

**Mattawan Consolidated School
Mattawan, Michigan**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2014

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Mattawan Consolidated School
Members of the Board of Education and Administration
June 30, 2014

Members of the Board of Education

Alan Koenig – President

Scott Sylvester – Vice President

Tim Mitchell – Treasurer

Ted Roethlisberger – Secretary

Kristine Kounelis – Trustee

Zbigniew Srodulski – Trustee

Bruce Miller – Trustee

Administration

Patrick D. Bird, PhD – Superintendent

William Disch, CPA – Assistant Superintendent for Business Services

Brenda Graham, CPA – Business Manager

Independent Auditors' Report

Management and the Board of Education
Mattawan Consolidated School
Mattawan, Michigan

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 Mattawan Consolidated School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mattawan Consolidated School, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:**Required Supplementary Information**

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mattawan Consolidated School's basic financial statements. The list of the Members of the Board of Education and Administration and other supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The list of the Members of the Board of Education and Administration has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2014 on our consideration of Mattawan Consolidated 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 an audit performed in accordance with *Government Auditing Standards* in considering Mattawan Consolidated School's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Kalamazoo, MI
September 17, 2014

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2014**

This section of Mattawan Consolidated School's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

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 Mattawan Consolidated School financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial 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. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

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

One of the most important questions asked about the School District 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, which appear first in the School District's financial statements, report information about the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to 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.

Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2014

These two statements report the School 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 School District's net position – as reported in the statement of activities – are indicators 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 commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall 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 of the School District's services, including instruction, support 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

The School District's fund financial statements provide detailed information about 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 establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund, for example) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the 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 the statement of activities) and governmental funds in reconciliation.

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 assets and liabilities. 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 purposes.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2014**

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2014 and 2013.

Table 1	Governmental Activities	
	(in millions)	
	2014	2013
Assets		
Current and other assets	\$ 8.5	\$ 8.4
Capital assets	22.1	22.8
Total assets	30.6	31.2
Deferred Outflows of Resources		
Deferred amount on debt refunding	0.7	0.7
Total assets and deferred outflows of resources	31.3	31.9
Liabilities		
Current liabilities	7.4	6.5
Long-term liabilities	15.7	18.1
Total liabilities	23.1	24.6
Net Position		
Invested in property and equipment – net of related debt	4.9	3.9
Restricted	0.9	0.9
Unrestricted	2.4	2.5
Total net position	\$ 8.2	\$ 7.3

The above analysis focuses on the net position (see TABLE 1). The change in net position (see TABLE 2) of the School District's governmental activities is discussed below. The net position was \$8.2 million at June 30, 2014. Capital assets, net of related debt totaling \$4.9 million, 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 are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of net position of \$2.4 million was unrestricted.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2014**

The \$2.4 million in unrestricted net position of governmental activities represents the *accumulated* results of all past year's operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. 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 (TABLE 2), which shows the changes in net position for fiscal year 2014 and 2013.

Table 2	Governmental Activities	
	(in millions)	
	2014	2013
Revenue		
Program revenue		
Charges for services	\$ 1.1	\$ 1.1
Federal grants and entitlements	1.4	1.5
State categoricals	0.5	0.5
General revenue		
Property taxes	4.9	4.9
State foundation allowance	26.4	25.6
Other	0.1	0.1
Total revenue	34.4	33.7
Functions/Program Expenses		
Instruction	19.5	18.9
Support services	10.4	9.8
Food services	1.3	1.3
Interest on long-term debt	0.9	1.0
Depreciation (unallocated)	1.4	1.5
Total Expenses	33.5	32.5
Decrease in net position	\$ 0.9	\$ 1.2

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$33.5 million. Certain activities were partially funded from those who benefited from the programs (\$1.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$4.9 million in taxes, \$26.4 million in State foundation allowance, and with our other revenues (.1 million), i.e., interest and general entitlements.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2014**

The School District's Funds

As we 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 this year, the governmental funds reported a combined fund balance of \$3.9 million, which is an decrease of approximately \$.7 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, showed a decrease of approximately \$47,000.

General Fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Fund remained stable from the prior years, showing an increase of about \$11,000.

The 2012 Capital Projects Funds showed a net decrease of approximately \$.6 million. The decrease is due to approximately \$585,000 of expenditures for technology and equipment, as allowed under the voter approved bond issue.

Combined, the Debt Service Funds remained stable from the prior year, showing a slight decrease of \$69,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual State appropriation and no fund balance exists at year end. Debt Service Funds balances are reserved since they can only be used to pay debt service obligations.

Student Enrollment

The School District's student enrollment for the fall count of 2013-2014 was 3,787 students. The School District's enrollment decreased by 4 full time equated (FTE) student from the prior school year's student count. The following summarizes fall student enrollments in the past several years:

	<u>Student FTE</u>	<u>Change from Prior Year</u>
2013-2014	3,787	(4)
2012-2013	3,791	20
2011-2012	3,771	(52)
2010-2011	3,823	(1)
2009-2010	3,824	68
2008-2009	3,756	35

Subsequent to the year ended June 30, 2014, preliminary student enrollments for the 2014-2015 school year are projected to be about 3,787 FTE, which is the same number of students enrolled during the prior fiscal year.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2014**

Property Valuations

In accordance with Act 539, Public Acts of Michigan, 1982, as amended, and Article IX, Section 3 of the Michigan Constitution, the ad valorem State Equalized Valuation (SEV) represents 50% of true cash value. SEV does not include any value of tax exempt property (e.g. churches, governmental property) or property granted tax abatements under Act 198, Public Acts of Michigan, 1974, as amended. As a result of Proposal A, ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps.

Taxable property in the School District is assessed by the local municipal assessor and is subject to review by the County Equalization Department.

Historical Valuations

Year	Homestead	Non-Homestead	Total Valuation
2014	\$ 612,509,203	\$ 91,232,559	\$ 703,741,762
2013	596,409,249	92,591,457	689,000,706
2012	598,694,981	94,690,962	693,385,943
2011	598,346,800	92,483,397	690,830,197
2010	599,304,772	93,523,344	692,828,116
2009	611,485,378	103,468,893	714,954,271
2008	590,675,175	99,044,063	689,719,238

Foundation Allowance per Pupil

The following table shows a history and current estimate of the School District's Foundation Allowance per Pupil:

	Per Pupil Amount
2013-2014	\$ 7,026
2012-2013	6,966
2011-2012	6,846
2010-2011	7,316
2009-2010	7,151
2008-2009	7,316
2007-2008	7,204

The projected Foundation Allowance per Pupil amount for the 2014-2015 school year is \$7,251.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2014**

General Fund Budgetary Highlights

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

There were revisions made to the 2013-2014 General Fund original budget. Budgeted revenues were increased by about \$843,000 due mainly to additional funding from the state for retirement costs.

Budgeted expenditures were increased approximately increased by approximately \$846,000 due mainly the additional retirement costs assumed by the district which was offset by additional funding by the state.

During the year, the School District incurred variances between the original budget and final budget amounts, as follows:

	Original Budget	Final Budget	Variance
Revenues	\$ 28,920,577	\$ 29,763,190	\$ 842,613
Expenditures	29,266,847	30,113,183	846,336

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the School District had \$22.12 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment, net of accumulated depreciation. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$.70 million from last year.

	2014	2013
Land	\$ 740,429	\$ 740,429
Building and building improvements	33,348,353	33,348,353
Buses and other vehicles	3,037,090	3,018,925
Furniture and Equipment	7,869,869	7,201,193
Total Capital assets	\$ 44,995,741	\$ 44,308,900

This year's additions of \$686,841 were made up primarily of technology replacement, copier capital lease, improvements and equipment. We present more detailed information about our capital assets in the notes to the financial statements.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2014**

Debt

At the end of this year, the School District had \$18.4 million outstanding versus \$20.7 million in the previous year – a change of about 12.5%. Those bonds consisted of the following:

	2014	2013
General Obligation Bonds	<u>\$ 17,345,000</u>	<u>\$ 19,870,000</u>

The School District's general obligation bond rating is AA-. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. Other obligations include early retirement incentives. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2014/15 fiscal year 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 blended count for the 2014/15 fiscal year is 10 percent and 90 percent of the February 2014 and September 2014 student counts, respectively. The 2014/15 budget was adopted in June 2014 based on an estimate of students that would be enrolled in September 2014. Approximately 91 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School 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 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2013/14 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 School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, 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 Assistant Superintendent for Business Services at 56720 Murray Street, Mattawan, Michigan 49071.

Mattawan Consolidated School
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Cash	\$ 3,422,926
Accounts receivable	27,949
Due from other governmental units	5,020,881
Inventory	19,046
Prepaid items	6,581
Other assets	
Capital assets not being depreciated	740,429
Capital assets - net of accumulated depreciation	21,378,553
Total assets	30,616,365
Deferred Outflows of Resources	
Deferred amount on debt refunding	692,324
Total assets and deferred outflows of resources	31,308,689
Liabilities	
Accounts payable	34,157
State aid anticipation note payable	1,369,251
Accrued expenditures	1,303,325
Accrued salaries payable	1,917,976
Unearned revenues	91,708
Noncurrent liabilities	
Due within one year	2,674,892
Due in more than one year	15,683,362
Total liabilities	23,074,671
Net Position	
Net investment in capital assets	4,884,951
Restricted for:	
Food service	153,676
Debt service	709,994
Unrestricted	2,485,397
Total net position	\$ 8,234,018

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Statement of Activities
For the Year Ended June 30, 2014

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs				
Governmental activities				
Instruction	\$ 19,584,230	\$ 8,780	\$ 1,305,647	\$ (18,269,803)
Supporting services	10,378,208	217,489	74,275	(10,086,444)
Food services	1,284,582	833,529	500,477	49,424
Community services	6,803	-	-	(6,803)
Interest on long-term debt	861,397	-	-	(861,397)
Depreciation - unallocated	1,383,638	-	-	(1,383,638)
Total governmental activities	\$ 33,498,858	\$ 1,059,798	\$ 1,880,399	(30,558,661)
General revenues				
Property taxes, levied for general purposes				1,641,906
Property taxes, levied for debt service				3,292,783
State aid - unrestricted				26,397,906
Other				122,238
Total general revenues				31,454,833
Change in net position				896,172
Net position - beginning				7,337,846
Net position - ending				\$ 8,234,018

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Governmental Funds
Balance Sheet
June 30, 2014

	General Fund	Nonmajor Govern- mental Funds	Total Govern- mental Funds
Assets			
Cash	\$ 2,284,954	\$ 1,137,972	\$ 3,422,926
Accounts receivable	25,639	2,310	27,949
Due from other governmental units	5,011,841	9,040	5,020,881
Inventory	-	19,046	19,046
Prepaid items	6,581	-	6,581
Total assets	<u>\$ 7,329,015</u>	<u>\$ 1,168,368</u>	<u>\$ 8,497,383</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ -	\$ 34,157	\$ 34,157
State aid anticipation note payable	1,369,251	-	1,369,251
Accrued expenditures	1,177,978	1,697	1,179,675
Accrued salaries payable	1,913,216	4,760	1,917,976
Unearned revenue	55,409	36,299	91,708
Total liabilities	<u>4,515,854</u>	<u>76,913</u>	<u>4,592,767</u>
Fund Balance			
Non-spendable			
Inventory	-	19,046	19,046
Prepaid items	6,581	-	6,581
Restricted for:			
Food service	-	134,630	134,630
Debt service	-	709,994	709,994
Capital projects	-	227,785	227,785
Unassigned	2,806,580	-	2,806,580
Total fund balance	<u>2,813,161</u>	<u>1,091,455</u>	<u>3,904,616</u>
Total liabilities and fund balance	<u>\$ 7,329,015</u>	<u>\$ 1,168,368</u>	<u>\$ 8,497,383</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities
June 30, 2014

Total fund balances for governmental funds	\$ 3,904,616
Total net position for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	740,429
Capital assets - net of accumulated depreciation	21,378,553
Deferred outflows of resources resulting from debt refunding	692,324
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(123,650)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(204,114)
Bonds payable	(17,878,122)
Other loans payable and liabilities	<u>(276,018)</u>
Net position of governmental activities	<u>\$ 8,234,018</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 2,031,288	\$ 4,126,442	\$ 6,157,730
State sources	27,203,049	43,770	27,246,819
Federal sources	324,980	456,707	781,687
Interdistrict sources	208,794	-	208,794
	<u>29,768,111</u>	<u>4,626,919</u>	<u>34,395,030</u>
Expenditures			
Current			
Education			
Instruction	19,522,603	-	19,522,603
Supporting services	10,254,359	-	10,254,359
Food services	-	1,284,582	1,284,582
Community services	6,803	-	6,803
Intergovernmental payments	40,872	-	40,872
Capital outlay	289,486	584,259	873,745
Debt service			
Principal	-	2,525,000	2,525,000
Interest and other expenditures	28,418	837,468	865,886
	<u>30,142,541</u>	<u>5,231,309</u>	<u>35,373,850</u>
Deficiency of revenues over expenditures	<u>(374,430)</u>	<u>(604,390)</u>	<u>(978,820)</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)			
Capital leases	\$ 289,486	\$ -	\$ 289,486
Transfers in	38,301	51,488	89,789
Transfers out	-	(89,789)	(89,789)
	<u>327,787</u>	<u>(38,301)</u>	<u>289,486</u>
Total other financing sources			
Net change in fund balance	(46,643)	(642,691)	(689,334)
Fund balance - beginning	<u>2,859,804</u>	<u>1,734,146</u>	<u>4,593,950</u>
Fund balance - ending	<u>\$ 2,813,161</u>	<u>\$ 1,091,455</u>	<u>\$ 3,904,616</u>

See Accompanying Notes to Financial Statements

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

Net change in fund balances - Total governmental funds \$ (689,334)

Total change in net position reported for governmental activities in the statement of activities is different because:

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

Depreciation expense	(1,383,638)
Capital outlay	686,841

Expenses are recorded when incurred in the statement of activities.

Interest	15,461
Compensated absences	(20,755)

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term governmental funds and liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Debt issued	(289,486)
Repayments of long-term debt	2,588,055
Amortization of deferred amounts on refunding	(86,082)
Amortization of premiums	<u>75,110</u>

Change in net position of governmental activities **\$ 896,172**

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2014

	Student Activities Agency Funds
Assets	
Cash	\$ <u>422,442</u>
Liabilities	
Due to agency fund activities	\$ <u>422,442</u>

See Accompanying Notes to Financial Statements
4 - 8

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

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

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net invested in capital assets, (2) restricted net position, and (3) unrestricted net position.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Fund Financial Statements

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

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

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

to compensated absences and claims and judgments, are recorded only when payment is due.

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s Special Revenue Funds include the Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

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

2012 Capital Project Fund – Capital Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

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

Assets, Liabilities and Net Position or Equity

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

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

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

General Fund	
Non principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	4.55000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries.

Property taxes are levied on December 1 and payable through March 15. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

purchased by the County of Van Buren and Kalamazoo and remitted to the School District by May 15.

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

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

Buildings and additions	20-50 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

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

Compensated Absences – Employees are provided with sick days each year. Retiring employees who meet certain years of service requirements are paid for accumulated sick days up to a maximum number of days and at a rate determined by their contracts. There is no contractual provision for payment of unused vacation. Unused vacation time is forfeited annually.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees who currently are eligible to receive termination payments. The amount reported is salary-related and includes fringe benefits.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

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

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

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

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

Assigned – amounts intended to be used for specific purposes, as determined by the board of education or the Assistant Superintendent for Business Services. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

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

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

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

The District has adopted a policy to maintain a minimum fund balance of 5% of the General Fund annual operating expenditures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

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

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued *Statement 68, Accounting and Financial Reporting for Pensions*, and *Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability will be recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. The District is evaluating the impact these standards will have on its financial reporting. Statements 68 and 71 are effective for the year ending June 30, 2015.

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

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

Note 2 - Stewardship, Compliance, Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

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

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

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

Excess of Expenditures over Appropriations

During the year, the school District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Intergovernmental payments	\$ 40,000	\$ 40,872	\$ 872
Capital outlay	-	289,486	289,486
Transfers out	22,180	28,418	6,238
Food service Fund	1,240,871	1,284,582	43,711

Compliance – Bond Proceeds

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2012 Capital Projects Fund from inception through the current fiscal year:

	2012 Capital Projects
Revenues	\$ 1,745,271
Expenditures	<u>1,517,486</u>
	<u>\$ 227,785</u>

Note 3 - Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 3,422,926</u>	<u>\$ 422,442</u>	<u>\$ 3,845,368</u>

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 3,844,098
Petty cash and cash on hand	<u>1,270</u>
Total	<u>\$ 3,845,368</u>

Interest rate risk – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$3,892,426 of the District’s bank balances of \$ 4,142,426 were uncollateralized and uninsured.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 740,429	\$ -	\$ -	\$ 740,429
Capital assets being depreciated				
Buildings and additions	33,348,353	-	-	33,348,353
Equipment and furniture	7,201,193	668,676	-	7,869,869
Buses and other vehicles	3,018,925	18,165	-	3,037,090
Total capital assets being depreciated	<u>43,568,471</u>	<u>686,841</u>	<u>-</u>	<u>44,255,312</u>
Less accumulated depreciation for				
Buildings and additions	14,049,609	529,794	-	14,579,403
Equipment and furniture	5,456,665	716,007	-	6,172,672
Buses and other vehicles	1,986,847	137,837	-	2,124,684
Total accumulated depreciation	<u>21,493,121</u>	<u>1,383,638</u>	<u>-</u>	<u>22,876,759</u>
Net capital assets being depreciated	<u>22,075,350</u>	<u>(696,797)</u>	<u>-</u>	<u>21,378,553</u>
Net capital assets	<u>\$ 22,815,779</u>	<u>\$ (696,797)</u>	<u>\$ -</u>	<u>\$ 22,118,982</u>

Depreciation for the fiscal year ended June 30, 2014 amounted \$1,383,638. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

Note 5 - Interfund Transfers

There were no individual interfund receivable and payable balances at year end.

Interfund transfers consist of the following:

	Transfers Out
Transfers In	Nonmajor Governmental Funds
General Fund	\$ 38,301
Nonmajor governmental	51,488
	\$ 89,789

The transfer from the food service fund of \$38,301 covers indirect costs in the general fund. The transfer of \$51,488 from the bond fund was made to move capitalized interest to the debt fund.

Note 6 - Unearned Revenue

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

	Unearned
Student lunch payments on account	\$ 36,299
Grant and categorical aid payments received prior to meeting all eligibility requirements	45,448
Prepaid program tuition	9,961
Total	\$ 91,708

Note 7 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 500,056	\$ 3,500,000	\$ 2,630,805	\$ 1,369,251

The state aid anticipation note agreement includes irrevocable set-aside payments totaling \$2,130,749 at year end that is considered defeased debt and not included in the ending balance.

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

Note 8 - Leases

Capital Leases

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

Year ending June 30,	
2015	\$ 62,418
2016	62,418
2017	62,418
2018	62,418
2019	<u>46,815</u>

Total minimum lease payments	296,487
Less amount representing interest	<u>20,469</u>
Present value of minimum lease payments	<u>\$ 276,018</u>

The assets acquired through capital leases are as follows:

Machinery and equipment	\$ 289,486
Less accumulated depreciation	<u>28,949</u>
Total	<u>\$ 260,537</u>

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 19,870,000	\$ -	\$ 2,525,000	\$ 17,345,000	\$ 2,620,000
Capital lease - equipment	49,587	289,486	63,055	276,018	54,892
Compensated absences	183,359	20,755	-	204,114	-
Premium on bonds	<u>608,232</u>	<u>-</u>	<u>75,110</u>	<u>533,122</u>	<u>-</u>
Total	<u>\$ 20,711,178</u>	<u>\$ 310,241</u>	<u>\$ 2,663,165</u>	<u>\$ 18,358,254</u>	<u>\$ 2,674,892</u>

The deferred amount of refunding activity is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Withing One Year
Deferred amount on refunding	<u>\$ (778,406)</u>	<u>\$ -</u>	<u>\$ 86,082</u>	<u>\$ (692,324)</u>	<u>\$ -</u>

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

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

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

\$3,360,000 2012 Refunding serial bonds due in annual installments of \$415,000 to \$840,000, through 2017, interest at 3.00%.	\$ 1,765,000
\$3,060,000 2004 Refunding serial bonds due in annual installments of \$135,000 to \$260,000 through 2021, interest at 2.00% to 4.20%.	1,340,000
\$14,560,000 2005 Refunding serial bonds due in annual installments of \$50,000 to \$1,050,000 through 2025, interest at 3.00% to 5.00%.	11,375,000
\$1,625,000 2010 School Building and Equipment Serial bonds due in annual installments of \$50,000 to \$600,000 through 2016, interest at 2.00% to 2.75%.	1,180,000
\$1,685,000 2012 School Building and Equipment Serial bonds due in annual installments of \$155,000 to \$750,000 through 2018, interest at 2.00% to 3.00%.	<u>1,685,000</u>
 Total general obligation bonded debt	 <u><u>\$ 17,345,000</u></u>

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

	Principal	Interest	Total
Year Ending June 30,			
2015	\$ 2,620,000	\$ 741,900	\$ 3,361,900
2016	2,675,000	647,280	3,322,280
2017	2,255,000	547,630	2,802,630
2018	1,970,000	457,530	2,427,530
2019	1,210,000	375,980	1,585,980
2020-2024	5,565,000	1,016,850	6,581,850
2025	1,050,000	47,250	1,097,250
Total	<u>\$ 17,345,000</u>	<u>\$ 3,834,420</u>	<u>\$ 21,179,420</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$709,994 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year in the General Fund and Debt Service Fund were \$15,461 and \$834,763, respectively.

Compensated Absences

Accrued compensated absence liability at year end is \$204,114. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Defeased Debt

In the prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. The new debt was issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2025. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2002 Issue refunded	\$ 2,270,000
2004 Issue refunded	1,400,000
2005 Issue refunded	11,495,000
2012 Issue refunded	<u>1,765,000</u>
Total	<u>\$ 16,930,000</u>

Deferred Amount on Refunding

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2024.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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

School District. The School District had \$4,752 of unemployment compensation expense for the year ended June 30, 2014. No provision has been made for possible future claims.

The School District has elected to pay for dental insurance on a self-insured basis but has an independent third party that acts as the administrator on its behalf. Under this method, the School District pays based on actual claims against the plan. At June 30, 2014 the School District has recorded a liability in the amount of \$30,882 which represents claims submitted and unpaid at that date. For governmental activities, the liability for dental benefits is primarily liquidated by the general fund.

Note 11 - Pension Plans and Post Employment Benefits

Plan Description

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

The plans retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services under the authority established by the Michigan Public School Employees Retirement Act (Retirement Act), as enacted and amended by the Michigan Legislature. The Michigan Legislature has the authority to amend the Retirement Act. The Michigan Department of Technology, Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plans as a whole and information helpful for understanding the scale of the information presented relative to the School District. That report may be obtained by writing Office of Retirement Services, P.O. Box

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>. The system also provides postemployment healthcare benefits to retirees and their beneficiaries who elect to receive the benefits.

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

Pension Benefits

Employer contributions to MPSERS result from the applying rules and applicable changes of the School Finance Reform Act. Accordingly, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. Depending on the plan selected, a plan member's contribution may range from 0% to 7% of their gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions. During the fiscal year ending June 30, 2014 employees were able to transition to a defined contribution plan (DC) and could elect out of the healthcare premium subsidy into a Personal Healthcare Fund (PHF), depending upon their date of hire and their elected retirement plan.

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

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

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

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

The School District's required and actual contributions to the plans for the years ended June 30, 2014, 2013, and 2012 were approximately \$2,826,548, \$2,580,123, and \$2,364,629, respectively. Contributions made by the participants of the plan for the year ended June 30, 2014 were \$758,091.

Post Employment Benefits

In addition to the pension benefits described above, state law requires the District to provide post-retirement health care, benefits for eligible retirees and beneficiaries through MPSERS.

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

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2014

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

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

The District's actual contributions match the required contributions.

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

The District's actual contributions match the required contributions for the years ended June 30, 2014, 2013, and 2012 and were approximately \$1,154,506, \$1,867,877, and \$1,722,371, respectively.

Unfunded Accrued Actuarial Liability

During the year ended June 30, 2014, the District had contributions in the amount of \$836,084 to the Michigan Public School Employee Retirement System (MPERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 4.56% for the year. These contributions are not included in the above tables.

Note 12 - Contingent Liabilities

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

Note 13 - Subsequent Events

On August 19, 2014, the School District borrowed short-term state aid anticipation note through the Michigan Finance Authority in the amount of \$6,500,000. The interest rate on this note was .90%, and the note matures on August 20, 2015.

Mattawan Consolidated School
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 2,095,429	\$ 2,032,242	\$ 2,031,288	\$ (954)
State sources	26,362,124	27,191,606	27,203,049	11,443
Federal sources	228,024	317,351	324,980	7,629
Interdistrict sources	235,000	221,991	208,794	(13,197)
Total revenues	<u>28,920,577</u>	<u>29,763,190</u>	<u>29,768,111</u>	<u>4,921</u>
Expenditures				
Instruction				
Basic programs	16,503,928	17,069,781	16,939,174	(130,607)
Added needs	2,531,166	2,606,147	2,583,429	(22,718)
Supporting services				
Pupil	1,231,291	1,250,535	1,248,070	(2,465)
Instructional staff	1,435,196	1,413,522	1,402,231	(11,291)
General administration	455,192	427,191	405,303	(21,888)
School administration	1,745,637	1,613,547	1,600,833	(12,714)
Business	422,515	451,428	450,072	(1,356)
Operations and maintenance	1,915,402	2,183,432	2,147,841	(35,591)
Pupil transportation services	1,773,654	1,953,439	1,942,805	(10,634)
Central	969,583	969,996	965,618	(4,378)
Athletic activities	100,325	104,460	91,586	(12,874)
Community services	958	7,525	6,803	(722)
Intergovernmental payments	-	40,000	40,872	872
Capital outlay	150,000	-	289,486	289,486
Debt service				
Interest and fiscal charges	32,000	22,180	28,418	6,238
Total expenditures	<u>29,266,847</u>	<u>30,113,183</u>	<u>30,142,541</u>	<u>29,358</u>
Deficiency of revenues over expenditures	<u>\$ (346,270)</u>	<u>\$ (349,993)</u>	<u>\$ (374,430)</u>	<u>\$ (24,437)</u>

Mattawan Consolidated School
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing Sources				
Capital leases	\$ -	\$ -	\$ 289,486	\$ 289,486
Transfers in	-	40,000	38,301	(1,699)
Total other financing sources	-	40,000	327,787	287,787
Net change in fund balance	(346,270)	(309,993)	(46,643)	263,350
Fund balance - beginning	2,859,804	2,859,804	2,859,804	-
Fund balance - ending	<u>\$ 2,513,534</u>	<u>\$ 2,549,811</u>	<u>\$ 2,813,161</u>	<u>\$ 263,350</u>

Mattawan Consolidated School
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special	Debt Service Funds						Capital	Total
	Revenue Fund	2002	2004	2005	2008	2010	2012	Projects	Nonmajor
	Food Service	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	2012 Capital Projects	Govern- mental Funds
Assets									
Cash	\$ 197,671	\$ 162,526	\$ 60,969	\$ 358,896	\$ -	\$ 78,112	\$ 49,491	\$ 230,307	\$ 1,137,972
Accounts receivable	2,310	-	-	-	-	-	-	-	2,310
Due from other governmental units	9,040	-	-	-	-	-	-	-	9,040
Inventory	19,046	-	-	-	-	-	-	-	19,046
Total assets	<u>\$ 228,067</u>	<u>\$ 162,526</u>	<u>\$ 60,969</u>	<u>\$ 358,896</u>	<u>\$ -</u>	<u>\$ 78,112</u>	<u>\$ 49,491</u>	<u>\$ 230,307</u>	<u>\$ 1,168,368</u>

Mattawan Consolidated School
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special	Debt Service Funds						Capital	Total
	Revenue							Projects	Nonmajor
	Fund	2002	2004	2005	2008	2010	2012	2012	Governmental
	Food	Bond	Bond	Bond	Bond	Bond	Bond	Capital	Funds
	Service	Issue	Issue	Issue	Issue	Issue	Issue	Projects	
Liabilities and Fund Balance									
Liabilities									
Accounts payable	\$ 31,635	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,522	\$ 34,157
Accrued expenditures	1,697	-	-	-	-	-	-	-	1,697
Accrued salaries payable	4,760	-	-	-	-	-	-	-	4,760
Unearned revenue	36,299	-	-	-	-	-	-	-	36,299
Total liabilities	<u>74,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,522</u>	<u>76,913</u>
Fund Balance									
Nonspendable									
Inventory	19,046	-	-	-	-	-	-	-	19,046
Prepaid items	-	-	-	-	-	-	-	-	-
Restricted for:									
Food service	134,630	-	-	-	-	-	-	-	134,630
Debt service	-	162,526	60,969	358,896	-	78,112	49,491	-	709,994
Capital projects	-	-	-	-	-	-	-	227,785	227,785
Total fund balance	<u>153,676</u>	<u>162,526</u>	<u>60,969</u>	<u>358,896</u>	<u>-</u>	<u>78,112</u>	<u>49,491</u>	<u>227,785</u>	<u>1,091,455</u>
Total liabilities and fund balance	<u>\$ 228,067</u>	<u>\$ 162,526</u>	<u>\$ 60,969</u>	<u>\$ 358,896</u>	<u>\$ -</u>	<u>\$ 78,112</u>	<u>\$ 49,491</u>	<u>\$ 230,307</u>	<u>\$ 1,168,368</u>

Mattawan Consolidated School
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	Special Revenue Fund	Debt Service Funds						Capital Project	Total Nonmajor
	Food Service	2002 Bond Issue	2004 Bond Issue	2005 Bond Issue	2008 Bond Issue	2010 Bond Issue	2012 Bond Issue	2012 Capital Projects	Governmental Funds
Revenues									
Local sources	\$ 833,529	\$ 796,093	\$ 246,063	\$ 1,447,432	\$ 434,229	\$ 361,858	\$ 7,238	\$ -	\$ 4,126,442
State sources	43,770	-	-	-	-	-	-	-	43,770
Federal sources	456,707	-	-	-	-	-	-	-	456,707
Total revenues	<u>1,334,006</u>	<u>796,093</u>	<u>246,063</u>	<u>1,447,432</u>	<u>434,229</u>	<u>361,858</u>	<u>7,238</u>	<u>-</u>	<u>4,626,919</u>
Expenditures									
Current									
Education									
Food services	1,284,582	-	-	-	-	-	-	-	1,284,582
Capital outlay	-	-	-	-	-	-	-	584,259	584,259
Debt service									
Principal	-	755,000	175,000	880,000	420,000	295,000	-	-	2,525,000
Interest and other expenditures	-	75,750	61,695	603,053	13,800	35,620	47,550	-	837,468
Bond issuance costs	-	-	-	-	-	-	-	-	-
Total expenditures	<u>1,284,582</u>	<u>830,750</u>	<u>236,695</u>	<u>1,483,053</u>	<u>433,800</u>	<u>330,620</u>	<u>47,550</u>	<u>584,259</u>	<u>5,231,309</u>
Excess (deficiency) of revenues over expenditures	<u>49,424</u>	<u>(34,657)</u>	<u>9,368</u>	<u>(35,621)</u>	<u>429</u>	<u>31,238</u>	<u>(40,312)</u>	<u>(584,259)</u>	<u>(604,390)</u>

Mattawan Consolidated School
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	Special Revenue Fund	Debt Service Funds						Capital Project	Total Nonmajor
	Food Service	2002 Bond Issue	2004 Bond Issue	2005 Bond Issue	2008 Bond Issue	2010 Bond Issue	2012 Bond Issue	2012 Capital Projects	Governmental Funds
Other Financing Sources (Uses)									
Transfers in	\$ -	\$ 51,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,488
Transfers out	(38,301)	-	-	-	(51,488)	-	-	-	(89,789)
Total other financing sources (uses)	(38,301)	51,488	-	-	(51,488)	-	-	-	(38,301)
Net change in fund balance	11,123	16,831	9,368	(35,621)	(51,059)	31,238	(40,312)	(584,259)	(642,691)
Fund balance - beginning	142,553	145,695	51,601	394,517	51,059	46,874	89,803	812,044	1,734,146
Fund balance - ending	\$ 153,676	\$ 162,526	\$ 60,969	\$ 358,896	\$ -	\$ 78,112	\$ 49,491	\$ 227,785	\$ 1,091,455

Mattawan Consolidated School
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2014

Year Ending June 30,	2004 Debt Principal	2005 Debt Principal	2010 Debt Principal	2012 Debt Principal	2012 Debt Refunding	Total
2015	\$ 200,000	\$ 1,025,000	\$ 580,000	\$ 155,000	\$ 660,000	\$ 2,620,000
2016	200,000	1,025,000	600,000	160,000	690,000	2,675,000
2017	195,000	1,025,000	-	620,000	415,000	2,255,000
2018	195,000	1,025,000	-	750,000	-	1,970,000
2019	185,000	1,025,000	-	-	-	1,210,000
2020	180,000	1,025,000	-	-	-	1,205,000
2021	185,000	1,025,000	-	-	-	1,210,000
2022	-	1,050,000	-	-	-	1,050,000
2023	-	1,050,000	-	-	-	1,050,000
2024	-	1,050,000	-	-	-	1,050,000
2025	-	1,050,000	-	-	-	1,050,000
Total	<u>\$ 1,340,000</u>	<u>\$ 11,375,000</u>	<u>\$ 1,180,000</u>	<u>\$ 1,685,000</u>	<u>\$ 1,765,000</u>	<u>\$ 17,345,000</u>
Principal payments due	May 1	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	2.00% to 4.20%	3.00% to 5.00%	2.00% to 2.75%	2.00% to 3.00%	3.00%	
Original issue	<u>\$ 3,060,000</u>	<u>\$ 14,560,000</u>	<u>\$ 1,625,000</u>	<u>\$ 1,685,000</u>	<u>\$ 3,360,000</u>	