



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

May 10, 2016

Harlan Goodrich, Secretary  
Local Emergency Financial Assistance Loan Board  
Local Audit and Finance Unit  
Michigan Department of Treasury  
Lansing, MI 48909

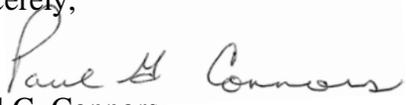
Dear Mr. Goodrich:

On April 15, 2016 a preliminary review of the Bridgeport-Spaulding Community School District (the "District") began pursuant to Public Act 110 of 2015.

An Interim Report of the Preliminary Review was sent to the District on May 3, 2016. The District was then given five days to respond. In its response to the Interim Report, the District provided written comments, however, it did not submit any evidence or information which caused the Department to amend its final report. Copies of both the Interim Report of the Preliminary Report and the District's response are included as attachments to the Final Report of the Preliminary Review.

As required by Section 4(3) of the Act, the Final Report of the Preliminary Review of the District is being transmitted to the Local Emergency Financial Assistance Loan Board (ELB) for its review. The ELB will determine whether or not probable financial stress exists in the District. A copy of the Interim Report is included as an attachment to the Final Report of the Preliminary Review.

Sincerely,

  
Paul G. Connors,  
Director of the Office of School Review and Fiscal Accountability

cc. Carol Selby, Superintendent, Bridgeport-Spaulding Community School District  
Patrick Nelson, Board President, Bridgeport-Spaulding Community School District  
Ken Horn, State Senator, Michigan Senate  
Vanessa Guerra, State Representative, Michigan House of Representatives  
Robert L. Lange, Board Vice President, Bridgeport-Spaulding Community School District  
Tedi Morris, Board Secretary, Bridgeport-Spaulding Community School District  
Larry Long, Board Treasurer, Bridgeport-Spaulding Community School District

Dempsey Allen, Board Trustee, Bridgeport-Spaulding Community School District  
Jay A. Bruns, Board Trustee, Bridgeport-Spaulding Community School District  
Marti Sageman, Board Trustee, Bridgeport-Spaulding Community School District  
Kathy Steward, Superintendent, Saginaw ISD  
Brian J Whiston, State Superintendent, MDE  
Kyle Guerrant, Deputy Superintendent, Administrative Services, MDE  
Dan Hanrahan, Director, State Aid and School Finances, MDE  
Harlan Goodrich, Secretary, Local Emergency Financial Assistance Loan Board



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

**DATE:** May 10, 2016  
**TO:** Local Emergency Financial Assistance Loan Board  
**FROM:** Paul G. Connors, Director of the Office of School Review and Fiscal Accountability  
**SUBJECT:** Final Preliminary Review Report – Bridgeport-Spaulling Community School District

## I. Background

On April 15, 2016 the Department of Treasury (the “Department”) initiated a Preliminary Review of the finances of Bridgeport-Spaulling Community School District (the “District”) to determine whether or not a school district had probable financial stress. Pursuant to 2015 PA 110, section 4 (2) (b) (MCL 141.1544), the District is statutorily mandated to undergo a preliminary review of its finances to determine the existence of probable financial stress. In part, this section provides that the Department, as the State Financial Authority, shall conduct a preliminary review of any school district that is subject to a Deficit Elimination Plan (DEP) that provides for the elimination of deficit over a period exceeding 5 years.

## II. Final Review Findings

The following are facts or circumstances determined by the Department that are indicative of probable financial stress pursuant to 2015 PA 110, section 4(1)(s):

- 1) The last approved DEP exceeds seven or more consecutive years (including the current year); and/or

**Finding:**

The District’s current DEP (attachment A) was approved in August 2015 and extends 2 years through the 2016-2017 fiscal year.

The District does not meet this criteria.

- 2) The district’s existing deficit is greater than 15% of general fund revenues; and/or

**Finding:**

The District’s approved budget (attachment B) reflects total general fund revenues of \$16,018,304 for the 2015-2016 fiscal year. The District’s total projected fund balance for 2015-16 is negative \$1,416,389 indicating their deficit is 8.8% of their total general fund revenues.

The District does not meet this criteria.

- 3) A fiscal review by one of the Department's program offices or an external auditor has revealed one or more material internal control weaknesses as evidenced by notes/findings in the financial audit related to:
  - a) Lack of written policies and procedures or failure to follow the written policies and procedures
  - b) Immediate concerns with cash shortfalls in current fiscal year which may lead to additional financings or emergency loan
  - c) Excessive variances on Final Expenditure Reports (FER) for grants with federal funds
  - d) History of spending outside the appropriations established by the local school board in violation of Uniform Budgeting and Accounting Act (UBAA)
  - e) Significant audit findings and/or material weaknesses identified in the single audit; and

**Finding:**

- a) No deficiency noted.
- b) District is currently not anticipating a cash flow shortfall for FY 16.
- c) There are excessive variances on FER for grants with federal funds (attachment C).
- d) District has been in violation of the UBAA since 2011 when it began spending outside the appropriations established by its board adopted budget.
- e) The District received 2 audit findings for 2014-2015 year (attachment D):
  - 1 Material Non Compliance for Deficit Budget
  - 1 Material Weakness Prior Period Adjustments

The District does meet this criteria.

- 4) The district has shown unsatisfactory progress in eliminating a deficit. This is determined by identifying one or more of the following conditions:
  - a) A deficit increase is planned the future fiscal year
  - b) Lack of cooperation from the district in submitting deficit information (i.e., late submission of the DEP, delinquent return of phone calls or correspondence relating to the DEP, and chronic late submission of Monthly Budgetary Control Reports)

- c) History of supplying the Department with DEP information that is inaccurate or inconsistent with actual revenues and expenditures at year end; and/or

**Finding:**

- a) The District's deficit is showing a decrease from (\$1.692M) in the 2014-2015 fiscal year to a projected (\$1.416M) in the 2015-2016 fiscal year. The Department and District will work on revised projections during the Enhanced Deficit Elimination Plan (EDEP) process.
- b) No deficiency noted.
- c) No deficiency noted

The District does not meet this criteria.

## Attachment A

## Deficit Elimination Plan

Bridgeport-Spaulding School District

|    | Account  |                                      | Preliminary Actual<br>2014-15 | Budgeted<br>2015-16  | Yearly Increase<br>(Decrease) | % Increase<br>(Decrease) | Estimated<br>2016-17 | Yearly Increase<br>(Decrease) | % Increase<br>(Decrease) |
|----|----------|--------------------------------------|-------------------------------|----------------------|-------------------------------|--------------------------|----------------------|-------------------------------|--------------------------|
| 1  |          | Beginning Fund Equity:               | <b>(\$2,924,402)</b>          | <b>(\$1,505,257)</b> |                               |                          | <b>(\$406,443)</b>   |                               |                          |
| 2  |          | Add: Revenues                        |                               |                      |                               |                          |                      |                               |                          |
| 3  | 11x, 12x | Local Sources                        | \$1,586,367                   | \$1,573,949          | (\$12,418)                    | -0.78%                   | \$1,550,000          | (\$23,949)                    | -1.52%                   |
| 4  | 51x      | Local Rec'd Thru Another Public Sch. | \$19,452                      | \$20,000             | \$548                         | 2.82%                    | \$20,000             | \$0                           | 0.00%                    |
| 5  | 2xx      | Other Political Sub.                 | \$0                           | \$0                  | \$0                           | 0.00%                    | \$0                  | \$0                           | 0.00%                    |
| 6  | 3xx      | State Sources                        | \$12,748,182                  | \$12,998,188         | \$250,006                     | 1.96%                    | \$13,070,011         | \$71,823                      | 0.55%                    |
| 7  | 4xx      | Federal Sources                      | \$1,722,339                   | \$1,740,754          | \$18,415                      | 1.07%                    | \$1,740,000          | (\$754)                       | -0.04%                   |
| 8  | 52x-6xx  | Incoming Transfers & Other           | \$0                           | \$5,000              | \$5,000                       | 100.00%                  | \$0                  | (\$5,000)                     | -100.00%                 |
| 9  |          | TOTAL REVENUES, ETC.                 | <b>\$16,076,340</b>           | <b>\$16,337,891</b>  | <b>\$261,551</b>              | <b>1.63%</b>             | <b>\$16,380,011</b>  | <b>\$42,120</b>               | <b>0.26%</b>             |
| 10 |          | TOTAL RESOURCES AVAILABLE            | <b>\$13,151,938</b>           | <b>\$14,832,634</b>  | <b>\$1,680,696</b>            | <b>12.78%</b>            | <b>\$15,973,568</b>  | <b>\$1,140,934</b>            | <b>7.69%</b>             |
| 11 |          | Less: Expenditures                   |                               |                      |                               |                          |                      |                               |                          |
| 12 | 1xx      | Classroom Inst.                      | \$7,975,340                   | \$8,347,562          | \$372,222                     | 4.67%                    | \$8,551,152          | \$203,590                     | 2.44%                    |
| 13 |          | Support Services:                    |                               |                      |                               |                          |                      |                               |                          |
| 14 | 21x      | Pupil                                | \$527,007                     | \$579,492            | \$52,485                      | 9.96%                    | \$589,492            | \$10,000                      | 1.73%                    |
| 15 | 22x      | Inst. Staff                          | \$1,168,106                   | \$1,199,910          | \$31,804                      | 2.72%                    | \$1,235,907          | \$35,997                      | 3.00%                    |
| 16 | 23x      | Gen. Adm.                            | \$495,132                     | \$299,776            | (\$195,356)                   | -39.46%                  | \$305,776            | \$6,000                       | 2.00%                    |
| 17 | 24x      | Sch. Adm.                            | \$803,735                     | \$826,912            | \$23,177                      | 2.88%                    | \$835,181            | \$8,269                       | 1.00%                    |
| 18 | 25x      | Business                             | \$367,859                     | \$469,100            | \$101,241                     | 27.52%                   | \$469,100            | \$0                           | 0.00%                    |
| 19 | 26x      | Operation & Maintenance              | \$1,630,293                   | \$1,795,954          | \$165,661                     | 10.16%                   | \$1,849,833          | \$53,879                      | 3.00%                    |
| 20 | 27x      | Transportation                       | \$906,028                     | \$1,027,403          | \$121,375                     | 13.40%                   | \$1,058,225          | \$30,822                      | 3.00%                    |
| 21 | 28x      | Central                              | \$238,376                     | \$270,412            | \$32,036                      | 13.44%                   | \$270,412            | \$0                           | 0.00%                    |
| 22 | 29X      | Other                                | \$244,148                     | \$214,912            | (\$29,236)                    | -11.97%                  | \$214,912            | \$0                           | 0.00%                    |
| 23 | 3xx      | Community Services                   | \$22,787                      | \$24,943             | \$2,156                       | 9.46%                    | \$24,943             | \$0                           | 0.00%                    |
| 24 | 41,42,43 | Outgoing Transfers                   | \$102,032                     | \$0                  | (\$102,032)                   | -100.00%                 | \$0                  | \$0                           | 0.00%                    |
| 25 | 45x      | Facilities Acq                       | \$0                           | \$0                  | \$0                           | 0.00%                    | \$0                  | \$0                           | 0.00%                    |
| 26 | 51x      | Debt Service                         | \$0                           | \$0                  | \$0                           | 0.00%                    | \$0                  | \$0                           | 0.00%                    |
| 27 | 6xx      | Fund Modifications                   | \$176,353                     | \$182,701            | \$6,349                       | 3.60%                    | \$182,701            | \$0                           | 0.00%                    |
| 28 |          | TOTAL EXP. & OUTGOING TRANSFE        | <b>\$14,657,195</b>           | <b>\$15,239,077</b>  | <b>\$581,882</b>              | <b>3.97%</b>             | <b>\$15,587,634</b>  | <b>\$348,557</b>              | <b>2.29%</b>             |
| 29 |          | ENDING FUND BALANCE                  | <b>(\$1,505,257)</b>          | <b>(\$406,443)</b>   | <b>\$1,098,814</b>            | <b>-73.00%</b>           | <b>\$385,934</b>     | <b>\$792,377</b>              | <b>-194.95%</b>          |

Notes:

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## Attachment B

## BRIDGEPORT-SPAULDING COMMUNITY SCHOOLS

For Year Ending June 30, 2016

## GENERAL FUND

|                                 | 2014-15<br>ACTUAL    | 2015-16<br>ORIGINAL  | 2015-16<br>AMENDED   | CHANGE              |
|---------------------------------|----------------------|----------------------|----------------------|---------------------|
| <b>REVENUE</b>                  |                      |                      |                      |                     |
| Local                           | \$ 1,604,045         | \$ 1,578,949         | \$ 1,578,949         | \$ -                |
| State                           | \$ 12,748,182        | \$ 12,998,188        | \$ 12,402,896        | \$ (595,292)        |
| Federal                         | \$ 1,625,678         | \$ 1,740,754         | \$ 2,016,459         | \$ 275,705          |
| Incoming Transfers & Other      | \$ 19,452            | \$ 20,000            | \$ 20,000            | \$ -                |
| <b>TOTAL REVENUE</b>            | <b>\$ 15,997,357</b> | <b>\$ 16,337,891</b> | <b>\$ 16,018,304</b> | <b>\$ (319,587)</b> |
| <b>EXPENDITURES</b>             |                      |                      |                      |                     |
| <b>INSTRUCTION</b>              |                      |                      |                      |                     |
| Basic Programs                  | \$ 6,136,944         | \$ 6,420,522         | \$ 6,391,501         | \$ (29,021)         |
| Added Needs                     | \$ 1,879,414         | \$ 1,927,035         | \$ 2,287,871         | \$ 360,836          |
| <b>Total Instruction</b>        | <b>\$ 8,016,358</b>  | <b>\$ 8,347,557</b>  | <b>\$ 8,679,372</b>  | <b>\$ 331,815</b>   |
| <b>SUPPORT SERVICES</b>         |                      |                      |                      |                     |
| Pupil Services                  | \$ 527,006           | \$ 579,492           | \$ 619,591           | \$ 40,099           |
| Instructional Staff Services    | \$ 1,168,106         | \$ 1,199,910         | \$ 1,172,154         | \$ (27,756)         |
| General Administration          | \$ 497,365           | \$ 299,782           | \$ 304,776           | \$ 4,994            |
| School Administration           | \$ 823,898           | \$ 826,911           | \$ 803,124           | \$ (23,787)         |
| Business Office                 | \$ 390,911           | \$ 469,099           | \$ 568,071           | \$ 98,972           |
| Operations and Maintenance      | \$ 1,630,747         | \$ 1,795,955         | \$ 1,796,927         | \$ 972              |
| Transportation                  | \$ 905,372           | \$ 1,027,403         | \$ 1,081,299         | \$ 53,896           |
| Central Services                | \$ 238,377           | \$ 270,412           | \$ 281,951           | \$ 11,539           |
| Athletic Activities             | \$ 248,237           | \$ 214,912           | \$ 213,119           | \$ (1,793)          |
| Community Services              | \$ 22,590            | \$ 24,943            | \$ 15,993            | \$ (8,950)          |
| <b>Total Support Services</b>   | <b>\$ 6,452,609</b>  | <b>\$ 6,708,819</b>  | <b>\$ 6,857,005</b>  | <b>\$ 148,186</b>   |
| Outgoing Transfers/Transactions | \$ 176,353           | \$ 182,701           | \$ 205,468           | \$ 22,767           |
| <b>TOTAL EXPENDITURES</b>       | <b>\$ 14,645,320</b> | <b>\$ 15,239,077</b> | <b>\$ 15,741,845</b> | <b>\$ 502,768</b>   |
| Revenue Over (Under) Expenses   | \$ 1,352,037         | \$ 1,098,814         | \$ 276,459           | \$ (822,355)        |
| Beginning Fund Balance-July 1   | \$ (3,044,885)       | \$ (1,692,848)       | \$ (1,692,848)       | \$ -                |
| Ending Fund Balance - June 30   | \$ (1,692,848)       | \$ (594,034)         | \$ (1,416,389)       | \$ (822,355)        |

**Reporting Final Expenditures**

**Recipient Code:** 73180  
**Grant Number:** 158992

**Recipient Name:** Bridgeport-Spaulding Community School District  
**Grant Name:** TRIG District Participation

**CFDA:**

**Project Number:** 1415  
**Revenue Code:**  
**Project Start Date:** 10/1/2014  
**Project End Date:** 6/30/2016

|                         |             |
|-------------------------|-------------|
| <b>Approved Amount:</b> | \$16,740.00 |
| <b>Project Paid:</b>    | \$16,740.00 |
| <b>Unexpended:</b>      | \$0.00      |

**Business Office Contact:** Piero A. Basile  
**Business Office Phone:** 989-777-1770 ext. 3121  
**Last Changed By:** Mr. Piero Basile  
**Status:** Processed

**Project Contact:** Regina Silvey  
**Project Contact Phone:** 989-777-1770 ext.  
**Date Last Changed:** 11/2/2015

| Function Code                               | Approved Budget | Salaries 1000 | Benefits 2000 | Purchased Services 3000, 4000 | Supplies & Materials 5000 | Capital Outlay 6000 | Other Expenses 7000 | Total Expend.                                     | % Var    |
|---|-----------------|---------------|---------------|-------------------------------|---------------------------|---------------------|---------------------|---|----------|
| 284<br>Central Support Services Technology  | \$0.00          | \$0.00        | \$0.00        | \$0.00                        | \$16,740.00               | \$0.00              | \$0.00              | \$16,740.00                                       | 100.00 % |
| <b>Sub-Total</b>                            | \$0.00          | \$0.00        | \$0.00        | \$0.00                        | \$16,740.00               | \$0.00              | \$0.00              | \$16,740.00                                       | 0.00 %   |
| <b>Budget Indirect Cost (max 0%) \$0.00</b> |                 |               |               |                               |                           |                     |                     | <b>Expend. Indirect Cost (: 0%; 1: 0%) \$0.00</b> |          |
| <b>Budget Total \$0.00</b>                  |                 |               |               |                               |                           |                     |                     | <b>Expend. Total \$16,740.00</b>                  |          |

## Reporting Final Expenditures

**Recipient Code:** 73180  
**Grant Number:** 151530

**Recipient Name:** Bridgeport-Spaulding Community School District  
**Grant Name:** Title I Part A

**CFDA:** 84.010  
**Project Number:** 1415  
**Revenue Code:**  
**Project Start Date:** 8/3/2014  
**Project End Date:** 9/30/2015  
**Business Office Contact:** Piero A. Basile  
**Business Office Phone:** (989) 777-1770 ext. 3121  
**Last Changed By:** Mr. Piero Basile  
**Status:** Processed

|                         |                |
|-------------------------|----------------|
| <b>Approved Amount:</b> | \$1,155,969.00 |
| <b>Project Paid:</b>    | \$822,065.10   |
| <b>Unexpended:</b>      | \$333,903.90   |

**Project Contact:** Carol W. Selby  
**Project Contact Phone:** (989) 777-1700 ext.  
**Date Last Changed:** 11/2/2015

| Function Code                               | Approved Budget | Salaries 1600 | Benefits 2000 | Purchased Services 3000, 4000 | Supplies & Materials 5000 | Capital Outlay 6000 | Other Expenses 7000 | Total Expend. | % Var    |
|---|-----------------|---------------|---------------|-------------------------------|---------------------------|---------------------|---------------------|---------------|----------|
| 119<br>Basic Program - Summer School        | \$55,034.00     | \$17,736.15   | \$7,425.48    | \$0.00                        | \$13,732.57               | \$0.00              | \$0.00              | \$38,894.20   | -29.32 % |
| 125<br>Added Needs - Compensatory Education | \$257,426.00    | \$51,855.77   | \$10,273.05   | \$50,017.05                   | \$38,856.74               | \$0.00              | \$0.00              | \$151,002.61  | -41.34 % |
| 221<br>Improvement of Instruction           | \$504,948.00    | \$178,907.41  | \$110,688.43  | \$50,069.08                   | \$6,690.71                | \$0.00              | \$0.00              | \$346,355.63  | -31.40 % |
| 225<br>Computer-Assisted Instruction        | \$55,977.00     | \$0.00        | \$0.00        | \$9,703.00                    | \$38,409.90               | \$0.00              | \$0.00              | \$48,112.90   | -14.04 % |

**Reporting Final Expenditures**

| Function Code   | Approved Budget       | Salaries 1000       | Benefits 2000       | Purchased Services 3000, 4000 | Supplies & Materials 5000 | Capital Outlay 6000 | Other Expenses 7000                                     | Total Expend.       | % Var               |  |
|---|-----------------------|---------------------|---------------------|-------------------------------|---------------------------|---------------------|---|---------------------|---------------------|--|
| 226<br>Supervision and Direction of Instructional Staff | \$207,807.00          | \$112,633.60        | \$62,421.60         | \$12,622.50                   | \$24.97                   | \$0.00              | \$0.00  | \$187,702.67        | -9.67 %             |  |
| 271<br>Pupil Transportation Services                    | \$29,714.00           | \$7,939.80          | \$2,681.91          | \$14,102.20                   | \$0.00                    | \$0.00              | \$0.00  | \$24,723.91         | -16.79 %            |  |
| 283<br>Staff/Personnel Services                         | \$4,200.00            | \$0.00              | \$0.00              | \$4,504.31                    | \$0.00                    | \$0.00              | \$0.00  | \$4,504.31          | 7.24 %              |  |
| 331<br>Community Activities                             | \$20,053.00           | \$5,323.36          | \$2,223.51          | \$3,000.00                    | \$10,222.00               | \$0.00              | \$0.00  | \$20,768.87         | 3.56 %              |  |
| <b>Sub-Total</b>  | <b>\$1,135,159.00</b> | <b>\$374,396.09</b> | <b>\$195,713.98</b> | <b>\$144,018.14</b>           | <b>\$107,936.89</b>       | <b>\$0.00</b>       | <b>\$0.00</b>   | <b>\$822,065.10</b> | <b>-27.58 %</b>     |  |
| <b>Budget Indirect Cost (max 3.53%) \$20,810.00</b>     |                       |                     |                     |                               |                           |                     | <b>Expend. Indirect Cost (2015: 3.53%; 2016: 3.61%)</b> |                     | <b>\$0.00</b>       |  |
| <b>Budget Total</b>                                     | <b>\$1,155,969.00</b> |                     |                     |                               |                           |                     | <b>Expend. Total</b>                                    |                     | <b>\$822,065.10</b> |  |

## Reporting Final Expenditures

**Recipient Code:** 73180  
**Grant Number:** 150520

**Recipient Name:** Bridgeport-Spaulding Community School District  
**Grant Name:** TITLE II PART A

**CFDA:** 84.367  
**Project Number:** 1415  
**Revenue Code:**  
**Project Start Date:** 8/3/2014  
**Project End Date:** 9/30/2015  
**Business Office Contact:** Piero A. Basile  
**Business Office Phone:** (989) 777-1770 ext. 3121  
**Last Changed By:** Mr. Piero Basile  
**Status:** Processed

|                         |              |
|-------------------------|--------------|
| <b>Approved Amount:</b> | \$315,225.00 |
| <b>Project Paid:</b>    | \$192,420.23 |
| <b>Unexpended:</b>      | \$122,804.77 |

**Project Contact:** Carol W. Selby  
**Project Contact Phone:** (989) 777-1770 ext.  
**Date Last Changed:** 11/2/2015

| Function Code   | Approved Budget     | Salaries 1000      | Benefits 2000      | Purchased Services 3000, 4000 | Supplies & Materials 5000 | Capital Outlay 6000 | Other Expenses 7000                                     | Total Expend.        | % Var               |  |
|---|---------------------|--------------------|--------------------|-------------------------------|---------------------------|---------------------|---|----------------------|---------------------|--|
| 221<br>Improvement of Instruction                       | \$202,112.00        | \$30,401.59        | \$13,994.02        | \$83,908.82                   | \$32,336.69               | \$0.00              | \$0.00  | \$160,641.12         | -20.51 %            |  |
| 226<br>Supervision and Direction of Instructional Staff | \$99,124.00         | \$19,500.00        | \$8,641.09         | \$0.00                        | \$0.00                    | \$0.00              | \$0.00  | \$28,141.09          | -71.61 %            |  |
| 283<br>Staff/Personnel Services                         | \$10,152.00         | \$0.00             | \$0.00             | \$3,638.02                    | \$0.00                    | \$0.00              | \$0.00  | \$3,638.02           | -64.16 %            |  |
| <b>Sub-Total</b>  | <b>\$311,388.00</b> | <b>\$49,901.59</b> | <b>\$22,635.11</b> | <b>\$87,546.84</b>            | <b>\$32,336.69</b>        | <b>\$0.00</b>       | <b>\$0.00</b>   | <b>\$192,420.23</b>  | <b>-38.21 %</b>     |  |
| <b>Budget Indirect Cost (max 3.53%) \$3,837.00</b>      |                     |                    |                    |                               |                           |                     | <b>Expend. Indirect Cost (2015: 3.53%; 2016: 3.61%)</b> |                      | <b>\$0.00</b>       |  |
| <b>Budget Total</b>                                     | <b>\$315,225.00</b> |                    |                    |                               |                           |                     |   | <b>Expend. Total</b> | <b>\$192,420.23</b> |  |

## Reporting Final Expenditures

**Recipient Code:** 73180  
**Grant Number:** 141990

**Recipient Name:** Bridgeport-Spaulding Community School District  
**Grant Name:** Food Equipment Grant

**CFDA:** 10.579  
**Project Number:** 1314  
**Revenue Code:**  
**Project Start Date:** 9/30/2014  
**Project End Date:** 9/30/2015  
**Business Office Contact:** Piero A. Basile  
**Business Office Phone:** 989-777-1770 ext. 3121  
**Last Changed By:** Mr. Piero Basile  
**Status:** Processed

|                         |             |
|-------------------------|-------------|
| <b>Approved Amount:</b> | \$49,395.00 |
| <b>Project Paid:</b>    | \$49,395.00 |
| <b>Unexpended:</b>      | \$0.00      |

**Project Contact:** Toni Nagy  
**Project Contact Phone:** 989-777-1770 ext. 3027  
**Date Last Changed:** 11/2/2015

| Function Code                                 | Approved Budget | Salaries 1000  | Benefits 2000 | Purchased Services 3000, 4000 | Supplies & Materials 5000 | Capital Outlay 6000 | Other Expenses 7000 | Total Expend.        | % Var       |
|---|-----------------|--|---------------|-------------------------------|---------------------------|---------------------|---------------------|----------------------|-------------|
| 297<br>Food Services                          | \$49,395.00     | \$0.00   | \$0.00        | \$0.00                        | \$0.00                    | \$49,193.00         | \$202.00            | \$49,395.00          | 0.00 %      |
| <b>Sub-Total</b>                              | \$49,395.00     | \$0.00   | \$0.00        | \$0.00                        | \$0.00                    | \$49,193.00         | \$202.00            | \$49,395.00          | 0.00 %      |
| <b>Budget Indirect Cost (max 3.2%) \$0.00</b> |                 | <b>Expend. Indirect Cost (2013: 3.2%; 2014: 2.03%)</b> |               |                               |                           |                     |                     | \$0.00               |             |
| <b>Budget Total</b>                           | \$49,395.00     |  |               |                               |                           |                     |                     | <b>Expend. Total</b> | \$49,395.00 |

## Reporting Final Expenditures

**Recipient Code:** 73180  
**Grant Number:** 141530

**Recipient Name:** Bridgeport-Spaulding Community School District  
**Grant Name:** Title I Part A

**CFDA:** 84.010  
**Project Number:** 1314  
**Revenue Code:**  
**Project Start Date:** 7/1/2013  
**Project End Date:** 9/30/2014

|                         |                |
|-------------------------|----------------|
| <b>Approved Amount:</b> | \$1,094,010.00 |
| <b>Project Paid:</b>    | \$997,348.03   |
| <b>Unexpended:</b>      | \$96,661.97    |

**Business Office Contact:** MELISSA CABINE  
**Business Office Phone:** (989) 777-1770 ext. 3111  
**Last Changed By:** Mr. Javier Sanchez  
**Status:** Processed

**Project Contact:** CAROL SELBY  
**Project Contact Phone:** (989) 777-1770 ext. 3121  
**Date Last Changed:** 8/18/2015

**Reason for Reopening Report:**

Please reopen as a 999 Audit FER due to an OFS Fiscal Audit. The direct amount to be reduced is \$96,661.97. These funds are available. Date of request is 8/17/2015 by Judy Thelen, OFS.

| Function Code  | Approved Budget | Salaries<br>1000 | Benefits<br>2000 | Purchased<br>Services<br>3000, 4000 | Supplies &<br>Materials<br>5000 | Capital Outlay<br>6000 | Other<br>Expenses<br>7000 | Total<br>Expend. | % Var    |
|--|-----------------|------------------|------------------|-------------------------------------|---------------------------------|------------------------|---------------------------|------------------|----------|
| 119<br>Basic Program<br>- Summer<br>School           | \$63,169.00     | \$19,563.67      | \$9,166.59       | \$0.00                              | \$14,662.50                     | \$0.00                 | \$0.00                    | \$43,392.76      | -31.30 % |
| 125<br>Added Needs<br>-<br>Compensatory<br>Education | \$858,898.00    | \$338,756.42     | \$188,516.68     | \$12,400.00                         | \$301,284.70                    | \$0.00                 | \$0.00                    | \$840,957.80     | -2.08 %  |
| 221<br>Improvement<br>of Instruction                 | \$33,068.00     | \$35,601.76      | \$12,440.11      | \$42,487.64                         | \$0.00                          | \$0.00                 | \$0.00                    | \$90,529.51      | 173.76 % |
| 225<br>Computer-<br>Assisted<br>Instruction          | \$37,504.00     | \$0.00           | \$0.00           | \$18,258.50                         | \$15,323.49                     | \$0.00                 | \$0.00                    | \$33,581.99      | -10.45 % |

### Reporting Final Expenditures

| Function Code   | Approved Budget       | Salaries 1000       | Benefits 2000       | Purchased Services 3000, 4000 | Supplies & Materials 5000 | Capital Outlay 6000 | Other Expenses 7000                                     | Total Expend.       | % Var               |  |
|---|-----------------------|---------------------|---------------------|-------------------------------|---------------------------|---------------------|---|---------------------|---------------------|--|
| 226<br>Supervision and Direction of Instructional Staff | \$30,599.00           | \$34,438.15         | \$8,336.99          | \$0.00                        | \$104.00                  | \$0.00              | \$0.00  | \$42,879.14         | 40.13 %             |  |
| 271<br>Pupil Transportation Services                    | \$29,380.00           | \$7,485.40          | \$2,756.01          | \$4,650.00                    | \$0.00                    | \$0.00              | \$0.00  | \$14,891.41         | -49.31 %            |  |
| 283<br>Staff/Personnel Services                         | \$1,500.00            | \$0.00              | \$0.00              | \$1,772.23                    | \$0.00                    | \$0.00              | \$0.00  | \$1,772.23          | 18.14 %             |  |
| 284<br>Central Support Services Technology              | \$1,100.00            | \$0.00              | \$0.00              | \$0.00                        | \$106.96                  | \$0.00              | \$0.00  | \$106.96            | -90.27 %            |  |
| 331<br>Community Activities                             | \$25,000.00           | \$3,052.21          | \$783.53            | \$1,897.12                    | \$6,373.34                | \$0.00              | \$0.00  | \$12,106.20         | -51.57 %            |  |
| 999<br>Disallowed Cost                                  | \$0.00                | \$0.00              | \$0.00              | \$0.00                        | \$0.00                    | \$0.00              | (\$96,661.97)   | (\$96,661.97)       | 100.00 %            |  |
| <b>Sub-Total</b>  | <b>\$1,080,218.00</b> | <b>\$438,897.61</b> | <b>\$221,999.91</b> | <b>\$81,465.49</b>            | <b>\$337,854.99</b>       | <b>\$0.00</b>       | <b>(\$96,661.97)</b>                                    | <b>\$983,556.03</b> | <b>-8.95 %</b>      |  |
| <b>Budget Indirect Cost (max 2.03%) \$13,792.00</b>     |                       |                     |                     |                               |                           |                     | <b>Expend. Indirect Cost (2014: 2.03%; 2015: 3.53%)</b> |                     | <b>\$13,792.00</b>  |  |
| <b>Budget Total</b>                                     | <b>\$1,094,010.00</b> |                     |                     |                               |                           |                     | <b>Expend. Total</b>                                    |                     | <b>\$997,348.03</b> |  |

**Reporting Final Expenditures**

**Recipient Code:** 73180  
**Grant Number:** 140520

**Recipient Name:** Bridgeport-Spaulling Community School District  
**Grant Name:** TITLE II PART A

**CFDA:** 84.367  
**Project Number:** 1314  
**Revenue Code:**  
**Project Start Date:** 7/1/2013  
**Project End Date:** 9/30/2014  
**Business Office Contact:** Melissa Cabine  
**Business Office Phone:** (989) 777-1770 ext. 3111  
**Last Changed By:** Ms. Robin Johnson  
**Status:** Processed

|                         |              |
|-------------------------|--------------|
| <b>Approved Amount:</b> | \$277,770.00 |
| <b>Project Paid:</b>    | \$253,896.76 |
| <b>Unexpended:</b>      | \$23,873.24  |

**Project Contact:** Carol Selby  
**Project Contact Phone:** (989) 777-1770 ext. 3121  
**Date Last Changed:** 11/6/2014

| Function Code                               | Approved Budget | Salaries 1000 | Benefits 2000 | Purchased Services 3000, 4000 | Supplies & Materials 5000 | Capital Outlay 6000 | Other Expenses 7000 | Total Expend. | % Var    |
|---|-----------------|---------------|---------------|-------------------------------|---------------------------|---------------------|---------------------|---------------|----------|
| 111<br>Basic Programs – Elementary          | \$145,981.00    | \$93,233.00   | \$59,346.38   | \$0.00                        | \$0.00                    | \$0.00              | \$0.00              | \$152,579.38  | 4.52 %   |
| 125<br>Added Needs – Compensatory Education | \$31,964.00     | \$0.00        | \$0.00        | \$0.00                        | \$29,540.70               | \$0.00              | \$0.00              | \$29,540.70   | -7.58 %  |
| 221<br>Improvement of Instruction           | \$93,488.00     | \$0.00        | \$0.00        | \$67,939.68                   | \$0.00                    | \$0.00              | \$0.00              | \$67,939.68   | -27.32 % |

### Reporting Final Expenditures

| Function Code                                      | Approved Budget     | Salaries 1000      | Benefits 2000      | Purchased Services 3000, 4000 | Supplies & Materials 5000 | Capital Outlay 6000 | Other Expenses 7000                                     | Total Expend.       | % Var               |  |
|--|---------------------|--------------------|--------------------|-------------------------------|---------------------------|---------------------|---|---------------------|---------------------|--|
| 225<br>Computer-Assisted Instruction               | \$2,500.00          | \$0.00             | \$0.00             | \$0.00                        | \$0.00                    | \$0.00              | \$0.00  | \$0.00              | -100.00 %           |  |
| <b>Sub-Total</b>                                   | <b>\$273,933.00</b> | <b>\$93,233.00</b> | <b>\$59,346.38</b> | <b>\$67,939.68</b>            | <b>\$29,540.70</b>        | <b>\$0.00</b>       | <b>\$0.00</b>   | <b>\$250,059.76</b> | <b>-8.71 %</b>      |  |
| <b>Budget Indirect Cost (max 2.03%) \$3,837.00</b> |                     |                    |                    |                               |                           |                     | <b>Expend. Indirect Cost (2014: 2.03%; 2015: 3.53%)</b> |                     | <b>\$3,837.00</b>   |  |
| <b>Budget Total</b>                                | <b>\$277,770.00</b> |                    |                    |                               |                           |                     | <b>Expend. Total</b>                                    |                     | <b>\$253,896.76</b> |  |

**Bridgeport-Spaulling Community School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2015**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiencies identified that are not considered to be material weaknesses?        yes   X   none reported

Noncompliance material to financial statements noted?   X   yes        no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiencies identified that are not considered to be a material weakness?        yes   X   none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?        yes   X   no

Identification of major programs:

| <i>CFDA Number</i>     | <i>Name of Federal Program or Cluster</i> |
|------------------------|---|
| 10.553, 10.555, 10.559 | Nutrition Cluster                         |
| 84.027, 84.173         | Special Education Cluster                 |

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?        yes   X   no

**Bridgeport-Spauling Community School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2015**

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**SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS**

**2015-001, 2014-001 – Material Noncompliance – Deficit Fund Balance**

**Specific Requirement:** The State School Aid Act of 1979 Article 10 Section 388.1702 does not allow for districts receiving funds under the act to operate under a deficit.

**Condition:** The General Fund had an unassigned deficit fund balance as of June 30, 2015.

**Cause/Effect:** Lack of adequate budgetary control and revenues decreasing at a larger rate than expenditures in prior years.

**Recommendation:** We recommend the District continue to file and comply with its deficit elimination plan.

**Views of responsible officials:** Management agrees with the finding.

**Corrective Action Plan:** See attached corrective action plan.

**2015-002 – Material Weakness – Prior Period Adjustment**

**Specific Requirement:** Michigan Department of Education Bulletin 1022 Michigan Public School Accounting Manual states that financials statements and records should be free of error that could change the users' overall assessment of the entity's finances.

**Condition:** Due to an error in the accounts payable system in prior year that was detected and corrected by the current finance department, multiple invoices were not included in accounts payable and expenditure accounts for fiscal year 2013/14 that related to that period. The aggregate amount of these invoices was material to the financial statements.

**Cause/Effect:** Accounts payable and expenditure balances in fiscal year 2013/14 were materially misstated.

**Recommendation:** We recommend the district monitor its accounts payable system and reconcile accounts payable at year end to ensure all invoices are recorded in the appropriate fiscal year.

**Views of responsible officials:** Management agrees with the finding.

**Corrective Action Plan:** See attached corrective action plan.

**Bridgeport-Spaulling Community School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2015**

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**SECTION III - FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2015.

**Bridgeport-Spauding Community School District**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2015**

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**SECTION IV – PRIOR AUDIT FINDINGS**

**GOVERNMENT AUDITING STANDARDS FINDINGS**

**2014-001 – Material Noncompliance – Deficit Fund Balance**

**Specific Requirement:** The State School Aid Act of 1979 Article 10 Section 388.1702 does not allow for districts receiving funds under the act to operate under a deficit

**Condition:** The General Fund had an unassigned deficit fund balance as of June 30, 2014.

**Cause/Effect:** Lack of adequate budgetary control and revenues decreasing at a larger rate than expenditures.

**Recommendation:** We recommend the District continue to file and comply with its deficit elimination plan.

**Status:** Continues to be a finding at 2015-001.

**FEDERAL AWARD FINDINGS**

**2014-002 – Material Noncompliance**

**Program Information:** Special Education Cluster, U.S. Department of Education, Passed through Saginaw Intermediate Schools District, CFDA #84.027 and 84.173

**Specific Requirement:** When employees are expected to work solely on a single federal award or cost objective, charges for their salaries will be supported by semi-annual certifications signed by the employees or a supervisor with first-hand knowledge for the work performed by the employees after the fact; indicating the employees worked solely on that program for the semi-annual period covered by the certification.

**Condition:** Semi-annual certifications could not be located for the second semester for employees charged solely to Special Education.

**Questioned costs:** Approximately \$231,000

**Cause/Effect:** All payroll expenditures that were charged for the second semester period were not supported by certifications.

**Recommendation:** We recommend that management complete and retain semi-annual certifications for all employees working on a single cost objective.

**Status:** Recommendation was implemented.



# Bridgeport-Spauling Community School District

P.O. Box 657 ♦ Bridgeport, Michigan 48722-0657  
(989) 777-1770 ♦ (989) 777-4720 (Fax) ♦ [www.bsks.k12.mi.us](http://www.bsks.k12.mi.us)  
*Carol W. Selby, Interim Superintendent*

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## SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS

FINDING 2015-001, 2014-001

### Corrective Action Plan

The 2015-16 General Fund Budget will be monitored frequently by the Superintendent, Deficit Elimination Plan Consultant and the Business Office Staff. Also the school district will continue to review ways of reducing expenditures.

The deficit elimination plan will continue to be filed with the Michigan Department of Education for their review and recommendations.

Responsible Parties: Carol W. Selby, Interim Superintendent  
Melissa Cabine, Deficit Elimination Plan Consultant



# Bridgeport-Spaulling Community School District

P.O. Box 657 ♦ Bridgeport, Michigan 48722-0657  
(989) 777-1770 ♦ (989) 777-4720 (Fax) ♦ [www.bsks.k12.mi.us](http://www.bsks.k12.mi.us)  
*Carol W. Selby, Interim Superintendent*

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## SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS

### FINDING 2015-002

#### Corrective Action Plan

The 2015-16 Accounts Payable system will be monitored frequently by the Superintendent, Finance Director and the Business Office Staff to ensure that expenditures are recorded in the proper period. The Accounts Payable system has already been corrected with the arrival of the new Finance Department personnel and improved internal controls in 2014-15.

Responsible Parties: Carol W. Selby, Interim Superintendent  
Piero A. Basile, Finance Director



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

**DATE:** May 2, 2016

**TO:** Carol Selby, Superintendent  
Patrick Nelson, Board President

**FROM:** Paul G. Connors, Director of the Office of School Review and Fiscal  
Accountability

**SUBJECT:** Interim Report – Bridgeport-Spaulding Community School District

**I. Background**

On April 15, 2016 the Department of Treasury (the “Department”) initiated a Preliminary Review of the finances of Bridgeport-Spaulding Community School District (the “District”) to determine whether or not a school district had probable financial stress. Pursuant to 2015 PA 110, section 4 (2) (b) (MCL 141.1544), the District is statutorily mandated to undergo a preliminary review of its finances to determine the existence of probable financial stress. In part, this section provides that the Department, as the State Financial Authority, shall conduct a preliminary review of any school district that is subject to a Deficit Elimination Plan (DEP) that provides for the elimination of deficit over a period exceeding 5 years.

Under 2015 PA 110, section 4 (3), the Department shall provide an interim report of its findings to the District within 20 days following the commencement of the preliminary review. The school district may provide comments within 5 days after the interim report is provided to the District. Thereafter, the Department shall prepare and provide a final report detailing its preliminary review to the Emergency Loan Board within 30 days following commencement of the preliminary review.

**II. Interim Review Findings**

The following are facts or circumstances determined by the Department that are indicative of probable financial stress pursuant to 2015 PA 110, section 4(1)(s):

- 1) The last approved DEP exceeds seven or more consecutive years (including the current year); and/or

**Finding:**

The District’s current DEP (attachment A) was approved in August 2015 and extends 2 years through the 2016-2017 fiscal year.

The District does not meet this criteria.

- 2) The district's existing deficit is greater than 15% of general fund revenues; and/or

**Finding:**

The District's approved budget (attachment B) reflects total general fund revenues of \$16,018,304 for the 2015-2016 fiscal year. The District's total projected fund balance for 2015-16 is negative \$1,416,389 indicating their deficit is 8.8% of their total general fund revenues.

The District does not meet this criteria.

- 3) A fiscal review by one of the Department's program offices or an external auditor has revealed one or more material internal control weaknesses as evidenced by notes/findings in the financial audit related to:

- a) Lack of written policies and procedures or failure to follow the written policies and procedures
- b) Immediate concerns with cash shortfalls in current fiscal year which may lead to additional financings or emergency loan
- c) Excessive variances on Final Expenditure Reports (FER) for grants with federal funds
- d) History of spending outside the appropriations established by the local school board in violation of Uniform Budgeting and Accounting Act (UBAA)
- e) Significant audit findings and/or material weaknesses identified in the single audit; and

**Finding:**

- a) No deficiency noted.
- b) District is currently not anticipating a cash flow shortfall for FY 16.
- c) There are excessive variances on FER for grants with federal funds (attachment C).
- d) District has been in violation of the UBAA since 2011 when it began spending outside the appropriations established by its board adopted budget.
- e) The District received 2 audit findings for 2014-2015 year (attachment D):
  - 1 Material Non Compliance for Deficit Budget
  - 1 Material Weakness Prior Period Adjustments

The District does meet this criteria.

- 4) The district has shown unsatisfactory progress in eliminating a deficit. This is determined by identifying one or more of the following conditions:
  - a) A deficit increase is planned the future fiscal year
  - b) Lack of cooperation from the district in submitting deficit information (i.e., late submission of the DEP, delinquent return of phone calls or correspondence relating to the DEP, and chronic late submission of Monthly Budgetary Control Reports)
  - c) History of supplying the Department with DEP information that is inaccurate or inconsistent with actual revenues and expenditures at year end; and/or

**Finding:**

- a) The District's deficit is showing a decrease from (\$1.692M) in the 2014-2015 fiscal year to a projected (\$1.416M) in the 2015-2016 fiscal year. The Department and District will work on revised projections during the Enhanced Deficit Elimination Plan (EDEP) process.
- b) No deficiency noted.
- c) No deficiency noted

The District does not meet this criteria.

The District has five days to respond to these findings. Any comments the District would like to provide to the Department are due May 9, 2016. Please send documents and questions to Alistair Ritchie, at [RitchieA@Michigan.gov](mailto:RitchieA@Michigan.gov) or by phone (517)335-3247.

cc. Ken Horn, State Senator, Michigan Senate

Vanessa Guerra, State Representative, Michigan House of Representatives  
Robert L. Lange, Board Vice President, Bridgeport-Spaulding Community School District  
Tedi Morris, Board Secretary, Bridgeport-Spaulding Community School District  
Larry Long, Board Treasurer, Bridgeport-Spaulding Community School District  
Dempsey Allen, Board Trustee, Bridgeport-Spaulding Community School District  
Jay A. Bruns, Board Trustee, Bridgeport-Spaulding Community School District  
Marti Sageman, Board Trustee, Bridgeport-Spaulding Community School District  
Kathy Steward, Superintendent, Saginaw ISD  
Brian J Whiston, State Superintendent, MDE  
Kyle Guerrant, Deputy Superintendent, Administrative Services, MDE  
Dan Hanrahan, Director, State Aid and School Finances, MDE  
Harlan Goodrich, Secretary, Local Emergency Financial Assistance Loan Board

## Attachment F

May 5, 2016

Paul G. Connors  
Director of the Office of School Review and Fiscal Accountability  
608 West Allegan Street  
P.O. Box 30008  
Lansing, Michigan 48909

Dear Mr. Connors-

We are writing in response to the Bridgeport-Spaulding Schools' Interim Report dated May 2, 2016. Some findings were noted that are indicative of probable financial stress even though you determined that none of the findings meet that criteria. Nevertheless, we are providing some additional information about the findings that were noted.

- 1) The District's current DEP was approved in August 2015 and extends 2 years through the 2016-17 fiscal year.

Since the School District's original deficit was not completely eliminated within five years following the original submission of the Deficit Elimination Plan, per state statute, the Michigan Department of Treasury is required to complete a Preliminary Review process. The district has made significant progress in reducing its fund deficit as evidence by the \$ 1,648,908 in net surpluses since July 1, 2013 that has reduced the fund deficit from 23.5% of expenditures to 11.7% as of June 30, 2015.

- 2) The District's approved budget reflects total general fund revenues of \$16,018,304 for the 2015-2016 fiscal year. The District's total projected fund balance for 2015-2016 is negative \$1,416,389 indicating their deficit is 8.8% of their general fund revenues.

The district continues to make significant progress in reducing its fund deficit with a budgeted surplus of \$ 276,459 for FY16. The budgeted June 30, 2016 8.8% fund deficit is a significant improvement from the 23.5% fund deficit as of July 1, 2013.

- 3) District is currently not anticipating a cash flow shortfall for FY 16.

With the arrival of a new Finance Director and Financial Consultant in FY 2015, the district began to more closely monitor cash flows. The \$ 5,150,000 State Aid Note received in June 2015 is anticipated to be sufficient to cover cash flow needs through June 2016.

- 4) There are excessive variances on FER for grants with federal funds.

The District has been working closely with Michigan Department of Education representatives regarding different methods to maximize federal grant resources to provide relief to the general fund. Also, the arrival of a new Finance Director and Federal Programs Director has resulted in closer monitoring of federal program expenditures to ensure that as much of the Consolidated Application programming as possible is implemented and to limit the amount of carryover funds.

- 5) District has been in violation of the UBAA since 2011 when it began spending outside the appropriations established by its board adopted budget.

Due to the district's deficit fund balance, UBAA violations will continue until the deficit is eliminated in accordance with the anticipated Enhanced DEP. The district has a budget surplus expected for FY 16, which will reduce the deficit by \$276,459 by June 30, 2016. Further, the district will continue to closely monitor spending within budgetary limits, as required by the UBAA.

- 6) The District received 2 audit findings for 2014-15 year.
- 1 Material Non Compliance for Deficit Budget
  - 1 Material Weakness Prior Period Adjustments

The Deficit Budget Non Compliance item was a result of the UBAA violation noted above in finding 5. The Prior Period Adjustments Weakness was a result of an error in the Accounts Payable system in 2013/14 that was detected and corrected by the new Finance Director and staff in 2014/15. Improved internal controls have also been realized with the new Finance Director and finance staff as these positions have been filled with competent, qualified and certified individuals.

- 7) The district's deficit is showing a decrease from \$1.692M in the 2014-2015 fiscal year to a projected \$1.416M in the 2015-16 fiscal year. The Department and District will work on revised projections during the Enhanced Deficit Elimination Plan process.

The district continues to take steps to ensure a reduction in its fund deficit via cost saving measures and closer monitoring of expenditures. Since the commencement of the 2014/15 fiscal year, the district has obtained a new Superintendent, Finance Director and Financial Consultant that possess extensive successful school district experience in addition to being highly competent, qualified and credentialed. The Finance Director is a Certified Public Accountant and Michigan School Business Officials certified Chief Financial Officer with 19 years of successful school finance experience as an auditor and finance director.

If you have any questions or need additional information, please contact us at 989-777-1770 extension 3121.

Thank you.

Sincerely,



Piero A. Basile, CPA, CFO  
Finance Director



Melissa Cabine  
Financial Consultant