770
Investments	-	9,189	-	9,189
Accounts receivable	39,001	-	-	39,001
Due from other governmental units	65,753	762	1,654	68,169
Due from other funds	-	-	-	-
Inventories	1,743	-	-	1,743
Prepaid expenses	-	-	-	-
<b>TOTAL ASSETS</b>	<u>106,557</u>	<u>174,766</u>	<u>299,549</u>	<u>580,872</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 106,557</u>	<u>\$ 174,766</u>	<u>\$ 299,549</u>	<u>\$ 580,872</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 11,398	\$ -	\$ 34,684	\$ 46,082
Accrued liabilities	63	-	-	63
Due to other governmental units	42	414	902	1,358
Due to other funds	52,236	-	-	52,236
Unearned grant revenue	42,818	-	-	42,818
<b>TOTAL LIABILITIES</b>	<u>106,557</u>	<u>414</u>	<u>35,586</u>	<u>142,557</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Non-spendable	1,743	-	-	1,743
Restricted	-	174,352	263,963	438,315
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(1,743)	-	-	(1,743)
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>174,352</u>	<u>263,963</u>	<u>438,315</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 106,557</u>	<u>\$ 174,766</u>	<u>\$ 299,549</u>	<u>\$ 580,872</u>

**Negaunee Public Schools**

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Sinking Fund	Total
<b>REVENUES:</b>				
Local sources	\$ 584,973	\$ 302,765	\$ 674,195	\$ 1,561,933
State sources	46,356	-	-	46,356
Federal sources	402,190	-	-	402,190
	<u>1,033,519</u>	<u>302,765</u>	<u>674,195</u>	<u>2,010,479</u>
<b>TOTAL REVENUES</b>	<b>1,033,519</b>	<b>302,765</b>	<b>674,195</b>	<b>2,010,479</b>
<b>EXPENDITURES:</b>				
Supporting services	71,437	-	-	71,437
Debt service	-	418,720	-	418,720
Facilities acquisition	-	-	858,223	858,223
School lunch activities	823,134	-	-	823,134
Athletic activities	376,567	-	-	376,567
	<u>1,271,138</u>	<u>418,720</u>	<u>858,223</u>	<u>2,548,081</u>
<b>TOTAL EXPENDITURES</b>	<b>1,271,138</b>	<b>418,720</b>	<b>858,223</b>	<b>2,548,081</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(237,619)</b>	<b>(115,955)</b>	<b>(184,028)</b>	<b>(537,602)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	237,619	-	-	237,619
Transfers (out)	-	-	-	-
	<u>237,619</u>	<u>-</u>	<u>-</u>	<u>237,619</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>237,619</b>	<b>-</b>	<b>-</b>	<b>237,619</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(115,955)</b>	<b>(184,028)</b>	<b>(299,983)</b>
Fund Balance, July 1	-	290,307	447,991	738,298
	<u>-</u>	<u>290,307</u>	<u>447,991</u>	<u>738,298</u>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ -</b>	<b>\$ 174,352</b>	<b>\$ 263,963</b>	<b>\$ 438,315</b>

**Negaunee Public Schools**

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2014

	<u>School Lunch Fund</u>	<u>Athletic Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 60	\$ 60
Investments	-	-	-
Accounts receivable	-	39,001	39,001
Due from other governmental units	65,753	-	65,753
Due from other funds	-	-	-
Inventories	1,743	-	1,743
Prepaid expenses	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>67,496</u>	<u>39,061</u>	<u>106,557</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<hr/>	<hr/>	<hr/>
	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 67,496</u>	<u>\$ 39,061</u>	<u>\$ 106,557</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 11,283	\$ 115	\$ 11,398
Accrued liabilities	63	-	63
Due to other governmental units	-	42	42
Due to other funds	39,768	12,468	52,236
Unearned grant revenue	16,382	26,436	42,818
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<u>67,496</u>	<u>39,061</u>	<u>106,557</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<hr/>	<hr/>	<hr/>
	-	-	-
<b>FUND BALANCES</b>			
Non-spendable	1,743	-	1,743
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	(1,743)	-	(1,743)
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 67,496</u>	<u>\$ 39,061</u>	<u>\$ 106,557</u>

**Negaunee Public Schools**

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2014

	<u>School Lunch Fund</u>	<u>Athletic Fund</u>	<u>Total</u>
<b>REVENUES:</b>			
Local sources:			
School lunch activities	\$ 318,242	\$ -	\$ 318,242
Athletic activities	-	266,731	266,731
State sources	46,356	-	46,356
Federal sources	402,190	-	402,190
	<u>766,788</u>	<u>266,731</u>	<u>1,033,519</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES:</b>			
Support services	2,857	68,580	71,437
School lunch activities	823,134	-	823,134
Athletic activities	-	376,567	376,567
	<u>825,991</u>	<u>445,147</u>	<u>1,271,138</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(59,203)	(178,416)	(237,619)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	59,203	178,416	237,619
Transfers (out)	-	-	-
	<u>59,203</u>	<u>178,416</u>	<u>237,619</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Negaunee Public Schools**

NON-MAJOR SPECIAL REVENUE FUND

SCHOOL LUNCH FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Local sources:			
Student meals	\$ 311,912	\$ 316,509	\$ 4,597
Ala carte sales	1,233	1,233	-
Other food receipts	-	500	500
	<u>313,145</u>	<u>318,242</u>	<u>5,097</u>
Total Local Sources			
State sources:			
State aid - restricted	46,354	46,356	2
	<u>46,354</u>	<u>46,356</u>	<u>2</u>
Total State Sources			
Federal sources:			
Entitlement payments	352,792	388,110	35,318
Donated commodities	15,000	14,080	(920)
	<u>367,792</u>	<u>402,190</u>	<u>34,398</u>
Total Federal Sources			
	<u>727,291</u>	<u>766,788</u>	<u>39,497</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES:</b>			
Support services	2,733	2,857	(124)
School lunch activities	822,456	823,134	(678)
	<u>825,189</u>	<u>825,991</u>	<u>(802)</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS REVENUES (EXPENDITURES)</b>	(97,898)	(59,203)	38,695
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	97,898	59,203	(38,695)
	<u>97,898</u>	<u>59,203</u>	<u>(38,695)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance, July 1	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**Negaunee Public Schools**

NON-MAJOR SPECIAL REVENUE FUND

ATHLETICS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Favorable (Unfavorable)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES:</b>			
Local sources	\$ 269,514	\$ 266,731	\$ (2,783)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL REVENUES</b>	<b>269,514</b>	<b>266,731</b>	<b>(2,783)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXPENDITURES:</b>			
Support services	65,874	68,580	(2,706)
Athletic activities	388,265	376,567	11,698
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL EXPENDITURES</b>	<b>454,139</b>	<b>445,147</b>	<b>8,992</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(184,625)</b>	<b>(178,416)</b>	<b>6,209</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	184,625	178,416	(6,209)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Fund Balance, July 1	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
	<u>          </u>	<u>          </u>	<u>          </u>

**Negaunee Public Schools**

NON-MAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

June 30, 2014

	<u>2006 Debt Retirement Fund</u>	<u>2008 Debt Retirement Fund</u>	<u>Total Non-major Debt Service Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 74,232	\$ 90,583	\$ 164,815
Investments	9,189	-	9,189
Due from other governmental units	<u>381</u>	<u>381</u>	<u>762</u>
<b>TOTAL ASSETS</b>	<u>83,802</u>	<u>90,964</u>	<u>174,766</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 83,802</u>	<u>\$ 90,964</u>	<u>\$ 174,766</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other governmental units	<u>207</u>	<u>207</u>	<u>414</u>
<b>TOTAL LIABILITIES</b>	<u>207</u>	<u>207</u>	<u>414</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted	<u>83,595</u>	<u>90,757</u>	<u>174,352</u>
<b>TOTAL FUND BALANCES</b>	<u>83,595</u>	<u>90,757</u>	<u>174,352</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 83,802</u>	<u>\$ 90,964</u>	<u>\$ 174,766</u>

**Negaunee Public Schools**

NON-MAJOR DEBT SERVICE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2014

	<u>2006 Debt Retirement Fund</u>	<u>2008 Debt Retirement Fund</u>	<u>Total Non-major Debt Service Funds</u>
<b>REVENUES:</b>			
Local sources	\$ 147,832	\$ 154,933	\$ 302,765
State sources	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<b>147,832</b>	<b>154,933</b>	<b>302,765</b>
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES:</b>			
Supporting Services:	-	-	-
Debt Service:			
Principal	90,000	85,000	175,000
Interest	117,009	125,743	242,752
Paying agent fees	818	150	968
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>207,827</b>	<b>210,893</b>	<b>418,720</b>
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(59,995)</b>	<b>(55,960)</b>	<b>(115,955)</b>
	<hr/>	<hr/>	<hr/>
Fund Balance, July 1	143,590	146,717	290,307
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 83,595</b>	<b>\$ 90,757</b>	<b>\$ 174,352</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Negaunee Public Schools**

ISHPEMING-NEGAUNEE-NICE COMMUNITY EDUCATION DIVISION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Local Sources:			
Property taxes	\$ -	\$ 61,240	\$ 61,240
Adult and student tuition	45,600	43,318	(2,282)
Earnings from investments and deposits	-	-	-
Other local revenue	1,500	1,335	(165)
Total Local Sources	<u>47,100</u>	<u>105,893</u>	<u>58,793</u>
State Sources:			
Payment received from other school districts:			
Adult membership aid	41,746	43,184	1,438
Student membership aid	375,620	331,905	(43,715)
Vocational education	-	-	-
Total State Sources	<u>417,366</u>	<u>375,089</u>	<u>(42,277)</u>
Federal Sources:			
Grants - restricted - received through State:			
Adult Basic Education	40,000	40,000	-
Karl Perkins grant	1,288	1,288	-
Total Federal Sources	<u>41,288</u>	<u>41,288</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>505,754</u>	<u>522,270</u>	<u>16,516</u>
<b>EXPENDITURES:</b>			
<b>Instruction:</b>			
Added Needs:			
Vocational Education:			
Salaries	3,960	1,083	2,877
Fringe benefits	694	403	291
Purchased services	8,288	8,219	69
Total Vocational Education	<u>12,942</u>	<u>9,705</u>	<u>3,237</u>
Adult/Continuing Education:			
Secondary Education:			
Salaries	123,025	135,609	(12,584)
Fringe benefits	37,695	39,348	(1,653)
Purchased services	33,000	32,955	45
Supplies and materials	18,188	18,232	(44)
Total Secondary Education	<u>211,908</u>	<u>226,144</u>	<u>(14,236)</u>

**Negaunee Public Schools**

ISHPEMING-NEGAUNEE-NICE COMMUNITY EDUCATION DIVISION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Adult Enrichment:</b>			
Salaries	\$ -	\$ -	\$ -
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
<b>Total Adult Enrichment</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Student Enrichment:</b>			
Salaries	11,680	10,467	1,213
Fringe benefits	4,075	3,831	244
Purchased services	21,600	31,868	(10,268)
Supplies and materials	2,550	3,627	(1,077)
<b>Total Student Enrichment</b>	<u>39,905</u>	<u>49,793</u>	<u>(9,888)</u>
<b>TOTAL INSTRUCTION</b>	<u>264,755</u>	<u>285,642</u>	<u>(20,887)</u>
<b>Supporting Services:</b>			
<b>Pupil Services:</b>			
Salaries	1,700	390	1,310
Fringe benefits	-	30	(30)
Purchased services	-	-	-
Supplies and materials	-	-	-
<b>Total Pupil Services</b>	<u>1,700</u>	<u>420</u>	<u>1,280</u>
<b>School Administration:</b>			
Salaries	49,520	42,616	6,904
Fringe benefits	32,765	32,502	263
Purchased services	65,400	57,032	8,368
Supplies and materials	3,500	2,738	762
<b>Total School Administration</b>	<u>151,185</u>	<u>134,888</u>	<u>16,297</u>
<b>Operations &amp; Maintenance:</b>			
Salaries	-	-	-
Purchased services	26,507	27,620	(1,113)
Supplies and materials	300	-	300
<b>Total Operations &amp; Maintenance</b>	<u>26,807</u>	<u>27,620</u>	<u>(813)</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>179,692</u>	<u>162,928</u>	<u>16,764</u>

**Negaunee Public Schools**

ISHPEMING-NEGAUNEE-NICE COMMUNITY EDUCATION DIVISION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Capital Outlay</b>	\$ 1,428	\$ 1,003	\$ 425
<b>Depreciation</b>	-	4,729	(4,729)
<b>Loss on disposal</b>	-	43	(43)
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	445,875	454,345	(3,741)
	<hr/>	<hr/>	<hr/>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	59,879	67,925	12,775
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from other governmental units	1,300	-	(1,300)
Transfers to other governmental units	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	1,300	-	(1,300)
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE</b>	61,179	67,925	11,475
	<hr/>	<hr/>	<hr/>
Fund Balance, July 1	99,756	99,756	-
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, JUNE 30</b>	\$ 160,935	\$ 167,681	\$ 11,475
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## COMPLIANCE SECTION



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

To the Board of Education of the  
Negaunee Public Schools  
101 South Pioneer Avenue, Suite 1  
Negaunee, Michigan 49866

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Negaunee Public Schools (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 31, 2014.

### **Internal Control over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 31, 2014



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

To the Board of Education of the  
Negaunee Public Schools  
101 South Pioneer Avenue, Suite 1  
Negaunee, Michigan 49866

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

We have audited Negaunee Public Schools' (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2014. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

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

In our opinion, the School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of the School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 31, 2014

NEGAUNEE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2014

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2013	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2014
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
<b>Nutrition Cluster</b>							
<b>School Breakfast Program:</b>							
<i>Passed through the Michigan Department of Education:</i>							
Breakfast 1977 & 1978	10.553	\$ 72,769	\$ 71,420	\$ 12,458	\$ 72,769	\$ 85,227	\$ -
<b>National School Lunch Program:</b>							
<i>Direct award: U.S. Department of Agriculture:</i>							
Non-Cash Entitlement Commodities	10.555	14,080	58,753	-	14,080	14,080	-
<i>Passed through the Michigan Department of Education:</i>							
Section 11 - Free and Reduced 1967 & 1968	10.555	315,341	328,766	-	315,341	315,341	-
Total National School Lunch Program							
Total Nutrition Cluster							
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>							
<b>U.S. DEPARTMENT OF EDUCATION</b>							
<b>Federal Adult Education ABE Instruction</b>							
<i>Passed through Michigan Department of Education:</i>							
131130 131049 (INN)	84.002	40,000	49,500	15,813	40,000	15,813	40,000
Total Federal Adult Education ABE Instruction							
<b>Title I:</b>							
<i>Passed through Michigan Department of Education:</i>							
<b>Title I, Part A - Improving Basic Programs:</b>							
121530 1112	84.010	139,085	3,154	-	-	-	-
131530 1213	84.010	106,816	106,816	3,137	-	3,137	-
141530 1314	84.010	90,362	-	-	90,362	-	90,362
Total Title I Cluster							
<b>Special Education:</b>							
<i>Passed through Marquette-Alger Regional Educational Service Agency:</i>							
P.L. 94-142 Flow Through:	84.027	44,899	43,460	-	-	-	-
130450 1213	84.027	39,228	-	-	39,228	39,228	-
140450 1314		84,127	43,460	-	39,228	39,228	-
Total Special Education Cluster							

NEGAUNEE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2014

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2013	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2014
<b>Perkins:</b>							
<b>Passed Through Delta-Schoolcraft Intermediate School District:</b>							
13520/13122 (INN)	84,048	\$ 2,854	\$ 2,854	\$ -	\$ -	\$ -	\$ -
13520/13122	84,048	8,603	8,603	-	-	-	-
143520/14122 (INN)	84,048	1,572	-	-	1,288	1,288	-
143520/14122	84,048	8,576	-	-	8,538	8,538	-
Total Perkins		21,605	11,457	-	9,826	9,826	-
<b>Title VII, Indian Education:</b>							
<b>Direct Award:</b>							
S060A11215	84,060	19,113	19,113	2,706	-	2,706	-
S060A131215	84,060	17,759	-	-	17,759	17,759	-
Total Title VII, Indian Education		36,872	19,113	2,706	17,759	20,465	-
<b>Title IIA:</b>							
<b>Passed through Michigan Department of Education</b>							
Title II, Part A - Teacher/Principal Training and Recruiting:							
120520 1112	84,367	124,556	65,009	10,906	7,431	18,337	-
130520 1213	84,367	117,735	-	-	69,848	-	69,848
Total Title IIA		242,291	65,009	10,906	77,279	18,337	69,848
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>							
		<b>761,158</b>	<b>298,509</b>	<b>32,562</b>	<b>274,454</b>	<b>106,806</b>	<b>200,210</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>							
<b>Passed through Michigan Department of Education</b>							
Assistance Programs for Chronic Disease and Control							
Total Assistance Programs for Chronic Disease and Control	93,945	1,171	-	-	1,171	171	1,000
<b>Passed through Marquette-Alger Regional Educational Service Agency:</b>		1,171	-	-	1,171	171	1,000
LEA Medicaid Fee for Service - Transportation	93,778	3,752	3,321	3,321	3,752	3,321	3,752
<b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>							
		<b>4,923</b>	<b>3,321</b>	<b>3,321</b>	<b>4,923</b>	<b>3,492</b>	<b>4,752</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>							
		<b>\$ 1,168,271</b>	<b>\$ 760,769</b>	<b>\$ 48,341</b>	<b>\$ 681,567</b>	<b>\$ 524,946</b>	<b>\$ 204,962</b>

**NEGAUNEE PUBLIC SCHOOLS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the year June 30, 2014**

**NOTE A – OVERSIGHT AGENCY:**

The U.S. Department of Agriculture is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the District's federal awards.

**NOTE B – BASIS OF ACCOUNTING:**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**NOTE C – FINAL COST REPORT - FORM DS4044:**

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

**NOTE D – SCHEDULE OF FEDERAL AWARDS:**

The amounts reported as current payments on the Grant Auditor Report, reconcile with the Schedule of Federal Awards as follows:

Current payments per Grant Auditor Report		\$437,855
Add payments not on Grant Auditor Report:		
Non-cash entitlement commodities	\$14,080	
Assistance Program for Chronic Disease and Control	171	
Flow through	39,228	
LEA Medicaid Fee for Service – Transportation	3,321	
Perkins	9,826	
Title VII Indian Ed	20,465	87,091
	<hr/>	
Less Payments Recorded as receivable at June 30, 2013:		
School Breakfast Program	(12,458)	
Adult Basic Education	(15,813)	
Title I, Part A	(3,137)	
Title II, Part A	(10,906)	
Title VII Indian Ed	(2,706)	
LEA Medicaid Fee for Service - Transportation	(3,321)	(48,341)
	<hr/>	

**NOTE D – SCHEDULE OF FEDERAL AWARDS (Continued):**

Add Payments Recorded as receivable at June 30, 2014:

Adult Basic Education	\$40,000	
Title I, Part A	90,362	
Title II, Part A	69,848	
Assistance Program for Chronic Disease and Control	1,000	
LEA Medicaid Fee for Service - Transportation	3,752	\$204,962

Rounding

TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		<u>\$681,567</u>
-------------------------------------------------------------------------------------------------	--	------------------

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue is as follows:

Federal Revenue Sources Reported in the Financial Statements:

General Fund	\$238,089	
School Lunch Fund	402,190	
Component Unit	41,288	\$681,567

Rounding

TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		<u>-</u> <u>\$681,567</u>
-------------------------------------------------------------------------------------------------	--	------------------------------

**NEGAUNEE PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year June 30, 2014

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**General Purpose Financial Statements**

- Type of auditors’ report issued: *Unmodified*
- Internal control over financial reporting:  
No material weaknesses were reported.  
No significant deficiencies were reported.
- There were no instances of noncompliance material to the financial statements reported.

**Federal Awards**

- Types of auditors’ report issued on compliance for major programs: *Unmodified*
- Internal control over major programs:  
No material weaknesses were reported.  
No significant deficiencies were reported.
- Audit findings that are required to be reported in accordance with Circular A-133, Section .510(a): None reported.

**Major Programs**

- The programs tested as a major program were:

Program	CFDA #
Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program:	
Non-Cash Entitlement Commodities	10.555
Non-Cash Bonus Commodities	10.555
Free and Reduced	10.555

- Dollar threshold used to distinguish between Type A and Type B Programs: *\$300,000*
- Auditee qualified as low-risk auditee? *YES.*

**SECTION II – FINANCIAL STATEMENT FINDINGS**

- None reported.

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

- None reported.



**NEGAUNEE PUBLIC SCHOOLS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the year June 30, 2014**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

- None reported.

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

- None reported.

## COMMUNICATIONS SECTION



**ANDERSON, TACKMAN & COMPANY, PLC**  
**Certified Public Accountants**

*"A Regional Firm With Offices In Michigan And Wisconsin"*

102 W. Washington St. Suite 109 Marquette, MI 49855 Phone: (906) 225-1166 www.atccpa.com

**PARTNERS**

Robert J. Downs, CPA

Daniel E. Bianchi, CPA

Michael A. Grentz, CPA

William C. Sheltraw, CPA

***Negaunee Public Schools***  
***Report to Management***  
***For the Year Ended June 30, 2014***

To the Board of Education of the  
Negaunee Public Schools  
101 South Pioneer Avenue, Suite 1  
Negaunee, Michigan 49866

In planning and performing our audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Negaunee Public Schools (the School District) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the statements listed in the schedule of findings and questioned costs to be significant deficiencies.

This communication is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 31, 2014



***Negaunee Public Schools***

*Communication with Those Charged with Governance  
For the Year Ended June 30, 2014*

October 31, 2014

To the Board of Education of the  
Negaunee Public Schools  
101 South Pioneer Avenue, Suite 1  
Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Negaunee Public Schools (the School District) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 21, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

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

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

Management's estimate of accumulated depreciation is based on historical cost. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Board of Education of the  
Negaunee Public Schools

Management's estimate of compensated absences is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of terminal leave is based on various labor and union contract terms or administrative policies. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 31, 2014.

*Management Consultations with Other Independent Accountants*

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

Board of Education of the  
Negaunee Public Schools

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Major Funds, Non-Major Funds, and Special Revenue Funds Balance Sheets, and Statements of Revenue, Expenditures and Changes in Fund Balance, and Agency Fund Statement of Changes in Assets and Liabilities, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants