

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REPORT**

Year Ended June 30, 2014

This page intentionally left blank.

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Table of Contents

June 30, 2014

INDEPENDENT AUDITOR'S REPORT	1
ADMINISTRATION'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds Balance Sheet	15
Reconciliation of Fund Balance of Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	16
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Fiduciary Net Position	19
Notes to Financial Statements	20
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedules	
General Fund	35
Food Service Fund	36
Debt Service Fund	37

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Onaway Area Community Schools
Cheboygan and Presque Isle Counties, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund information of Onaway Area Community Schools, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Onaway Area Community Schools, Michigan, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the administration's discussion and analysis and budgetary comparison information on pages 3 through 11 and pages 35 through 37 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 Onaway Area Community Schools's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2014, on our consideration of Onaway Area Community Schools, Michigan'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 Onaway Area Community Schools, Michigan's internal control over financial reporting and compliance.



Douglas Wohlberg, CPA
Byron Center, Michigan
October 14, 2014

Onaway Area Community Schools

Administration's Discussion and Analysis

Year Ended June 30, 2014

Onaway Area Community School District is a K-12 School District located in Cheboygan and Presque Isle Counties, Michigan. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Onaway Area Community Schools District Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2014.

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

Fund Financial Statements

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds, and the School Service Fund, which is comprised of Food Service, and various Activity accounts.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District-Wide Financial Statements:

The District-wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short- and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

Onaway Area Community Schools

Administration's Discussion and Analysis

Year Ended June 30, 2014

Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2014:

	2014	2013
Assets		
Current assets	\$ 1,491,007	\$ 1,603,904
Capital assets	5,919,411	5,990,513
Total assets	7,410,418	7,594,417
Liabilities		
Current liabilities	756,668	880,648
Long-term liabilities	2,401,667	2,784,867
Total liabilities	3,158,335	3,665,515
Net Position		
Invested in capital assets, net of related debt	3,828,431	3,418,868
Restricted:		
Debt service	96,394	56,580
Food service	73,431	81,487
Unrestricted	253,827	371,965
Total net position	\$ 4,252,083	\$ 3,928,900

Analysis of Financial Position:

During fiscal year, the District's total net position increased by \$323,183. A few of the significant factors affecting net position during the year are discussed below:

1. 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, the net increase in accumulated depreciation was \$92,654.

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.

One way to think of depreciation expense is that in order to maintain net position at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation expense. In other words, to stay even in net position the District would have had to capitalize an additional \$92,654 in assets during the year.

Onaway Area Community Schools

Administration's Discussion and Analysis

Year Ended June 30, 2014

2. Capital Outlay Acquisitions

Actual capital outlay acquisitions for the fiscal year were \$60,903. These purchases consisted of three mobile laptop carts to be used for not only instructional purposes, but online assessments that will be occurring in the Spring of 2015.

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.

3. Capital Outlay Dispositions

During the year, the District sold a bus with a book value of \$400. Many of the buses currently in use have a very small book value.

4. Long Term Debt Reduction

The District is currently not completing any significant capital projects. The long-term liabilities for the District were reduced by \$455,200. When liabilities are decreased faster than capital assets depreciate, the result is an increase to net position.

Onaway Area Community Schools

Administration's Discussion and Analysis

Year Ended June 30, 2014

Results of Operations:

For the fiscal year the District-wide results of operations were:

	2014	% of Total	2013	% of Total
General Revenues				
Michigan's Foundation Grant Allowance:				
Property taxes levied for general operations	\$ 2,535,875	37.2 %	\$ 2,189,929	32.7 %
State of Michigan Aid, unrestricted	2,162,176	31.8 %	2,513,130	37.6 %
Michigan's Foundation Grant Allowance	4,698,051	69.0 %	4,703,059	70.3 %
Property taxes levied for debt service	551,126	8.1 %	512,153	7.6 %
Other	58,547	0.9 %	68,606	1.0 %
Total General Revenues	5,307,724	78.0 %	5,283,818	78.9 %
Program Revenues				
Charges for services	90,312	1.3 %	102,809	1.5 %
Operating grants - Federal and State	1,411,525	20.7 %	1,310,024	19.6 %
Total Revenues	6,809,561	100.0 %	6,696,651	100.0 %
Expenses				
Instructional and instructional support	4,099,039	63.2 %	4,001,309	61.4 %
Support services	1,858,235	28.6 %	1,973,587	30.3 %
Food services	298,269	4.6 %	304,141	4.7 %
Athletics	97,523	1.5 %	103,616	1.6 %
Interest on long-term debt	43,668	0.7 %	57,936	0.9 %
Depreciation (unallocated)	89,644	1.4 %	74,426	1.1 %
Total Expenses	6,486,378	100.0 %	6,515,015	100.0 %
Increase (Decrease) in Net Position	\$ 323,183		\$ 181,636	

Onaway Area Community Schools

Administration's Discussion and Analysis

Year Ended June 30, 2014

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

The District levies 18.0 mills of property taxes 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.

The District's non-homestead property levy for the fiscal year was \$2,547,994. The non-homestead tax levy decreased by 0.09% over the prior year.

Fiscal Year	Non Homestead	
	Tax Levy	Percent change
2013-2014	\$ 2,547,994	0.09 %
2012-2013	2,545,810	(0.29)%
2011-2012	2,553,268	(2.17)%
2010-2011	2,609,888	(4.31)%
2009-2010	2,727,482	3.12 %

The average decrease over the last 5 years was 0.71%.

2. State Of Michigan Aid, Unrestricted

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

- State of Michigan State Aid Act per student foundation allowance
- Student Enrollment - Blended at 90% of current year fall count and 10% of prior year winter count
- The District's non-homestead levy

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The Onaway Area Community Schools District foundation allowance was \$7,026 per student for the school year. This was an increase of \$60 over the District's previous year foundation allowance.

Onaway Area Community Schools

Administration's Discussion and Analysis

Year Ended June 30, 2014

Student Enrollment:

The District's student blended enrollment for the year was 682 students. The District's enrollments have generally declined in the past five years. The following summarizes fall student enrollments in the past five years:

<u>Fiscal Year</u>	<u>Student Membership</u>	<u>Increase (Decrease) Prior Year</u>
2013-2014	668	(14)
2012-2013	673	(9)
2011-2012	682	9
2010-2011	673	(21)
2009-2010	694	(46)

Preliminary student enrollments for 2014-2015 indicate that enrollments will decrease slightly from 2013-2014.

3. Property Taxes levied for Debt Service:

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2013-2014, the District's debt millage levy was 2.15 mills, which generated revenue of \$551,957.

4. Food Service Sales to Students & Adults:

The District's Food Service revenues decreased from the previous year by approximately \$3,099 to \$292,301. School lunch and milk prices were raised from the previous year.

The total revenues from Food Service operations were less than total expenditures for the year by \$5,968. The food service fund spent \$6,967 in capital outlay during the year.

Onaway Area Community Schools

Administration's Discussion and Analysis

Year Ended June 30, 2014

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

General Fund Revenue Budget vs. Actual 5-Year History

Fiscal Year	Original Budget	Final Budget	Actual	Variance Actual & Original Budget	Variance Actual & Final Budget
2013-2014	\$ 5,764,863	\$ 5,954,752	\$ 5,966,056	3.49 %	0.19 %
2012-2013	5,573,552	5,596,667	5,634,353	1.09 %	0.67 %
2011-2012	5,778,242	5,720,725	5,746,644	(0.55)%	0.45 %
2010-2011	5,837,260	5,966,542	6,083,365	4.22 %	1.96 %
2009-2010	6,443,957	6,185,034	6,266,334	(2.76)%	1.31 %

General Fund Expenditures Budget vs. Actual 5-Year History

Fiscal Year	Original Budget	Final Budget	Actual	Variance Actual & Original Budget	Variance Actual & Final Budget
2013-2014	\$ 6,004,834	\$ 6,185,403	\$ 6,062,172	(0.95)%	1.99 %
2012-2013	6,029,373	6,246,465	6,080,012	(0.84)%	2.66 %
2011-2012	6,164,510	6,389,685	6,243,586	(1.28)%	2.29 %
2010-2011	6,116,051	6,177,323	6,125,818	(0.16)%	0.83 %
2009-2010	6,657,250	6,466,651	6,449,115	3.13 %	0.27 %

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, Onaway Area Community School District amends its budget twice during the school year. For fiscal year 2014-2015, the budget was amended in February and final budget amendments were made in June.

Onaway Area Community Schools

Administration's Discussion and Analysis

Year Ended June 30, 2014

Change from Original to Final Budget

General Fund Revenues:

Total Revenues Original Budget	\$ 5,764,863
Total Revenues Final Budget	5,954,752
<u>Increase (Decrease) in Budgeted Revenues</u>	<u>\$ 189,889</u>

The District's actual general fund revenues were greater than the final budget by \$11,304, a variance of 0.19%. The final revenue budget reflects the following changes from the original budget:

- Final budgeted local revenues were decreased by \$5,827 from the original budget.
- Final budgeted state revenues were increased by \$182,470 from the original. The majority of this increase was due to adjusting for categorical revenues such as Best Practice Incentives and the MPSERS UAAL Rate Stabilization.
- Final budgeted federal revenues were decreased by \$93,632. This resulted from the finalization of federal grants.
- Intermediate revenues were increased by \$106,878. The majority of this increase was due to changes in funding from the COP-ESD.

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$ 6,004,834
Total Expenditures Final Budget	6,185,403
<u>Increase (Decrease) in Budgeted Expenditures</u>	<u>\$ 180,569</u>

The District's actual expenditures differed from the final budget by \$123,231 or 1.99%. Some of the significant budget adjustments for the year include:

- The administration made adjustments to reflect personnel changes and benefit changes that occurred throughout the year. The budgeted amounts for salaries were increased by \$98,212. Similarly, the budgeted amounts for employee benefits were increased by \$127,787. Essentially all of these increases were due to the MPSERS UAAL payments that the Michigan Department of Education required to be recorded as revenues and expenditures of the district.
- Contract services and other repair line items were reduced by \$85,367.
- In anticipation of future reductions to revenues, many supply and equipment purchases that were anticipated at the start of the school year were eliminated. As an example, supply line items were reduced by \$25,844.
- Natural gas expenditures for heating were reduced by \$19,000. The administration believes this is a result of a boiler replacement project that was done two years ago. As the winter of 2013-2014 was the most severe in recent years, these savings are most welcome.
- The administration had included \$48,500 in the 2013-2014 budget to purchase a used bus. However, this purchase was delayed until the 2014-2015 school year. The district purchased the bus in August of 2014 for \$55,625.

Onaway Area Community Schools

Administration's Discussion and Analysis

Year Ended June 30, 2014

Conclusion:

In anticipation of shrinking revenues in the foreseeable future, the District's management is continuing to minimize expenses in most areas. Public Education has been very difficult to maintain programming for the last several years. Onaway Area Community Schools has been making several attempts to creatively come up with ways to maintain and enhance programming while maintaining financial health.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Onaway Area Community School District Business Office.

BASIC FINANCIAL STATEMENTS

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Statement of Net Position

June 30, 2014

	Governmental Activities
ASSETS	
Cash and investments	\$ 863,392
Receivables:	
Accounts	1,687
Intergovernmental	599,057
Inventories	6,779
Prepaid expenses	20,092
Capital assets less accumulated depreciation of \$2,575,252	5,919,411
Total assets	7,410,418
LIABILITIES	
Accounts payable	101,024
Accrued payroll and other liabilities	648,232
Accrued interest	5,935
Unearned revenue	1,477
Long-term liabilities:	
Due within one year	504,105
Due in more than one year	1,897,562
Total liabilities	3,158,335
NET POSITION	
Net investment in capital assets	3,828,431
Restricted:	
Debt service	96,394
Food service	73,431
Unrestricted	253,827
Total net position	\$ 4,252,083

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

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Statement of Activities

For the year ended June 30, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for services	Operating grants and contributions	Revenue and Changes in Net Position
				Governmental activities
Functions/Programs:				
Governmental activities:				
Instruction	\$ 4,099,039	\$ -	\$ 1,136,253	\$ (2,962,786)
Support services	1,858,235	11,133	36,651	(1,810,451)
Food service	298,269	54,045	238,217	(6,007)
Athletics	97,523	25,134	404	(71,985)
Interest	43,668	-	-	(43,668)
Depreciation (unallocated)	89,644	-	-	(89,644)
Total governmental activities	\$ 6,486,378	\$ 90,312	\$ 1,411,525	(4,984,541)

General revenues

Taxes:

Property taxes, levied for general operations	2,535,875
Property taxes, levied for debt service	551,126
State of Michigan aid, unrestricted	2,162,176
Interest and investment earnings	451
Other	56,582
Gain (loss) on sale of capital assets	1,514
Total general revenues	5,307,724

Change in net position 323,183

Net position-beginning 3,928,900

Net position-ending \$ 4,252,083

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

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Governmental Funds

Balance Sheet

June 30, 2014

	General Fund	Food Service Fund	Debt Service Fund	Total
ASSETS				
Cash and investments	\$ 721,305	\$ 45,693	\$ 96,394	\$ 863,392
Receivables:				
Accounts	634	1,053	-	1,687
Intergovernmental	565,719	33,338	-	599,057
Inventories	-	6,779	-	6,779
Prepaid items	20,092	-	-	20,092
Total assets	\$ 1,307,750	\$ 86,863	\$ 96,394	\$ 1,491,007
LIABILITIES				
Accounts payable	\$ 100,853	\$ 171	\$ -	\$ 101,024
Accrued payroll and related liabilities	643,227	4,142	-	647,369
Unearned revenue	-	1,477	-	1,477
Due to other governments	-	863	-	863
Total liabilities	744,080	6,653	-	750,733
FUND BALANCES				
Nonspendable:				
Inventories	-	6,779	-	6,779
Prepaid items	20,092	-	-	20,092
Restricted:				
Debt service	-	-	96,394	96,394
Food service	-	73,431	-	73,431
Assigned:				
Encumbrances	129,338	-	-	129,338
Bus purchases	190,000	-	-	190,000
Unassigned	224,240	-	-	224,240
Total fund balances	563,670	80,210	96,394	740,274
Total liabilities and fund balances	\$ 1,307,750	\$ 86,863	\$ 96,394	\$ 1,491,007

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

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2014

Total fund balances - total governmental funds	\$ 740,274
--	------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,919,411
---	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at June 30, 2014 were:

Installment purchase contracts	(120,980)
Bonds payable	(1,970,000)
Termination pay	(29,919)
Compensated absences	(280,768)

Interest on long-term debt is accrued as a liability in the district-wide statements, but is not recognized in the governmental funds until due.	(5,935)
--	---------

Total net position - governmental activities	\$ 4,252,083
--	--------------

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

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2014

	General Fund	Food Service Fund	Debt Service Fund	Total
REVENUES				
Local sources	\$ 2,638,232	\$ 54,084	\$ 551,206	\$ 3,243,522
State sources	2,805,472	8,757	-	2,814,229
Federal sources	265,386	229,460	-	494,846
Intermediate sources	256,966	-	-	256,966
Total revenues	5,966,056	292,301	551,206	6,809,563
EXPENDITURES				
Current:				
Instruction	4,130,130	-	-	4,130,130
Support services	1,819,823	-	-	1,819,823
Food service	-	298,269	-	298,269
Athletics	97,523	-	-	97,523
Debt service:				
Principal	14,696	-	470,000	484,696
Interest	-	-	40,992	40,992
Fees	-	-	400	400
Total expenditures	6,062,172	298,269	511,392	6,871,833
Net change in fund balances	(96,116)	(5,968)	39,814	(62,270)
Fund balances-beginning	659,786	86,178	56,580	802,544
Fund balances-ending	\$ 563,670	\$ 80,210	\$ 96,394	\$ 740,274

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

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

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	\$	(62,270)
--	----	----------

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

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

Depreciation expense	\$	(132,005)	
Capital outlay		<u>60,903</u>	
Capital outlay in excess of depreciation expense			(71,102)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	1,355
---	-------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities, where it reduces long-term debt.	470,000
---	---------

Repayment of installment purchase agreements is an expenditure in the governmental funds, but not in the statement of activities, where it reduces long-term debt.	10,665
--	--------

Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6.	(1,012)
--	---------

Increases in early retirement incentive are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6.	(32,120)
--	----------

Reductions of early retirement incentive is an expenditure in the governmental funds, but not in the statement of activities, where it reduces long-term debt.	7,667
--	-------

Change in net position of governmental activities	\$	<u>323,183</u>
---	----	----------------

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

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Fiduciary Fund

Statement of Assets and Liabilities

June 30, 2014

ASSETS

Cash and investments	\$ 147,367
----------------------	------------

LIABILITIES

Due to student groups	\$ 147,367
-----------------------	------------

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

NOTES TO FINANCIAL STATEMENTS

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. 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.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

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

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

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

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

District-wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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 revenues in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in the district-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

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

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and unrestricted State aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are 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 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 revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

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

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

The School District reports the following major governmental funds:

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

Food Service Fund - This Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for the specified purposes of food service activity for the School District.

Debt Service Fund - The Debt Service Fund accounts for property taxes and other revenues used to pay principal, interest, and fees related to long-term debt.

Additionally, the School District reports the following fund type:

Fiduciary Fund - The Agency Fund is used to account for assets held by the School District in a trustee capacity for individuals or school-related organizations. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

D. Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on December 1. Taxes are considered to be delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory until used. When payments to vendors reflect costs applicable to future fiscal years they are recorded as prepaid items in both district-wide and fund financial statements.

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

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

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years
Computer software	3-5 years

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation and sick leave benefits. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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.

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

Net Position and Fund Equity - The difference between fund assets and liabilities is "Net Position" on the government-wide and fiduciary fund statements and "Fund Balance" on governmental fund statements. Net Position are classified as "Invested in Capital Assets, Net of Related Debt," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- Nonspendable--Amounts that cannot be spent either because they are a) not in spendable form or; b) legally or contractually required to be maintained intact.
- Restricted--Amounts with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed--Amounts that can be used only for specific purposes determined by a formal action by Board of Education resolution, and that remain binding unless removed in the same manner.
- Assigned--Amounts neither restricted nor committed for which a School District has a stated intended use as established by the Board of Education or a body or official to which the Board of Education has delegated the authority to assign amounts for specific purposes.
- Unassigned--Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Use of Restricted Resources - When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the School District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have expenditure budget variances.

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS

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. The School District's deposits are in accordance with statutory authority.

Deposits are carried at cost. The District has designated three banks for deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The School District's deposits and investment policy are in accordance with statutory authority.

As of June 30, 2014, the district had the following deposits.

Michigan Liquid Asset Fund	\$	370,483
Citizens Bank		675,322
Huron National Bank		1,072
Petty cash		100
Total	\$	1,046,977

At year end, 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 and investments	\$ 863,392	\$ 147,367	\$ 1,010,759

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Deposits - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District's deposits may not be recovered. At year end, the bank balance of the School District's deposits is \$1,046,977, of which \$347,466 is covered by federal depository insurance. The remaining \$699,511 is uninsured and uncollateralized.

Interest Rate Risk - The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The district has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The district places no limit on the amount the district may invest in any one issuer. More than five percent of the district's deposits are in Michigan Liquid Asset Fund, Citizens Bank and Huron National Bank. These investments are 35.4%, 64.5%, and 0.1% respectively, of the district's total deposits.

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities, for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 20,800	\$ -	\$ -	\$ 20,800
Capital assets being depreciated:				
Buildings and additions	7,416,583	-	-	7,416,583
Equipment and furnishings	422,857	60,903	-	483,760
Computer software	7,412	-	-	7,412
Vehicles - other than buses	150,954	-	-	150,954
School buses	454,505	-	39,351	415,154
Total capital assets being depreciated	8,452,311	60,903	39,351	8,473,863
Less accumulated depreciation for:				
Buildings and additions	1,699,516	60,595	-	1,760,111
Equipment and furnishings	374,010	37,133	-	411,143
Computer software	5,929	1,482	-	7,411
Vehicles - other than buses	72,143	7,961	-	80,104
School buses	331,000	24,834	39,351	316,483
Total accumulated depreciation	2,482,598	132,005	39,351	2,575,252
Net capital assets being depreciated	5,969,713	(71,102)	-	5,898,611
Net capital assets	\$ 5,990,513	\$ (71,102)	\$ -	\$ 5,919,411

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

Governmental activities:		
Instruction	\$ 3,949	
Support services	38,412	
Unallocated	89,644	
Total depreciation expense - governmental activities	\$ 132,005	

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

NOTE 5 - LONG-TERM DEBT

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

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

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amount due within one year
Notes and Bonds Payable:					
Installment Purchase Contracts	\$ 131,645	\$ -	\$ 10,665	\$ 120,980	\$ 10,665
Bonds	2,440,000	-	470,000	1,970,000	480,000
Total Notes and Bonds Payable	2,571,645	-	480,665	2,090,980	490,665
Early Retirement Incentive	5,466	32,120	7,667	29,919	13,440
Compensated Absences	279,756	1,012	-	280,768	-
Total Long-Term Debt	\$ 2,856,867	\$ 33,132	\$ 488,332	\$ 2,401,667	\$ 504,105

The annual requirement to amortize long-term debt outstanding as of June 30, 2014 follows:

Year ended June 30,	Notes and Bonds Payable		Total
	Principal	Interest	
2015	\$ 490,665	\$ 36,792	\$ 527,457
2016	500,665	28,394	529,059
2017	505,665	19,828	525,493
2018	515,665	11,178	526,843
2019	10,665	2,359	13,024
2020	10,665	2,025	12,690
2021	10,665	1,691	12,356
2022	11,665	1,356	13,021
2023	11,665	977	12,642
2024	7,665	598	8,263
2025	7,665	399	8,064
2026	7,665	199	7,864
Totals	\$ 2,090,980	\$ 105,796	\$ 2,196,776

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

Notes and Bonds payable at June 30, 2014 were comprised of the following:

\$114,976 installment purchase agreement due in annual installments of \$7,665 through May 23, 2026; interest at 2.60%	\$ 91,980
\$42,000 installment purchase agreement due in bi-annual installments of \$3,495 to \$4,440 including interest at 4.50%	29,000
\$2,905,000 2012 Refunding General Obligation Unlimited Tax Bonds due in annual installments of \$465,000 to \$505,000; interest rate due in bi-annual payments of 1.68%	1,970,000
Total Notes and Bonds Payable	\$ 2,090,980

NOTE 6 - SHORT-TERM DEBT

The School District borrows funds to provide short-term financing for governmental activities. The School District borrowed and repaid with interest, by April 29, 2013, \$1,100,000 in State Aid Notes. The interest rate was 1.35%. There are no short-term loans outstanding at year end.

Short-term debt activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
State Aid Note	\$ -	\$ 1,100,000	\$ 1,100,000	\$ -

NOTE 7 - RETIREMENT INCENTIVES

In past years, the School District offered an early retirement incentive to certified employees. The remaining amount owed by the School District is \$29,919 which will be paid to four employees over the next four years.

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

DEFINED BENEFIT PENSION PLAN

The District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.Michigan.gov/orsschools>, or by writing to the Office of Retirement Services at .

Pension Benefits

Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each employer is required to contribute the full actuarial funding contribution amount to fund pension benefits.

The employer contribution rates for plan members ranged from 12.78 percent to 16.25 percent of covered payroll for the period from July 1, 2013 through June 30, 2014 based on the plan option selected. The plan options include Basic Member Investment Plan (MIP) with Premium Subsidy, Pension Plus with Premium Subsidy, Pension Plus PHF, Pension Plus to DC with PHF, Basic MIP to DC with Premium Subsidy, Basic MIP to DC with PHF, and Basic MIP with PHF. Beginning February 1, 2013 employees could transition to a defined contribution plan (DC), and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF), depending upon their date of hire and retirement plan election. Basic plan members contribute 0% to 7% and Member Investment Plan members contribute 3.9% to 9.4% of gross wages.

Postemployment Benefits

Under the MPSERS' Act, all retirees participating in the MPSERS' pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage. The MPSERS board of trustees annually sets the employer contribution rate to fund these benefits on a pay-as-you-go basis. Employer contributions ranged from 8.18 percent to 9.11 percent of covered compensation for the year ended June 30, 2013.

DEFINED CONTRIBUTION PLAN

The defined contribution plan has an employer match of 50% of the Employee contribution from 0% to 4% depending on the employee plan & choice and employer paid 2% on the employee's health care fund.

Onaway Area Community Schools

Cheboygan and Presque Isle Counties, Michigan

Notes to Financial Statements

June 30, 2014

NOTE 10 - UNEARNED REVENUE

Governmental funds report unearned 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 unearned revenue are as follows:

	Unavailable	Unearned
Food Service Fund	\$ -	\$ 1,477

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to year end, the District borrowed \$1,200,000 at 1.2 percent annual interest on a state aid note. One principal and interest payment is due on April 22, 2015.

NOTE 12-IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management expects that the impact of the adoption of this statement on the entity-wide financial statements of the School District will be significant.

This page intentionally left blank.

REQUIRED SUPPLEMENTAL INFORMATION

Onaway Area Community Schools

Cheboygan And Presque Isle Counties, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2014

	Budgeted Amounts			Variance with final budget
	Original	Final	Actual	
REVENUES				
Local sources	\$ 2,637,411	\$ 2,631,584	\$ 2,638,232	\$ 6,648
State sources	2,619,309	2,801,779	2,805,472	3,693
Federal sources	366,643	273,011	265,386	(7,625)
Intermediate sources	141,500	248,378	256,966	8,588
Total revenues	5,764,863	5,954,752	5,966,056	11,304
EXPENDITURES				
Current:				
Instruction:				
Basic programs	3,044,659	3,500,347	3,451,415	48,932
Added needs	777,400	679,545	678,715	830
Support services:				
Pupil services	110,293	34,730	34,656	74
Instructional staff services	36,317	60,676	60,580	96
General administration	265,998	290,487	283,864	6,623
School administration	311,823	302,288	300,039	2,249
Business services	102,552	82,063	81,823	240
Operations and maintenance	689,397	591,192	584,805	6,387
Pupil transportation	430,407	391,271	335,368	55,903
Central support services	127,499	140,062	138,688	1,374
Athletics	91,489	97,546	97,523	23
Community activities	500	500	-	500
Facilities acquisition, construction and improvements	2,000	-	-	-
Debt service	14,500	14,696	14,696	-
Total expenditures	6,004,834	6,185,403	6,062,172	123,231
Net change in fund balances	(239,971)	(230,651)	(96,116)	134,535
Fund balances-beginning	659,786	659,786	659,786	-
Fund balances-ending	\$ 419,815	\$ 429,135	\$ 563,670	\$ 134,535

Onaway Area Community Schools

Cheboygan And Presque Isle Counties, Michigan

Food Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2014

	Budgeted Amounts			Variance with final budget
	Original	Final	Actual	
REVENUES				
Local sources	\$ 53,140	\$ 52,164	\$ 54,084	\$ 1,920
State sources	11,813	8,700	8,757	57
Federal sources	217,000	202,300	229,460	27,160
Total revenues	281,953	263,164	292,301	29,137
EXPENDITURES				
Current:				
Support services:				
Food service	281,867	296,796	298,269	(1,473)
Net change in fund balances	86	(33,632)	(5,968)	27,664
Fund balances-beginning	86,178	86,178	86,178	-
Fund balances-ending	\$ 86,264	\$ 52,546	\$ 80,210	\$ 27,664

Onaway Area Community Schools

Cheboygan And Presque Isle Counties, Michigan

Debt Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2014

REVENUES

Local sources	\$ 551,206
---------------	------------

EXPENDITURES

Debt service:	
Principal	470,000
Interest	40,992
Fees	400
<hr/> Total expenditures	<hr/> 511,392

Net change in fund balances	39,814
-----------------------------	--------

<hr/> Fund balances-beginning	<hr/> 56,580
Fund balances-ending	\$ 96,394

State statute does not require the School Board to adopt an annual budget for debt service funds as other means of effectively controlling them are available. Consequently, the School Board did not adopt an annual budget for this debt service fund.