

**BIG JACKSON PUBLIC SCHOOLS
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2014

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BIG JACKSON PUBLIC SCHOOLS

List of Principal Individuals

Board Members

Bradley Crawford	President
Susan Jones	Vice-President/Treasurer
Laura Johnson	Secretary
Lynn Ulman	Trustee
Jason Christensen	Trustee

Administration

Lori Tubbergen Clark	Superintendent
Rebecca Jackson	Building Administrator
Deborah Wilkinson	Business Manager



The Board of Education
Big Jackson Public Schools
Newaygo County, Michigan

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 Big Jackson Public School'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 Big Jackson Public School'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 and each major fund and the aggregate remaining fund information of Big Jackson Public Schools as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.



Independent Auditor's Report (continued)

Emphasis of Matter

As described in Note J to the financial statements, Big Jackson Public Schools implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress 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 Big Jackson Public School's basic financial statements. The comparative balance sheet and statements of revenues, expenditures, and changes in fund balance, and the capital position schedule by function and activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative balance sheet and statements of revenues, expenditures, and changes in fund balance and the capital position schedule by function and activity 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 procedure 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statements and capital position schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2014 on our consideration of Big Jackson Public School'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 the audit performed in accordance with *Government Auditing Standards* in considering Big Jackson Public School's internal control and compliance.

H & S Companies, P.C.

H & S Companies, P.C.

Certified Public Accountants

November 13, 2014

BIG JACKSON PUBLIC SCHOOLS

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

Our discussion and analysis of Big Jackson Public Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- ï The District's total net position of governmental activities increased approximately \$35,500.
- ï General revenues accounted for \$372,624 in revenue, or 80% of all fiscal year 2014 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$122,930 or 25% percent of total fiscal year 2014 revenues. State aid revenues increased nearly \$94,000.
- ï The District had \$460,038 in expenses related to governmental activities; of which \$122,930 of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$372,624 were adequate to provide for the remaining costs of these programs resulting in a net increase of approximately \$35,500.
- ï The General Fund and Capital Projects Fund were the major funds for the District. The General Fund had approximately \$487,000 in revenue which primarily consisted of state aid, property taxes, interdistrict revenues, and grants. In addition, the General Fund received a one time payment of a PRE Reimbursement for \$8,469. General Fund expenditures were approximately \$436,000. The General Fund's fund balance increased by approximately \$58,000. The Capital Projects Fund had \$35 in revenue which consisted of interest and approximately \$13,900 in expenditures of capital outlay. The Capital Project's Fund fund balance decreased by approximately \$(13,800).
- ï There is currently no long-term debt outstanding.

THE ANNUAL FINANCIAL REPORT

The School District's annual report includes fund financial statements and district-wide financial statements. The fund-level statements are reported using a modified accrual basis of accounting. That is, only those assets that are "measurable" and "currently available" are reported, and liabilities are recognized to the extent they would normally be paid with current financial resources.

The District-wide Statement of Net Position and Statement of Activities are reported using the full accrual basis of accounting. With this method all of the District's assets and liabilities, and all of the current year revenues and expenditures, are reported regardless of when cash is received or paid. These statements provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. For example, the Statement of Activities details how the District's services were financed in the short-term and the amount that remains for future spending. The Statement of Net Position aggregates the District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the School District's financial health, or *financial position*. Over time, increases or decreases in the District's net position, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

The following summarizes the net position at fiscal years ended June 30, 2014 and 2013:

Net Position Summary

Assets	<u>2014</u>	<u>2013</u>
Current assets	\$ 264,034	\$ 199,164
Capital assets, net	<u>133,367</u>	<u>141,792</u>
Total assets	<u><u>\$ 397,401</u></u>	<u><u>\$ 340,956</u></u>
Liabilities		
Current liabilities	<u>\$ 66,094</u>	<u>\$ 45,166</u>
Total liabilities	66,094	45,166
Net Position		
Net Investment in Capital Assets	133,367	141,792
Restricted for Capital Projects	32,914	46,773
Unrestricted	<u>165,026</u>	<u>107,225</u>
Total net position	<u>331,307</u>	<u>295,790</u>
Total liabilities and net position	<u><u>\$ 397,401</u></u>	<u><u>\$ 340,956</u></u>

Management's Discussion & Analysis (Continued)

Results of Operations:

For the fiscal years ended June 30, 2014 and 2013, the District wide results of operations were:

	Year Ended 2014		Year Ended 2013	
	Amount	%	Amount	%
REVENUES:				
Program Revenues:				
Operating Grants/Contr.	\$ 122,930	24.81	\$ 75,782	20.23
General Revenues:				
Property Taxes	191,581	38.66	210,215	56.12
State Aid	167,911	33.88	84,957	22.68
Interest and Other	4,664	0.94	3,645	0.97
Extraordinary Item	8,469	1.71	-	-
TOTAL REVENUE	495,555	100.00	374,599	100.00
EXPENSES:				
Instruction	237,360	51.60	191,225	47.85
Support Services				
General Administration	3,735	0.81	4,966	1.24
School Administration	18,079	3.93	18,502	4.63
Business Services	84,138	18.29	65,582	16.41
Operations/Maintenance	50,088	10.89	40,136	10.04
Pupil Transportation	57,725	12.55	73,999	18.52
Total Support Services	213,765	46.47	203,185	50.84
Capital Outlay	8,913	1.94	5,230	1.31
TOTAL EXPENSES	460,038	100.00	399,640	100.00
Change in Net Position	35,518		(25,041)	
BEGINNING NET POSITION	295,790		320,831	
ENDING NET POSITION	\$ 331,308		\$ 295,790	

Debt Administration

At year-end, the District had \$-0- in long-term obligations.

Depreciation Expense

GASB 34 requires school Districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position.

For fiscal year ended June 30, 2014, the net increase in accumulated depreciation was \$13,416. This is the result of the addition of depreciation expense.

Management's Discussion & Analysis (Continued)

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

Capital Outlay Acquisitions

Actual capital outlay acquisitions were \$4,991. Netted with accumulated depreciation, net investment in capital assets (i.e., net book value) decreased by approximately \$(8,400) during the year.

Since accumulated depreciation is based on original cost, it does not take into consideration inflation. As a result, the actual investment in capital outlay would have to be more than depreciation expense in order to maintain assets at the same level of maintenance and upkeep.

Property Taxes levied for General Operations (General Fund Property Taxes)

The District levies 18 mills of property tax for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

State of Michigan Aid, Unrestricted

State of Michigan aid, unrestricted is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment – Blended at the three year average rate using the average of the current and two immediately preceding year blends.
- c. The District's non-homestead levy

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The Big Jackson Public Schools foundation allowance was \$7,026 per student for the 2013-2014 school year. This is an increase from the 2012-2013 foundation allowance per student of \$60. The District's student enrollment for the fall count of 2013-2014 was 46 students.

Property Taxes levied for Building and Site Sinking Fund:

The District's Building and Site sinking fund levy, which is used for capital improvements, is based on the taxable valuation of all properties: homestead and non-homestead. For 2013-2014, there was no levy for the District's Building and Site sinking fund, therefore, no tax revenues were collected.

Management's Discussion & Analysis (Continued)

General Fund Budgetary Highlights:

Over the course of the year, the School District 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.

General Fund Revenues:

Total Revenues Original Budget	\$ 327,885	
Total Revenues Final Budget	<u>419,150</u>	
Increase in Budgeted Revenues	<u>\$ 91,265</u>	27.83%

The District's final general fund actual revenues exceeded the final general fund budgeted revenues by \$67,901 a variance of 16%.

General Fund Expenditures:

Total Expenditures Original Budget	\$ 431,617	
Total Expenditures Final Budget	<u>439,528</u>	
Increase in Budgeted Expenditures	<u>\$ 7,911</u>	1.83%

The District's final general fund actual expenditures were under the final budget by \$2,698, a positive variance of .6%.

The Final expenditure budget reflects the following material changes from the original budget:

- Increase in Operation & Maintenance Expenditures of \$14,350
- Increase in Special Education Expenditures of \$12,000
- Decrease in Elementary Education Expenditures of \$(17,765)

CAPITAL PROJECTS FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School District did not revise its Capital Projects Fund budget to reflect changes in revenues & expenditures. The District's capital projects revenue differed from the budgeted revenue by \$35, a variance of 100%. The District's capital projects fund expenditures differed from budgeted expenditures by \$1,894 as a result of under-budgeting the purchase of capital outlay.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2013-2014 budget. The primary factor was the District's student population. Also considered in the development of the budget is the local economy. These indicators were considered when adopting the budget for fiscal year 2014-2015. Budgeted expenditures in the General Fund are approximately \$439,850, which is almost .6% more than the 2013-2014 actual expenditures. Finally budgeted expenditures in the Capital Project's Fund are \$15,000, which is .8% more than the 2013-2014 actual expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Big Jackson Public Schools, 4020 13 Mile Road, Paris, MI 49338.

BIG JACKSON PUBLIC SCHOOLS

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash/Investments	\$ 207,060
Due From Other Governmental Units	<u>56,974</u>
Total Current Assets	264,034
Noncurrent Assets:	
Land & Improvements	18,744
Buildings & Improvements	103,062
Buses & Other Vehicles	98,192
Furniture & Equipment	65,150
Less: Accumulated Depreciation	<u>(151,781)</u>
Total Noncurrent Assets	<u>133,367</u>
Total Assets	<u><u>\$ 397,401</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 17,985
Accrued Payroll Liabilities	2,597
Unearned Revenue	38,916
Accrued Compensated Absences	<u>6,596</u>
Total Current Liabilities	66,094
Net Position	
Net Investment in Capital Assets	133,367
Restricted for Capital Projects	32,914
Unrestricted	<u>165,026</u>
Total Net Position	<u>331,307</u>
Total Liabilities & Net Position	<u><u>\$ 397,401</u></u>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Government Wide Statement of Activities
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Grants and</u>	<u>Revenue</u>
		<u>Services</u>	<u>Contributions</u>	<u>Government</u>
Governmental Activities				<u>Activities</u>
Instruction:				
Regular Instruction	\$ 237,360	\$ -	\$ 114,905	\$ (122,455)
Support Services:				
General Administration	3,735	-	-	(3,735)
School Administration	18,079	-	-	(18,079)
Business Services	84,138	-	8,025	(76,113)
Operations & Maintenance	50,088	-	-	(50,088)
Pupil Transportation	57,725	-	-	(57,725)
Total Support Services	213,765	-	8,025	(205,740)
Capital Outlay (Under \$1,000)	8,913	-	-	(8,913)
Total School District	<u>\$ 460,038</u>	<u>\$ -</u>	<u>\$ 122,930</u>	(337,108)
General Revenues				
Property Taxes				
General Purposes				191,581
State and Federal Aids Not Restricted To				
General				167,911
Interest and Investment Earnings				101
Miscellaneous				4,563
Extraordinary Item				8,469
Total General Revenues				<u>372,625</u>
Change in Net Position				35,517
Net Position - Beginning of Year				<u>295,790</u>
Net Position - Ending of Year				<u>\$ 331,307</u>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Balance Sheet - Governmental Funds

June 30, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash/Investments	\$ 173,728	\$ 33,332	\$ 207,060
Due From Other Funds	-	2,189	2,189
Due From Other Governmental Units	<u>56,974</u>	<u>-</u>	<u>56,974</u>
Total Assets	<u>\$ 230,702</u>	<u>\$ 35,521</u>	<u>\$ 266,223</u>
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	\$ 15,377	\$ 2,607	\$ 17,984
Accrued Payroll Liabilities	2,597	-	2,597
Due to Other Funds	2,189	-	2,189
Unearned Revenue	<u>38,916</u>	<u>-</u>	<u>38,916</u>
Total Liabilities	<u>59,079</u>	<u>2,607</u>	<u>61,686</u>
Fund Equity			
Restricted for Capital Projects	-	32,914	32,914
Unassigned	<u>171,623</u>	<u>-</u>	<u>171,623</u>
Total Fund Equity	<u>171,623</u>	<u>32,914</u>	<u>204,537</u>
Total Liabilities and Fund Equity	<u>\$ 230,702</u>	<u>\$ 35,521</u>	<u>\$ 266,223</u>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Position
For the Year Ended June 30, 2014

Total Governmental Fund Balances \$ 204,537

Total Net Position reported for governmental activities in the statement of Net Position are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of Net Position:

Governmental Capital Asset	\$ 285,148	
Governmental Accumulated Depreciation	<u>(151,781)</u>	133,367

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of Net Position that are not reported in the funds balance sheet are:

Compensated Absences	<u>(6,597)</u>
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Total Net Position - Governmental Activities: \$ 331,307

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

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

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 210,382	\$ 35	\$ 210,417
State Sources	163,164	-	163,164
Federal Sources	62,988	-	62,988
Interdistrict Sources	50,517	-	50,517
Total Revenues	487,051	35	487,086
Expenditures			
Instruction			
Elementary	190,707	-	190,707
Compensatory Education	36,446	-	36,446
Special Education	738	-	738
Total Instruction	227,891	-	227,891
Support Services:			
General Administration	3,735	-	3,735
School Administration	17,195	-	17,195
Business Services	84,138	-	84,138
Operations & Maintenance	50,088	-	50,088
Pupil Transportation	53,773	-	53,773
Total Supportive Services	208,929	-	208,929
Capital Outlay	10	13,894	13,904
Debt Service	-	-	-
Total Expenditures	436,830	13,894	450,724
Excess (Deficiency) Over (Under) Expenditures	50,221	(13,859)	36,362
Extraordinary Item			
PRE Reimbursement	8,469	-	8,469
Net Change in Fund Balance	58,690	(13,859)	44,831
Fund Balance - July 1	112,933	46,773	159,706
Fund Balance - June 30	\$ 171,623	\$ 32,914	\$ 204,537

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

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

Net Change in Fund Balances - Total Governmental Funds \$ 44,831

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of Net Position and allocated over their estimated useful lives as annual depreciation expense

Capital Outlay reported in governmental fund statements	13,904	
Capital Outlay reported as expenses in statement of activities	(8,913)	
Depreciation expense reported in the statement of activities	<u>(13,416)</u>	(8,425)

Change in Accrued Compensated Absences (889)

Change in Net Position - Governmental Activities \$ 35,517

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

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

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Big Jackson Public School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

1. Reporting Entity

Big Jackson Public Schools is located in Newaygo County, Michigan. The School District provides educational services to approximately 45 students. The School District is governed by a School Board consisting of five board members all of whom are elected by School District residents.

Big Jackson School's mission statement reads as follows: Big Jackson School is committed to provide, with the help of parents, students and the community, a nurturing, safe, high quality, effective environment for learning. The school is dedicated to ensuring the uniqueness, dignity, and worth of each individual and committed to developing a positive self-image - expecting that all students will become responsible contributing members of society.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, pupil transportation and construction and maintenance of District facilities.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

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

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

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year and, therefore, the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

Property taxes, State and County aid and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of the fiscal year, have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

The District reports the following major governmental funds:

General Fund - The General Fund accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. Expenditures are classified in accordance with the Michigan School Accounting Manual, issued by the Michigan Department of Education as follows:

Instruction - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital and in other situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines, which assist directly in the instructional process.

Supporting Services - Supporting Services are those services which provide administrative, technical, and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

Capital Projects Fund - The Sinking Fund is used to account for financial resources to be used for the acquisition, construction, renovation or repair of major capital facilities. The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School district has complied with the applicable provisions of Sec. 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.

4. Investments

Investment income is composed of interest and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements.

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles, if any.

Property tax levies are obtained by applying tax rates against the taxable valuation. Taxable valuation is based upon the property's state equalized value (which approximates ½ actual value). However, the taxable valuation is limited to a 5% increase from the previous year, while there is no limit to the increase in property values for state equalized valuation.

The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law.

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

Federal revenues are recorded as they are earned by the District under terms of specific grants.

6. Inventories

Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements. Prepaid items are recorded as expenditures when purchased in the fund financial statements and are offset by a reserve of fund balance.

Notes to the Financial Statement (Continued)

8. Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants	\$ -	\$ 38,916

9. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, equipment and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital Assets are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 - 25 Years
Buildings and Improvements	20 - 50 Years
Vehicles, Furniture and Equipment	5 - 15 Years

10. Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Big Jackson Public School reports three categories of net position, as follows:

(1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyer of Big Jackson Public School's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) Unrestricted net position consists of all other net positions that does not meet the definition of the above components and is available for general use by Big Jackson Public Schools.

11. Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

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

Restricted - Includes amounts restricted by external sources (creditors, laws of other governments, etc..) or by constitutional provision or enabling legislation.

Notes to the Financial Statement (Continued)

Committed - Includes amounts that can only be used for specific purposes determined by a formal action by Board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board resolution) that was employed when the funds were initially committed.

Assigned - Includes amounts that can only be used for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority

Unassigned - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

Restricted sources are used first when an expense is incurred for which both restricted and unrestricted resources are available.

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

12. Deferred Inflows of Resources

The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs.

13. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

14. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

15. Compensated Absences

Individual contracts with the teachers provide for payment of unused sick days at the end of each school year. Business and personal days offered expire at the end of the year and no vacation pay is offered. Beginning with fiscal year ending June 30, 2005, unpaid sick leave may accumulate from year to year, being paid to employees at a rate of 50% of their current rate of pay upon retirement or departure.

16. Unemployment Compensation

The School District has elected to finance its unemployment liability as a "reimbursing employer". Under this method, the School District reimburses the Michigan Employment Security commission for all benefits charged to the School District's account during the previous calendar year.

NOTE B DEPOSITS AND INVESTMENTS

The School District's cash and cash equivalents at June 30, 2014, are comprised of deposits and investments of \$206,960 and petty cash of \$100.

DEPOSITS

Deposits were reflected in the accounts of the banks (without recognition of checks written but not yet cleared or of deposits in transit) at \$213,748.

Notes to the Financial Statement (Continued)

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

Custodial Credit Risk- The risk that, in the event of the failure of a financial institution, Big Jackson Public Schools will not be able to recover its deposits. Big Jackson Public School's investment policy does not specifically address custodial credit risk for deposits. At March 31, 2014, \$169,675 of Big Jackson Public School's bank balances of \$213,748 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Depositories actively used by the School during the year are detailed as follows:

1. Chemical Bank
2. Michigan Liquid Asset Fund

INVESTMENTS

The School District is authorized by Michigan Law to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

The District's investments at year-end were entirely invested in bank, and Michigan Liquid Asset Fund (MILAF) cash management funds that had a carrying amount and a market value of \$169,675.

Investments are normally categorized to give an indication of the level of risk assumed by the District; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State of Michigan Public Act 621 requires that the General Fund and Special Revenue Funds of the School District be under budgetary control and that both budgeted and actual financial results do not incur a deficit. The District's Major Fund, Debt Service, is not required to adopt a budget. The District's Budget Appropriations Act must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from the District's Appropriations Act may occur without a corresponding amendment to the Appropriations Act. The District has the ability to amend the Appropriations Act provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. The District may also permit the chief administrative or fiscal officer to execute transfers between line items, without prior approval of the Board of Education. The level of control is the function level. All appropriations lapse at the end of the fiscal year.

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

- A. For the fiscal year beginning July 1, a proposed expenditure budget is presented by Administrative Personnel to the Governing Board.
- B. In June a preliminary operating budget is submitted to the Board of Education by the Principal. This budget includes proposed expenditures and the means of financing them.
- C. Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budget.

Notes to the Financial Statement (Continued)

- D. After the budget is finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- E. The budgets were amended at periodic times during the year to comply with PA 621.
- F. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.
- G. The budgets shown in these financial statements are as last amended through June 30, 2013.
- H. PA 621 of 1978, section 18(1), as amended, provides that a school district shall not incur expenditures in excess of the amount appropriated. The following overexpenditures occurred in the general fund during the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>General Fund</u>			
Support Services			
Elementary	120,470	190,707	(70,237)
School Administration	12,000	17,195	(5,195)
Transportation Services	43,050	53,773	(10,723)

NOTE D PROPERTY TAXES

Properties are assessed as of December 31, and the related taxes become a lien on December 1 of the following year. These taxes are due on September 10 and February 14 with the final collection date of February 28 before they are added to the County tax rolls. The taxes are collected and remitted to the District by the various Townships within the District. The County of Newaygo, through their Delinquent Tax Revolving Funds, advance all delinquent real property taxes to the District each year.

Property in the School District for the 2013 levy had a taxable value of \$21,075,660. For the 2013 levy, the School District's operating tax rate was 18 mills.

NOTE E DEFINED BENEFIT PENSION PLAN

Plan Description

All district full-time employees participate in the Michigan Public School Employees' Retirement System, ("MPSERS"), a cost-sharing multiple-employer, state-wide defined benefit public employee retirement plan governed by the State of Michigan, originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPSERS was established by the State of Michigan to provide retirement, survivor and disability benefits to the State's public school employees.

Notes to the Financial Statement (Continued)

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems. The Department Director appoints the Office Director who serves as Executive Secretary to the MPERS' board, with whom general oversight of the retirement system resides. The State Treasurer serves as the investment officer and custodian for the system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public Schools Employees Retirement System, P.O. Box 30171, Lansing, MI 48909-7671 or by calling (517)322-5103 or 1-800-381-5111.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting or Pensions*, effective for periods beginning after June 15, 2014. This statement generally carries forward the requirements of Statement No. 27 for employer accounting and financial reporting for defined contribution plans. In this Statement, the definition of defined contribution pensions, as well as the accounting requirements for such pensions, includes provisions to accommodate circumstances in which the timing of payments into individual accounts does not coincide with the period of employee service to which defined contributions pertain (as when a nonvested employee accumulates credits for which the employer delays payment into the employee's account until vesting provisions have been satisfied). This Statement also enhances accountability and transparency through revised note disclosures. The School is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning July 1, 2014.

Funding Policy

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

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

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits plus an additional amount to fund retiree health benefit amounts. Effective February 1, 2013, the rates ranged from 20.96% to 24.32% based upon Basic, MIP or Pension Plus enrollment. As of October 1, 2013, the rates range from 20.96% to 24.79%. In addition, the District is required to match up to 4% of the employees' contribution. As of September 3, 2012, new employees were enrolled in a personal health care fund with a mandatory 2% employer match. Beginning in February, 2013 MPSERS UAAL Stabilization Funding was also established which increased the contribution rate an estimated 1.60%, to be funding through the State School Aid Fund. Effective October 1, 2013 the MPSERS UAAL Stabilization Rate was increased to 4.56%. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees.

Pension Benefits

All full-time employees of the District are required by law to participate in the MPSERS. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at age 46 with 30 years of credited service, at age 60 with 10 or more years of credited service, or at age 60 having worked through 60th birthday with 5 years of service immediately preceding retirement effective date. There is no mandatory retirement age.

Both basic and MIP plan members may retire at age 55 with 15 years of service (with five of the years immediately preceding retirement effective date) and receive reduced early retirement benefits. The system also provides non-duty disability benefits and non-duty death benefits after 10 years (less if age 60 or older) of service for MIP members and 15 years of service for basic plan members (less if age 60 or older). The service provision is waived for duty disability and duty death benefits.

The retirement benefit for DB and Pension Plus is based on a member's years of credited service (employment) and final average compensation. Final average compensation is the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same period. For a MIP member who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a basic member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA300 of 2012 and is shown below:

Option 1: $FAC \times \text{total years of service} \times 1.5\%$

Option 2: $FAC \times 30 \text{ years of service} \times 1.5\% + FAC \times \text{years of service beyond 30} \times 1.25\%$

Option 3: $FAC \times \text{years of service as of transition date} \times 1.5\% + FAC \times \text{years of service after transition date} \times 1.25\%$

Option 4: $FAC \text{ as of transition date} \times \text{years of service as of transition date} \times 1.25\%$

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options: straight life, survivor options and equated plans. Mandatory member contributions were phased out between 1974 and 1977 with the plan remaining noncontributing until January 1, 1987, when the Member Investment Plan (MIP) was enacted.

Other Post Employment Benefits

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

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% of their compensation to offset employer contributions for health care benefits for current retirees. Effective April 1, 2011 a court order eliminated this requirements. The court order was appealed by the State of Michigan. The Court of Appeals has denied the stay and the schools are waiting for guidance, but are continuing to withhold this payment until that guidance is received as instructed by the Office of Retirement Services.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's "transition date", which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 200 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing no to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) account no later than their first pay date after March 1, 2013.

Notes to the Financial Statement (Continued)

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who were rehired on or after September 4, 2012, will contribute 3% to retiree healthcare and will retain the subsidy benefit. Retiring members who made the retirement healthcare election will retain whichever option they choose.

Annual Pension and Other Costs

During the plan year ended September 30, 2013, benefit expenditures for the pension and post employment benefits for the MPSERS as a whole were \$5,162,664,637. As of September 30, 2013, the amount of Net Position held in trust for pension and health care benefits was \$42,608,084,143. At September 30, 2013 there were 432,093 members in the MPSERS, of which 200,952 were actively receiving benefits, 110,926 were vested employees, 103,980 were non-vested employees and 16,235 were inactive employees entitled to benefits and not yet receiving them. Actual employer contributions for retirement benefits were \$1,364,136,462 and for other postemployment benefits were \$973,002,719. Annual payrolls for the fiscal year ended September 30, 2013 were not available.

For the fiscal year ended June 30, 2014, the District's annual pension cost of \$46,266 was equal to the District's required and actual contributions. The required contribution was determined as part of the September 30, 2012 actuarial valuation using the following assumptions:

Valuation Date	September 30, 2012
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	24 Years
Asset Valuation Method	5-year Smoothed Market Value
Actuarial Assumptions:	
Inflation Rate	3.5%
Investment Rate of Return-Pension	
-MIP and Basic Plans	8%
-Pension Plus Plan	7%
-OPEB	8%
Projected Salary Increases	3.5% - 15.9%
Cost-of-Living Adjustment	3% annual non-compounded for MIP Members
Healthcare Cost Trend Rate	3.5% - 15.9%
Other Assumptions OPEB only:	
Opt Out Assumption	21% of eligible participants hired before 7/1/2008 and 30% of those hired after 6/30/2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Notes to the Financial Statement (Continued)

Three-Year Trend Information

Fiscal Year Ending June 30	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2012	29,228	100%	-
2013	35,959	100%	-
2014	46,266	100%	-

NOTE F FIXED ASSETS

Capital asset balances and for the year ended June 30, 2014 were as follows:

Governmental-Type Activities	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital Assets not being depreciated				
Land	\$ 1,042	\$ -	\$ -	\$ 1,042
Capital Assets Being Depreciated				
Buildings & Improvements	99,768	3,294	-	103,062
Land Improvements	17,702	-	-	17,702
Equipment & Furniture	63,453	1,697	-	65,150
Buses & Other Vehicles	98,192	-	-	98,192
Subtotal	279,115	4,991	-	284,106
Less Accumulated Depreciation for				
Buildings & Improvements	12,526	3,424	-	15,950
Land Improvements	7,020	881	-	7,901
Equipment & Furniture	38,694	5,121	-	43,815
Buses & Other Vehicles	80,125	3,990	-	84,115
Subtotal	138,365	13,416	-	151,781
Net Capital Assets being depreciated	140,750	(8,425)	-	132,325
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 141,792</u>	<u>\$ (8,425)</u>	<u>\$ -</u>	<u>\$ 133,367</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 8,649
School Administrative Services	777
Student Transportation	3,990
Total Depreciation Expense	<u>\$ 13,416</u>

NOTE G 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; and natural disasters for which the School District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE H INTERFUND RECEIVABLES & PAYABLES

Advances from/to other funds consist of the following at June 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General	\$ 2,189

Notes to the Financial Statement (Continued)

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. As of June 30, 2014, the balance of the interfund receivables and payables is the result of the capital projects fund paying certain expenditures of the general fund.

NOTE I SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2014, the most recent balance sheet presented herein, through November 13, 2014, the date these financial statements were available to be issued. No significant such events or transactions were identified.

NOTE J ADOPTION OF NEW ACCOUNTING STANDARDS

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In connection with the adoption of this statement.

NOTE K UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2012, the Government Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Agency is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

BIG JACKSON PUBLIC SCHOOL

Required Supplementary Information
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2014

	Budget Amounts		Actual	Variances	
	Original	Final		Original Budget to Final	Final Budget to Actual
Revenues					
Local Sources	\$ 204,885	\$ 207,150	\$ 210,382	\$ 2,265	\$ 3,232
State Sources	55,000	148,000	163,164	93,000	15,164
Federal Sources	68,000	64,000	62,988	(4,000)	(1,012)
Interdistrict Sources	-	-	50,517	-	50,517
Total Revenues	327,885	419,150	487,051	91,265	67,901
Expenditures					
Instruction					
Elementary	138,235	120,470	190,707	(17,765)	(70,237)
Compensatory Education	34,382	34,200	36,446	(182)	(2,246)
Special Education	23,000	35,000	738	12,000	34,262
Total Instruction	195,617	189,670	227,891	(5,947)	(38,221)
Support Services:					
General Administration	4,000	3,000	3,735	(1,000)	(735)
School Administration	16,000	12,000	17,195	(4,000)	(5,195)
Business Services	130,050	134,758	84,138	4,708	50,620
Operation & Maintenance	42,200	56,550	50,088	14,350	6,462
Transportation Services	34,750	43,050	53,773	8,300	(10,723)
Total Support Services	227,000	249,358	208,929	22,358	40,429
Debt Service	5,000	-	-	(5,000)	-
Capital Outlay	4,000	500	10	(3,500)	490
Total Expenditures	431,617	439,528	436,830	7,911	2,698
Excess (deficiency) of Revenue Over Expenditures	(103,732)	(20,378)	50,221	83,354	70,599
Extraordinary Items					
PRE Reimbursement	-	-	8,469	-	8,469
Net Change in Fund Balance	(103,732)	(20,378)	58,690	83,354	79,068
Fund Balance - July 1	125,454	125,454	112,933	-	12,500
Fund Balance - June 30	<u>\$ 21,722</u>	<u>\$ 105,076</u>	<u>\$ 171,623</u>	<u>\$ 83,354</u>	<u>\$ 91,568</u>

BIG JACKSON PUBLIC SCHOOL

Required Supplementary Information
 Budgetary Comparison Schedule for the Capital Projects Fund
 For the Year Ended June 30, 2014

	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local Sources					
Interest	\$ -	\$ -	\$ 35	\$ -	\$ 35
Total Revenues	-	-	35	-	35
Expenditures					
Capital Outlay	4,000	12,000	13,894	(8,000)	(1,894)
Total Expenditures	4,000	12,000	13,894	(8,000)	(1,894)
Excess of Revenues Over (Under) Expenditures	<u>\$ (4,000)</u>	<u>\$ (12,000)</u>	(13,859)	<u>\$ 8,000</u>	<u>\$ (1,859)</u>
Fund Balance - Beginning			<u>46,773</u>		
Fund Balance - Ending			<u>\$ 32,914</u>		

BIG JACKSON PUBLIC SCHOOLS

Required Supplementary Information Schedule of Pension Funding Progress

(Dollar Amounts in Millions)

Valuation Date September 30	Actuarial Valuation Assets	Actuarial Accrued Liabilities	Funded Ratio	(Overfunded) Unfunded Accrued Liabilities	Covered Payroll	UAL as a % of Active Payroll
2002	38,382	41,957	91.5%	3,575	9,707	36.8%
2003	38,726	44,769	86.5%	6,043	10,044	60.2%
2004	38,784	46,317	83.7%	7,533	10,407	72.4%
2005	38,211	48,206	79.3%	9,995	10,206	97.9%
2006	42,995	49,136	87.5%	6,141	9,806	62.6%
2007	45,335	51,107	88.7%	5,772	9,851	58.6%
2008	45,677	54,608	83.6%	8,931	9,958	89.7%
2009	44,703	56,685	78.9%	11,982	9,884	121.2%
2010	43,294	60,927	71.1%	17,633	8,845	199.4%
2011	41,038	63,427	64.7%	22,389	9,156	244.5%
2012	38,450	62,716	61.3%	24,266	8,649	280.6%

BIG JACKSON PUBLIC SCHOOLS

Comparative Balance Sheet - General Fund June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash/Investments	\$ 173,728	\$ 134,770
Due From Other Governmental Units	<u>56,974</u>	<u>19,810</u>
Total Assets	<u><u>\$ 230,702</u></u>	<u><u>\$ 154,580</u></u>
Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ 15,377	\$ 7,320
Accrued Payroll Liabilities	2,597	-
Due to Other Funds	2,189	2,189
Unearned Revenue	<u>38,916</u>	<u>32,138</u>
Total Liabilities	59,079	41,647
Fund Equity		
Unassigned	<u>171,623</u>	<u>112,933</u>
Total Fund Equity	<u>171,623</u>	<u>112,933</u>
Total Liabilities and Fund Equity	<u><u>\$ 230,702</u></u>	<u><u>\$ 154,580</u></u>

BIG JACKSON PUBLIC SCHOOLS

Comparative Statement of Revenues - General Fund
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Local Sources		
Property Taxes	\$ 191,581	\$ 210,215
Interest Earned on Investments	66	115
Grants/Donations	14,172	2,200
Miscellaneous	<u>4,563</u>	<u>3,465</u>
Total Local Sources	210,382	215,995
State Sources		
State School Aid	134,643	40,759
Best Practices	2,526	-
Headlee Obligation for Data Collection	1,139	885
MPERS Cost Offset/UAAL Stabilization	9,653	6,271
At Risk	14,030	13,181
Special Education	<u>1,173</u>	<u>482</u>
Total State Sources	163,164	61,578
Federal Sources		
Title I	22,490	23,797
Title II, Part A	8,957	1,011
EduJobs	-	579
R.E.A.P. Grant	21,124	24,460
Payments in Lieu of Taxes	<u>10,417</u>	<u>10,651</u>
Total Federal Sources	62,988	60,498
Interdistrict Sources		
GSRP	30,567	-
Special Education - Act 18	<u>19,950</u>	<u>36,463</u>
Total Interdistrict Sources	50,517	36,463
Total Revenues	<u><u>\$ 487,051</u></u>	<u><u>\$ 374,534</u></u>

BIG JACKSON PUBLIC SCHOOLS

Comparative Statement of Expenditures - General Fund
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Expenditures		
Instruction		
Elementary		
Basic Education	\$ 137,705	\$ 129,859
Title V	307	307
Title II A	9,029	1,511
Preschool	30,567	-
REAP	<u>13,099</u>	<u>12,302</u>
Total Elementary	190,707	143,979
Compensatory Education		
At Risk	14,030	13,182
Title I	<u>22,416</u>	<u>23,797</u>
Total Compensatory Education	36,446	36,979
Special Education	<u>738</u>	<u>2,637</u>
Total Instruction	227,891	183,595
Supportive Services		
General Administration	3,735	3,334
School Administration	17,195	18,502
Business Services	84,138	65,582
Operation & Maintenance of School	50,088	40,136
Transportation Services	<u>53,773</u>	<u>65,224</u>
Total Supportive Services	208,929	192,778
Capital Outlay	<u>10</u>	<u>10,682</u>
Total Expenditures	<u>\$ 436,830</u>	<u>\$ 387,055</u>

BIG JACKSON PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance -
Capital Projects Fund
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Local Sources		
Interest Earned on Investments	\$ 35	\$ 65
Total Revenues	35	65
Expenditures		
Capital Outlay	<u>13,894</u>	<u>4,365</u>
Total Expenditures	<u>13,894</u>	<u>4,365</u>
Excess Revenues Over (Under)		
Expenditures	(13,859)	(4,300)
Fund Balance - Beginning	<u>46,773</u>	<u>51,073</u>
Fund Balance - Ending	<u><u>\$ 32,914</u></u>	<u><u>\$ 46,773</u></u>

BIG JACKSON PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
June 30, 2014

<u>Function and Activity</u>	<u>6/30/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2014</u>
<u>General Fund</u>				
Instruction	\$ 170,867	\$ 3,294	\$ -	\$ 174,161
General Administration Services	11,098	1,697	-	12,795
Student Transportation Services	93,797	-	-	93,797
<u>Building Fund</u>				
Student Transportation Services	4,395	-	-	4,395
Total	<u>\$ 280,157</u>	<u>\$ 4,991</u>	<u>\$ -</u>	<u>\$ 285,148</u>



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

Board of Education
Big Jackson Public Schools
Newaygo County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Jackson Public Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Big Jackson Public School's basic financial statements and have issued our report thereon dated November 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Jackson Public School'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 Big Jackson Public School's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Jackson Public School'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Big Jackson Public School'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.

H&S Companies, P.C.

H&S Companies, P.C.
November 13, 2014

Big Jackson Public Schools

Schedule of Findings and Responses
June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal Control over financial reporting. | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 3. Noncompliance material to the financial statements noted? | No |

Section II - Findings and Responses - Financial Statement Audit

No Findings

Big Jackson Public Schools

Summary Schedule of Prior Audit Findings
June 30, 2014

2013-001 Address Preparation of Financial Statements Including the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles.

Management has concluded that Executive Director from the Intermediate School District will review the financial statements, accompanying notes, and conversion to full accrual government-wide financial statements to verify that they are in conformity with Generally Accepted Accounting Principles.

2013-002 Cash Account Balances in the General Ledger Should tie to the Reconciled Cash Balances and all Transactions Should Be Recorded in the Accounting Software.

The transactions have been recorded in the accounting software and the Board has approved the Executive Director at the Intermediate School District to review the bank statements and general ledger each month.