SUPERIOR CENTRAL SCHOOL DISTRICT
EBEN JUNCTION, MICHIGAN

FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

TABLE OF CONTENTS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTAL INFORMATION

OTHER SUPPLEMENTAL INFORMATION

COMPLIANCE SECTION

COMMUNICATIONS SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Superior Central School District
E2865 Highway M-94
Eben Junction, Michigan 49825

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Superior Central School District (the School District), as of and for the year ended June 30, 2015, 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, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note W to the financial statements, in 2015, the School District adopted the following new accounting guidance: GASB Statement No. 68, Accounting and Financial Reporting for Pensions (an Amendment of GASB No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB No. 68)*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplemental information as listed on the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information 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 individual nonmajor fund financial statements 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 26, 2015, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2015

Superior Central School District

MANAGEMENT'S DISCUSSION AND ANAYLYSIS (UNAUDITED)

Our discussion and analysis of Superior Central School District financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for Superior Central School District as a whole were reported at $(1,861,498) comprised of 100% governmental activities, a $594,571 or 40% increase from the prior year.
    - As enumerated upon in the notes to the financial statements the School District adopted GASB No. 68 to record $3,986,231, its proportionate share of the net pension liability resulting in an overall net position deficit.

- During the year, Superior Central School District expenses were $3,591,262, while revenues from all sources totaled $4,185,833, resulting in an increase in net position of $594,571.

- The general fund reported an increase of $10,727. This is $35,013 higher than the final forecasted decrease of $24,286. This was a result of revenues and other financing sources being $8,052 higher, and expenses being $26,961 lower than forecasted, all of which are immaterial when compared with budgeted revenues and transfers in of $3,228,314 and budgeted expenditures and transfers out of $3,252,600.

USING THIS ANNUAL REPORT

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

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

Our analysis of the Superior Central School District as a whole begins in the section entitled "The School District as a Whole". One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question.

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position as of June 30, 2015 and 2014:

Table 1
Net Position

	Governmental Activities – 2015	Governmental Activities – 2014
Current and other assets	$1,545,439	$1,651,273
Capital assets, net	2,940,221	2,931,152
Total Assets	4,485,660	4,582,425
Deferred outflows of resources	580,981	-
Current liabilities	902,822	1,003,616
Long-term liabilities	5,584,638	2,105,720
Total Liabilities	6,487,460	3,109,336
Deferred inflows of resources	440,679	-
Net Position:		
Net investment in capital assets	1,676,908	1,040,957
Restricted	223,823	239,596
Unrestricted	(3,762,229)	192,536
Total Net Position	$(1,861,498)	$1,473,089

The School District's net position was $(1,861,498) at June 30, 2015. Net investment in capital assets totaling $1,676,908, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of $223,823 is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of net position of $(3,762,229) was unrestricted.

The $(3,762,229) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. During the current year, the School District adopted GASB No. 68 to record its proportionate share of the net pension liability totaling $3,986,231. The adoption of GASB No. 68 was the main perpetrator of the large swing in the School District's unrestricted net position as compared to the prior year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2015 and 2014.

Table 2
Change in Net Position

	Governmental Activities – 2015	Governmental Activities – 2014
Revenues:		
Program Revenues:		
Charges for services	$81,479	$73,280
Operating grants and contributions	838,214	709,188
Capital grants and contributions	-	-
General Revenues:		
Property taxes	1,309,968	1,259,000
State Aid not restricted to specific purposes	1,946,120	2,023,006
Investment earnings	885	1,009
Miscellaneous	9,167	9,653
Total Revenues	4,185,833	4,075,136
Expenses:		
Instruction	2,035,104	1,913,461
Supporting services	1,140,361	1,110,478
Community activities	-	-
Payments to other governmental agencies	-	-
Facilities acquisitions	-	-
Food service activities	175,911	162,044
School service activities	-	-
Interest on retirement of debt	80,651	100,754
Capital projects	12,960	18,399
Depreciation – unallocated	146,275	145,365
Total Expenses	3,591,262	3,450,501
Increase (decrease) in net position	594,571	624,635
Net position, beginning	-	848,454
Net Position, beginning, as restated	(2,456,069)	-
Net Position, Ending	$(1,861,498)	$1,473,089

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $3,591,262. Certain activities were partially funded from those who benefited from the programs totaling $81,479 in charges for services or by other governments and organizations that subsidized certain programs with grants and categorical payments totaling $838,214. We paid for the remaining "public benefit" portion of our governmental activities with $1,309,968 in taxes, $1,946,120 in State Foundation Allowance, and $10,052 with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position for the year of $594,571.

Key reasons for the change in net position were as follows:

- Net change in governmental fund balances of $(5,040).
- Depreciation charged to expense of $(146,275).
- Capital outlays in the amount of $155,344.
- Principal payment on debt in the amount of $648,252.

- Accrued interest on debt in the amount of $(21,370).
- Change in net pension liability of $83,229.
- Change in compensated absences of $(119,569).

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$2,035,104	$1,417,863
Supporting services	1,140,361	1,001,684
Food service activities	175,911	12,136
Depreciation – unallocated	146,275	146,275

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

The School District's Funds

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

As the School District completed the year, its governmental funds (as presented in the balance sheet as listed in the table of contents) reported a combined fund balance of $642,617, a decrease of $(5,040) from the beginning of the year.

The decrease of $5,040 in the combined fund balance is the net effect of an increase in the General Fund Balance of $10,727, a increase in the School Lunch Fund Balance of $254, a decrease in the Debt Service Fund Balance of $37,748, an increase in the Sinking Fund Balance of $21,721 and an decrease in the Non-Major Governmental Funds of $6. The increase in the Sinking Fund is due to a new tax millage received in the current year.

General Fund Budgetary Highlights

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

Changes to the General Fund original budget occurred during the annual budget reviews in January and June 2015.

BUDGETED REVENUES

General Fund revenues changed from original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance Amount	Budget Variance Percent
Total	$3,037,042	$3,228,314	$191,272	6.30%

The increase in budgeted revenues of $191,272 was partially attributable to budget adjustments to grant fund revenues. The district estimates the amount of grant funding at the beginning of the fiscal year, but the funds are not actually allotted until later in the year.

State aid revenues were also adjusted positively due to the actual enrollment exceeding the June projections, the district's ability to meet best practice requirements, and increased special education revenue from increased tax base in Marquette County.

BUDGETED EXPENDITURES

General Fund expenditures changed from the original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance Amount	Budget Variance Percent
Total	$3,076,672	$3,252,600	$175,928	5.72%

The minimal decrease in expenditures can be attributed to making a conscious effort to reduce spending and keeping class sizes small.

ACTUAL REVENUES

The General Fund actual revenues differed from the final budget as follows:

	Final Budget	Actual	Budget Variance Amount	Budget Variance Percent
Total	$3,228,314	$3,236,366	$8,052	0.25%

The actual revenues were more than the final forecast. The increase came from various other local revenues.

ACTUAL EXPENDITURES

General Fund actual expenditures differed from the final budget as follows:

	Final Budget	Actual	Budget Variance Amount	Budget Variance Percent
Total	$3,252,600	$3,225,639	$(26,961)	(0.83%)

The general fund final budgeted expenditures were $3,252,600. The Board anticipates that approximately 1 to 3% of this amount will be unspent at the end of each fiscal year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015 and 2014, the School District had $2,940,221 and $2,931,152, respectively, invested in a variety of capital assets including land, buildings, and machinery and equipment. (See Table 4 below)

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

	Governmental Activities – 2015	Governmental Activities – 2014
Land	$62,439	$62,439
Construction-in-progress	-	-
Land improvements	32,211	34,408
Buildings	2,256,603	2,356,282
Building Improvements	525,193	401,303
Equipment	31,057	33,705
Vehicles and buses	32,718	43,015
Total	$2,940,221	$2,931,152

During the year the school district purchased two used busses. They also made several building renovations throughout the year. The school district recorded depreciation expense of $146,275.

We anticipate capital additions for the 2015-2016 fiscal year will be comprised of additional equipment. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At June 30, 2015 and 2014, the School District had bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2015	Governmental Activities – 2014
General obligation bonds	$1,263,313	$1,890,195
Notes payable	-	-
Total	$1,263,313	$1,890,195

The School District made principal payments totaling $648,252 during the year. We present more detailed information about our long-term debt in the notes in the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2015-2016 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2015-2016 fiscal year budget was adopted in June 2015, based on an estimate of students that will be enrolled in September 2015. Approximately 73 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations, which approximates 4 percent of total revenues. As a result, the district funding is heavily dependent on the State's ability to fund local school operations.

Uncertainty about the amount of State revenues has a negative impact on financial planning. The School District is often several months into its new fiscal year before the State revenue levels are finalized.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superior Central School District, E2865 Highway M-94, Eben Junction, Michigan 49825.

Superior Central School District

STATEMENT OF NET POSITION

June 30, 2015

		Governmental Activities
ASSETS		
Current Assets:		
Cash and cash equivalents	$	1,037,385
Investments		-
Receivables:		
Accounts receivable		-
Delinquent property taxes		-
Due from other governmental units		507,015
Inventories		1,039
Prepaid expense		-
Non-current Assets:		
Land and construction in progress		62,439
Other capital assets, net		2,877,782
TOTAL ASSETS		4,485,660
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to proportionate share of net pension liability		147,093
District's contributions made subsequent to pension measurment date		433,888
TOTAL DEFERRED OUTFLOWS OF RESOURCES		580,981
LIABILITIES		
Current Liabilities:		
Accounts payable		96,270
Accrued liabilities		250,392
State aid note payable		556,160
Non-current Liabilities:		
Portion due or payable within one year		
Notes payable		-
Bonds payable		443,313
Portion due or payable after one year		
Notes payable		-
Bonds payable		820,000
Employee benefits payable		335,094
Proportionate share of net pension liability		3,986,231
TOTAL LIABILITIES		6,487,460
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows to proprotionate share of net pension liability		440,679
TOTAL DEFERRED INFLOWS OF RESOURCES		440,679
NET POSITION		
Net investment in capital assets		1,676,908
Restricted		223,823
Unrestricted		(3,762,229)
TOTAL NET POSITION	$	(1,861,498)

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

Superior Central School District

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Function / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instruction	$ 2,035,104	$ -	$ 617,241	$ -	$ (1,417,863)
Supporting services	1,140,361	30,992	107,685	-	(1,001,684)
Community service	-	-	-	-	-
Payments to other governmental agencies	-	-	-	-	-
Facilities acquisitions	-	-	-	-	-
Food service activities	175,911	50,487	113,288	-	(12,136)
Public library activities	-	-	-	-	-
Interest on retirement of debt	80,651	-	-	-	(80,651)
Capital projects	12,960	-	-	-	(12,960)
Depreciation - unallocated	146,275	-	-	-	(146,275)
TOTAL GOVERNMENTAL ACTIVITIES	$ 3,591,262	$ 81,479	$ 838,214	$ -	(2,671,569)

General revenues:	
Taxes	
Property taxes, levied for general purposes	524,462
Property taxes, levied for debt services	604,139
Property taxes, levied for capital projects	181,367
State aid not restricted to specific purposes	1,946,120
Interest and investment earnings	885
Miscellaneous	9,167
TOTAL GENERAL REVENUES	3,266,140
CHANGES IN NET POSITION	594,571
Net Position, July 1, as restated	(2,456,069)
NET POSITION, JUNE 30	$ (1,861,498)

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

Superior Central School District

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2015

	General Fund	School Lunch Fund	Debt Service Fund	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total
ASSETS						
Cash and cash equivalents	$ 752,600	45,815	$ 39,706	$ 193,484	$ 5,780	$ 1,037,385
Investments	-	-	-	-	-	-
Receivables:						
Accounts receivable	-	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-	-
Due from other governmental units	505,626	1,389	-	-	-	507,015
Due from other funds	58,789	12,391	-	-	-	71,180
Inventories	-	1,039	-	-	-	1,039
Prepaid expense	-	-	-	-	-	-
TOTAL ASSETS	1,317,015	60,634	39,706	193,484	5,780	1,616,619
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,317,015	60,634	$ 39,706	$ 193,484	$ 5,780	$ 1,616,619
LIABILITIES						
Accounts payable	$ 72,930	$ 806	$ -	$ 10,406	$ -	$ 84,142
Accrued liabilities	250,392	-	-	-	-	250,392
Due to other funds	24,519	58,789	-	-	-	83,308
State aid note payable	556,160	-	-	-	-	556,160
TOTAL LIABILITIES	904,001	59,595	-	10,406	-	974,002
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-
FUND BALANCES						
Non-spendable	-	1,039	-	-	-	1,039
Restricted	-	-	39,706	183,078	-	222,784
Committed	-	-	-	-	-	-
Assigned	173,454	-	-	-	5,780	179,234
Unassigned	239,560	-	-	-	-	239,560
TOTAL FUND BALANCES	413,014	1,039	39,706	183,078	5,780	642,617
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,317,015	$ 60,634	$ 39,706	$ 193,484	$ 5,780	$ 1,616,619

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

Superior Central School District

GOVERNMENTAL FUNDS

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

June 30, 2015

Total Fund Balances for Governmental Funds		$ 642,617
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 6,670,338	
Accumulated depreciation	(3,730,117)	2,940,221
Net pension liability is not due and payable in the current period and is not reported in the funds.		
Proportionate share of net pension liability	3,986,231	
Deferred outflows related to proportionate share of net pensin liability	(147,093)	
Deferred outflows made subsequent to pension measurement date	(433,888)	
Deferred inflows related to proportionate share of net pension liability	440,679	(3,845,929)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:		
Notes payable - current	-	
Bonds payable - current	443,313	
Notes payable - long term	-	
Bonds payable - long term	820,000	
Employee benefits payable	335,094	(1,598,407)
Net Position of Governmental Activities		$ (1,861,498)

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

Superior Central School District

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2015

	General Fund	School Lunch Fund	Debt Service Fund	Capital Projects Sinking Fund	Non-Major Governmental Funds	Total
REVENUES:						
Local sources	$ 587,959	$ 50,952	$ 604,320	$ 181,367	$ 6	$ 1,424,604
State sources	2,363,248	8,094	-	-	-	2,371,342
Federal sources	124,606	104,728	-	-	-	229,334
TOTAL REVENUES	3,075,813	163,774	604,320	181,367	6	4,025,280
EXPENDITURES:						
Instruction	1,972,859	-	-	-	-	1,972,859
Supporting services	1,174,924	-	-	-	-	1,174,924
Community services	-	-	-	-	-	-
Payments to other governmental agencies	-	-	-	-	-	-
Facilities acquisitions	-	-	-	-	-	-
School lunch activities	-	175,911	-	-	-	175,911
Debt Service:						
Principal	45,000	-	579,790	-	-	624,790
Interest	20,465	-	58,813	-	-	79,278
Other	-	-	3,465	-	-	3,465
Capital Projects:						
Capital outlay	-	-	-	146,686	-	146,686
Other	-	-	-	12,960	-	12,960
TOTAL EXPENDITURES	3,213,248	175,911	642,068	159,646	-	4,190,873
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(137,435)	(12,137)	(37,748)	21,721	6	(165,593)
OTHER FINANCING SOURCES (USES):						
Proceeds from borrowing	-	-	-	-	-	-
Transfers from other governmental units	160,553	-	-	-	-	160,553
Transfers in	-	12,391	-	-	-	12,391
Transfers (out)	(12,391)	-	-	-	-	(12,391)
TOTAL OTHER FINANCING SOURCES (USES)	148,162	12,391	-	-	-	160,553
NET CHANGE IN FUND BALANCES	10,727	254	(37,748)	21,721	6	(5,040)
Fund balance, July 1	402,287	785	77,454	161,357	5,774	647,657
FUND BALANCE, JUNE 30	$ 413,014	$ 1,039	$ 39,706	$ 183,078	$ 5,780	$ 642,617

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

Superior Central School District

GOVERNMENTAL FUNDS

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

For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds		$ (5,040)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation expense	$ (146,275)	
Capital outlays - facilities acquisition	146,686	
Capital outlays - supporting services	8,658	
Capital outlays - instruction	-	
Net book value of disposed assets	-	9,069
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		-
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		648,252
Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities.		(21,370)
Increase in net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it comes due for payment.		
Pension expense	(41,832)	
Change in deferred outflows related to timing of pension contributions	125,061	83,229
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(119,569)
Change in Net Position of Governmental Activities		$ 594,571

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

Superior Central School District

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Agency Funds Student Activity Fund
ASSETS:	
Cash and equivalents	$ 90,797
Due from other funds	12,128
TOTAL ASSETS	$ 102,925
LIABILITIES:	
Due to groups, organizations and activities	$ 102,925
Due to other funds	-
TOTAL LIABILITIES	$ 102,925

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

NOTE A – THE FINANCIAL REPORTING ENTITY:

The School District operates under an elected Board of Education of seven members, which are elected across the School District to establish programs and policies.

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the basic financial statements of the School District contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

District-Wide Financial Statements:

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

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

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

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

<u>Governmental Funds</u>

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

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue fund for the Superior Central School District is the School Lunch Fund.

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

Capital Projects Fund – The Capital Projects Funds are used to account for the receipt and disbursement of monies used for the acquisition of capital assets, including land, buildings, and equipment. Principal sources of revenues are from the sale of bonds, tax levies, and earned interest. Unexpended resources no longer needed on projects for which the bonds were originally approved generally must be transferred to the Debt Service Fund.

<u>Fiduciary Funds</u>

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

The School District's fiduciary funds are presented in the Fund Financial Statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The School District will first apply restricted net position for expenses incurred for purposes for which both restricted and unrestricted net position is available.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Investments

Investments are carried at market value.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

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

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	15-20 years
Buildings and improvements	20-50 years
Equipment	5-10 years
Vehicle and buses	5-10 years

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

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

> On the district-wide financial statements, changes in assumptions, differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions for the pension plan create a deferred outflow of resources.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

On the district-wide financial statements, the district's contributions made into the pension plan subsequent to the plan's fiscal year end creates a deferred outflow of resources.

State Anticipation Note
The School District issued notes through the Michigan Municipal Bond Authority for cash flow purposes. The School District has pledged a portion of their state aid to repay the principal and interest on the notes. Furthermore, the School District has irrevocably pledged its full faith and credit in case of the insufficiency of the pledged state aid.

Long-Term Debt
In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses.

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

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

On the district-wide financial statements, the net difference between projected and actual pension plan investment earnings, differences between expected and actual experience, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions create a deferred inflow of resources.

Equity Classification
District-Wide Statements

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

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.

3. Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Governmental Fund Statements

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

<u>Revenues</u>
District-Wide Statements

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

Fund Statements

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

<u>Property Taxes</u>
Property taxes are levied on July 1 and December 1, on behalf of the School District by various taxing units and are payable without penalty by February 28. The School District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year.) Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

<u>Expenses/Expenditures</u>
District-Wide Statements

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

Fund Statements

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

OTHER SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Budgets and Budgetary Accounting
The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is approved by the Board of Education.

d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.

e. All annual appropriations lapse at fiscal yearend.

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

Subsequent events
Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 26, 2015, the date of the accompanying independent auditor’s report, which is the date the financial statements were available to be issued.

NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents
As of June 30, 2015, the School District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	$1,037,385	$90,797	$1,128,182
Investments	-	-	-
Total	$1,037,385	$90,797	$1,128,182

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State law does not require and the School does not have a deposit policy for custodial credit risk. The carrying amounts of the School's deposits with financial institutions were $1,128,182 and the bank balance was $1,182,740. The bank balance is categorized as follows.

Amount insured by the FDIC	$250,000
Amount uncollateralized and uninsured	932,740
Total	$1,182,740

Investments
As of June 30, 2015, the School District had no investments.

Interest Rate Risk

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

Credit Risk

Michigan statutes authorize the School District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School District has no investment policy that would further limit its investment choices. Ratings are not required for the School District's investment in Treasury Notes. The School District's investments are in accordance with statutory authority.

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer.

NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments totaled $507,015. Of that balance $433,729 is due from the State of Michigan for State Aid and $73,286 due from other governmental units for the operation of special programs and grant projects.

NOTE E – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Superior Central School District reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net position and the balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		DUE FROM OTHER FUNDS			
		General Fund	School Lunch Fund	Agency Funds	Total Due To Other Funds
DUE TO OTHER FUNDS	General Fund	$-	$12,391	$12,128	$24,519
	School Lunch Fund	58,789	-	-	58,789
	Total Due From Other Funds	$58,789	$12,391	$12,128	$83,308

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

		TRANSFERS IN FROM OTHER FUNDS			
		General Fund	School Lunch Fund	Capital Projects Fund	Total Transfers Out To Other Funds
TRANSFERS OUT TO OTHER FUNDS	General Fund	$-	$12,391	$-	$12,391
	School Lunch Fund	-	-	-	-
	Capital Projects Fund	-	-	-	-
	Total Transfers In From Other Funds	$-	$12,391	$-	$12,391

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

NOTE F – CAPITAL ASSETS:

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	$62,439	$-	$-	$62,439
Construction in progress	-	-	-	-
Capital assets being depreciated:				
Land improvements	120,802	-	-	120,802
Buildings	5,325,241	-	-	5,325,241
Building improvements	457,135	146,686	-	603,821
Equipment	335,355	-	-	335,355
Vehicles and buses	214,022	8,658	-	222,680
Total Capital Assets	6,514,994	155,344	-	6,670,338
Less accumulated depreciation:				
Land improvements	(86,394)	(2,197)	-	(88,591)
Buildings	(2,968,959)	(99,679)	-	(3,068,638)
Building improvements	(55,832)	(22,796)	-	(78,628)
Equipment	(301,650)	(2,648)	-	(304,298)
Vehicle and buses	(171,007)	(18,955)	-	(189,962)
Total Accumulated Depreciation	(3,583,842)	(146,275)	-	(3,730,117)
Governmental Activities Capital Assets, Net	$2,931,152	$9,069	$-	$2,940,221

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	$146,275
Total Governmental Activities Depreciation Expense	$146,275

NOTE G – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2015 is as follows:

	Governmental Activities
Accrued wages	$182,443
Accrued fringes	57,045
Other accruals	10,904
Total	$250,392

NOTE H – STATE AID NOTE PAYABLE:

The School District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of the changes in short-term debt for the year ended June 30, 2015 is as follows:

NOTE H – STATE AID NOTE PAYABLE (Continued):

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
State Aid Note Payable					
2013-2014	$708,540	$-	$708,540	$-	$-
2014-2015	-	556,160	-	556,160	556,160
TOTAL LONG-TERM DEBT	$708,540	$556,160	$708,540	$556,160	$556,160

NOTE I – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2015, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
School Bond Loan Fund	$675,195	$21,370	$453,252	$243,313	$243,313
Refunding Bonds – 2003	920,000	-	150,000	770,000	150,000
Energy Project Bond – 2010	295,000	-	45,000	250,000	50,000
Subtotal	1,890,195	21,370	648,252	1,263,313	443,313
Employee Benefits	215,525	119,569	-	335,094	-
TOTAL LONG-TERM DEBT	$2,105,720	$140,939	$648,252	$1,598,407	$443,313

State School Bond Loan Program
June 30, 2015

	May 1		
Fiscal Year	Interest	Principal	Total
2016	$11,923	$243,313	$255,236
Total	$11,923	$243,313	$255,236

The School District has borrowed from the State School Bond Loan Program to apply towards maturing principal and interest payments on their serial bonds. The balance owed as of June 30, 2015 is $243,313, including accrued interest (3.53% per annum). Payments are made annually on May 1st; the mandatory final repayment date is May 1, 2026.

Refunding Bonds - 2003
June 30, 2015

	Nov 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2016	$14,795	$14,795	$150,000	$179,590
2017	12,095	12,095	140,000	164,190
2018	9,435	9,435	165,000	183,870
2019	6,300	6,300	160,000	172,600
2020	3,100	3,100	155,000	161,200
Total	$45,725	$45,725	$770,000	$861,450

The Refunding Bonds were originally issued for $3,085,000 in 2003. The bond payments are due semi-annually on November 1 (interest) and May 1 (principal and interest), with an interest rate of 3.2%-4.0%.

NOTE I – LONG-TERM OBLIGATIONS (Continued):

Energy Project Bond - 2010
June 30, 2015

	Nov 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2016	$6,250	$6,250	$50,000	$62,500
2017	5,100	5,100	50,000	60,200
2018	3,900	3,900	50,000	57,800
2019	2,650	2,650	50,000	55,300
2020	1,350	1,350	50,000	52,700
Total	$19,250	$19,250	$250,000	$288,500

The Energy Project Bonds were originally issued for $450,000 on July 15, 2010. The bond payments are due semi-annually on November 1 (interest) and May 1 (principal and interest), with an interest rate of 2.0%-5.4%.

As of June 30, 2015 the aggregate maturities of long-term debt are as follows:

Fiscal Year	Principal	Interest	Total
2016	$443,313	$54,013	$497,326
2017	190,000	34,390	224,390
2018	215,000	26,670	241,670
2019	210,000	17,900	227,900
2020	205,000	8,900	213,900
Total	$1,263,313	$141,873	$1,405,186

NOTE J – EMPLOYEE BENEFITS – COMPENSATED ABSENCES:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. Teachers meeting the requirements for retirement are paid a per day allowance, in accordance with the union agreement, at the time of retirement times the number of accumulated unused sick leave, using a maximum of 150 days. Support staff meeting the requirements for retirement are paid a percentage of the employee's daily rate, in accordance with the union agreement, at the time of retirement times the number of accumulated unused sick leave, using a maximum of 150 days.

As of June 30, 2015 the liability for employee benefits as reported in the statement of net position is as follows:

Sick leave	$130,190
Vacation leave	12,053
Retirement	192,851
Total	$335,094

NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS:

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Education. The Board of Education is the highest level of decision-making authority for the School District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Education.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the School District's adopted policy, only the Board of Education or the School District's finance committee may assign amounts for specific purposes. The finance committee may assign amounts only up to $500,000 for a specific purpose. However, all such assignments can be made only with unanimous approval of all committee members.

Unassigned — all other spendable amounts.

As of June 30, 2015, fund balances are composed of the following:

				Capital Projects		
	General Fund	School Lunch Fund	Debt Service Fund	Sinking Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable:						
Inventories	$-	$1,039	$-	$-	$-	$1,039
Restricted:						
Debt Service	-	-	39,706	-	-	39,706
Capital Projects	-	-	-	183,078	-	183,078
Assigned:						
Capital Projects	-	-	-	-	5,780	5,780
FY15/16 Budgeted Shortfall	173,454	-	-	-	-	173,454
Unassigned	239,560	-	-	-	-	239,560
Total Fund Balances	$413,014	$1,039	$39,706	$183,078	$5,780	$642,617

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

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

NOTE L – ECONOMIC DEPENDENCY:

The School District received approximately 62 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Superior Central School District. The School District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

NOTE M – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2015, the foundation allowance was based on the weighted average of pupil membership counts taken in October and February.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2014 – August 2015.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE N – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized $9,387 during fiscal 2015 in revenues and expenditures for USDA commodities.

NOTE O – PROPERTY TAXES:

The taxable value of real and personal property located in the School District for the 2014 tax year, totaled $70,764,793 (consisting of $41,683,137 for PRE, $-0- for Industrial Personal Property, $28,869,556 for Non-PRE and $212,100 for Commercial Personal Property). The tax for the year was based on a rate of 18 mills on the Non-homestead property, 6 mills on the Commercial Personal Property, 8.11 mills on all property types for Debt Retirement and 2.5 mills on all property types for the Sinking Fund. One mill is equal to $1.00 per $1,000 of taxable value.

NOTE P – CONTINGENT LIABILITIES:

Grant Assistance

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

NOTE P – CONTINGENT LIABILITIES:

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

Risk Management
The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $500,000 for each insured event.

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

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

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Organization
The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member. The Governor appointed board members consist of:

- Two active classroom teachers or other certified school personnel.
- One active member or retirant from a non-certified support position.
- One active school system superintendent.
- One active finance or operations (non-superintendent) member.
- One retirant from a classroom teaching position.
- One retirant from a finance or operations management position.
- One administrator or trustee of a community college that is a member of the System.
- Two from the general public, one with health insurance or actuarial science experience and one with institutional investment experience.
- One elected member of a member’s board of control.

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. A list of employers is provided in the Statistical Section of MPSERS' Comprehensive Annual Financial Report. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological and Lake Superior State. Employees, who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Membership

At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:		
Regular benefits		181,489
Survivor benefits		16,855
Disability benefits		6,168
	Subtotal	204,512
Inactive plan members entitled to but not yet receiving benefits:		16,979
Active plan members:		
Vested		108,934
Non-vested		101,843
	Subtotal	210,777
	Total	432,268

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Member Contributions

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

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

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012 beginning on page 23. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

Summary of Significant Accounting Policies
Basis of Accounting and Presentation

The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

Reserves

Reserve for Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Employer Contributions representing unclaimed funds.

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was $1.5 billion.

Reserve for Pension Plus Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was $59.5 million.

Reserve for Member Investment Plan - This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2014, the balance in this reserve was $4.7 billion.

Reserve for Employer Contributions - This reserve represents all member contributions, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was ($25.8) billion.

Reserve for Pension Plus Employer Contributions - This reserve represents all member contributions for Pension Plus members, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually at a rate of 7%. Amounts are transferred annually to the Reserve for Retired Pension Plus Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was $55.5 million.

Reserve for Retired Benefit Payments - This reserve represents payments of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was $44.6 billion.

Reserve for Retired Pension Plus Benefit Payments - This reserve represents payments of future retirement benefits to current Pension Plus retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Pension Plus Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. Currently, there are no participants qualified to retire under this program. At September 30, 2014, the balance in this reserve was $0.

Reserve for Undistributed Investment Income - This reserve represents all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the System are paid from the Reserve for Administrative Expenses, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. Public Act 143 of 1997 established a stabilization subaccount within the Reserve for Undistributed Investment Income to which any over funding is credited. As of September 30, 2014, the balance in the subaccount was zero. At September 30, 2014, the balance in this reserve was $18.6 billion.

Reserve for Health (OPEB) Related Benefits - This reserve is credited with employee and employer contributions for retirees' health, dental, and vision benefits. Starting in fiscal year 2013, the employer contribution is based on a prefunded basis and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. In addition, in fiscal year 2014, federal funding for Medicare Part D and Employer Group Waiver Plan (EGWP) was paid directly to a third party vendor. The third party vendor uses the EGWP funding for any claims submitted and bills the system for any remaining claims outstanding. Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was $3.5 billion.

Reporting Entity

The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

Benefit Protection

Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy or other legal process except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an "antialienation" clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Fair Value of Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income

Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Costs of Administering the System

Each year a restricted general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the System to the State's general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Property and Equipment

Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds $5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over 10 years. As of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Related Party Transactions

Leases and Services - The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The schedule below summarizes costs incurred by the System for such services.

Cash - At September 30, 2014, the System had $246.7 million in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to ($0.6) thousand for the year ended September 30, 2014.

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Contributions and Funding Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Members are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0-4.0%	18.34-19.61%
Member Investment Plan	3.0-7.0%	18.34-19.61%
Pension Plus	3.0-6.4%	18.11%
Defined Contribution	0.0%	15.44-16.61%

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records.

If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h).

At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was $29.7 million and the discounted long-term receivable was $83.6 million at September 30, 2014.

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Net Pension Liability—Non-University
Measurement of the MPSERS Net Pension Liability

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPSERS (Plan) Net Pension Liability – Non-University
As of September 30, 2014

Total Pension Liability	$65,160,887,182
Plan Fiduciary Net Position	43,134,384,072
Net Pension Liability	$22,026,503,110
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
Net Pension Liability as a Percentage of Covered-Employee Payroll	250.11%

Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the member's proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability – Non-University
As of October 1, 2013

Total Pension Liability	$62,859,499,994
Plan Fiduciary Net Position	39,427,686,072
Net Pension Liability	$23,431,813,922

Proportionate Share of the District's Net Pension Liability

At September 30, 2014, the District reported a liability of $3,986,231 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all members statutorily required contributions for the measurement period. At September 30, 2014, the District's proportionate share percent was 0.0181 percent.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	4.8%
% Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	2.0	(0.2)
Total	100%	

*Long term rate of return does not include 2.5% inflation

Rate of Return

For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
$5,255,498	$3,986,231	$2,916,854

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions:	
Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid)	8.0%
- Pension Plans (Hybrid)	7.0%
Projected Salary Increases	3.5 – 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—Non-University

For the year ended June 30, 2015, the District recognized total pension expense of $322,896**.** At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred (Inflows) of Resources**
Differences between expected and actual experience	$-	$-
Changes of assumptions	147,093	-
Net difference between projected and actual earnings on pension plan investments	-	(440,679)
Changes in proportion and differences between the District contributions and proportionate share of contributions	-	-
Subtotal	147,093	(440,679)
District contributions subsequent to the measurement date	433,888	-
Total	$580,981	$(440,679)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Plan Year Ended September 30	Amount
2015	$(71,921)
2016	(71,921)
2017	(71,921)
2018	(77,823)

During the fiscal year, the School District recognized revenue in the amount of $135,680 from the State for the unfunded actuarial accrued liability.

NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

Employees of the School District who began working for a Michigan public school July 1, 2010, or later, are members of the Pension Plus plan or Defined Contribution (DC) plan, defined contribution pension plans. Under Public Act 300 of 2012, eligible members of MPSERS had the option to increase, maintain, or stop their contributions to the pension fund as of the transition date. Members of MPSERS who elected to stop their contributions became participants in the DC plan as of their transition date.

Pension Plus Plan
The Pension Plus Plan is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Within the plan employees have three options to choose from: 1) Pension Plus with Premium Subsidy, 2) Pension plus to DC with PHF, and 3) Basic/MIP to DC with Premium Subsidy. The School District's required to contribute ranges 1% to 4% of annual salary for plan members based on the type of plan the employee is participating in. Employees are permitted to make contributions up to applicable Internal Revenue Service Code limits. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits from the Plan in accordance with IRS regulations for 401(k) plans.

Defined Contribution Plan
The Defined Contribution Plan, is a defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Employee contributions are 8% of wages with the employer matching contributions dollar for dollar on the first 2% of wages and 50 cents on the dollar on the next 6% of wages. Employee contributions are made into the 457 Plan while employer matching contributions are made in othe 401(k) Plan. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

Contributions
The total amount contributed to the Plan for the year ended June 30, 2015 was $13,960 which consisted of $2,770 from the School District and $11,190 from employees.

NOTE S – EMPLOYEE RETIREMENT SYSTEM – POST-EMPLOYMENT BENEFITS:

Post-Employment Benefits
Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees electing this coverage contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.45% (of the total 24.79% required contribution) of covered payroll for the period from July 1, 2014 through September 30, 2014 and 6.83% (of the total 24.78% required contribution) from October 1, 2014 through June 30, 2015. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

NOTE S – EMPLOYEE RETIREMENT SYSTEM – POST-EMPLOYMENT BENEFITS (Continued):

MPSERS 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 System at 7150 Harris Drive, PO Box 30171, Lansing, Michigan, 48909.

NOTE T – NET POSITION RESTATEMENT:

The following net position restatement were made resulting from the adoption of GASB No. 68 and GASB No. 71. The adjustment records the beginning proportionate share of net pension liability and related deferred outflows of resources as listed below.

	Governmental Activities
Net position, beginning of year	$1,473,089
Prior period adjustments:	
Proportionate share of net pension liability	(4,237,985)
District's contributions made subsequent to pension measurement date	308,827
Net position, beginning of year, as restated	$(2,456,069)

NOTE U – SINGLE AUDIT:

The School District's audited financial statements report a total of $229,334 in Federal expenditures. As this amount is less than the single audit threshold of $500,000, the School District is not required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2015.

NOTE V – SINKING FUNDS:

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

NOTE W – NEW GASB STANDARDS:

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement No. 66, *2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)*. GASB No. 66 eliminates conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees. This

NOTE W – NEW GASB STANDARDS (Continued):

Statement is effective for periods beginning after December 15, 2013. The adoption of GASB No. 66 does not have any impact on the District's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system. It also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. This information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan. This Statement is effective for periods beginning after June 15, 2014. The adoption of GASB No. 68 required the District to record a prior period adjustment for the District's portion the net pension liability at the beginning of the year as detailed in Note T of the financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB Statement No. 68).* This standard is an amendment to GASB 68, and seeks to clarify implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. This Statement is effective at the same time GASB 68 is adopted. The adoption of GASB No. 71 required the District to record a prior period adjustment resulting from timing differences between the District's fiscal year and the actuarial valuation measurement date as detailed in Note T of the financial statements.

Other Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement No. 67 *Financial Reporting for Pension Plans*. GASB No. 67 establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary. This Statement is effective for periods beginning after June 15, 2013. The adoption of GASB No. 67 does not have any impact on the District's financial statements as the District does not have a pension plan administered by trusts.

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. GASB No. 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. This Statement is effective for

NOTE W – NEW GASB STANDARDS (Continued):

periods beginning after December 15, 2013. The adoption of GASB No. 69 does not have any impact on the District's financial statements.

In April 2013, the GASB issued Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB No. 70 addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is "more likely than not" that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements. This Statement is effective for periods beginning after June 15, 2013. The District has no such arrangements, therefore the adoption of GASB No. 70 does not have any impact on the District's financial statements.

NOTE X – UPCOMING STANDARDS:

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

<u>GASB 72: Fair Value Measurement and Application</u>
Effective for fiscal years beginning after June 15, 2015 (District's fiscal year 2016)

This standard addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

<u>GASB 73: Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68</u>
Effective for fiscal years beginning after June 15, 2015 (District's fiscal year 2016)

This standard establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements

NOTE X – UPCOMING STANDARDS (Continued):

and required supplementary information by all similarly situated employers and nonemployer contributing entities.

GASB 74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
Effective for fiscal years beginning after June 15, 2016 (District's fiscal year 2017)

This standard replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement 43, and Statement No. 50, *Pension Disclosures.*

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet certain criteria. It also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

GASB 75: Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
Effective for fiscal years beginning after June 15, 2017 (District's fiscal year 2018)

This standard replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

GASB 75 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The particular accounting and financial reporting requirements and footnote disclosures are dependent upon the type of plan being used (defined benefit, defined contribution, or special funding situations) and whether the OPEB plans are administered through trusts meeting certain criteria.

NOTE X – UPCOMING STANDARDS (Continued):

GASB 76: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
Effective for fiscal years beginning after June 15, 2015 (District's fiscal year 2016)

This standard supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB 77: Tax Abatement Disclosures
Effective for fiscal years beginning after December 15, 2015 (District's fiscal year 2017)

This standard requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Governments will be required to disclose information about tax abatement agreements including the taxes being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanisms by which taxes ae abated, provisions for recapturing abated taxes, and the types of commitments being made by tax abatement recipients. Additionally the gross dollar amount of taxes abated during the period will have to be disclosed along with any other commitments made by a government, other than to abate taxes, as part of the tax abatement agreement.

REQUIRED SUPPLEMENTAL INFORMATION

Superior Central School District

SCHEDULE OF THE SUPERIOR CENTRAL SCHOOLS' CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Year Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily required contributions	$ 327,894									
Contributions in relation to statutorily required contributions	327,894									
Contributions deficiency (excess)	$ -									
District's covered-employee payroll	$ 1,485,099									
Contributions as a percentage of covered-employee payroll	22%									

Superior Central School District

SCHEDULE OF THE SUPERIOR CENTRAL SCHOOLS' CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Plan Year Ended September 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of net pension liability	0.01810%									
District's proportionate share of net pension liability	$ 3,986,231									
District's covered-employee payroll	$ 1,537,026									
District's proportionate share of net pension liability as a percentage of covered-employee payroll	259.35%									
Plan fiduciary net position as a percentage of total pension liability	66.20%									

Superior Central School District

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (GAAP Basis)	Variances Positive (Negative) Original Budget to Final Budget	Variances Positive (Negative) Final Budget to Actual
REVENUES:					
Local sources	$ 548,700	$ 583,361	$ 587,959	$ 34,661	$ 4,598
State sources	2,212,462	2,362,947	2,363,248	150,485	301
Federal sources	145,880	124,606	124,606	(21,274)	-
TOTAL REVENUES	2,907,042	3,070,914	3,075,813	163,872	4,899
EXPENDITURES:					
Instruction:					
Basic programs	1,448,800	1,589,403	1,581,609	(140,603)	7,794
Added needs	344,094	387,185	391,250	(43,091)	(4,065)
Total Instruction	1,792,894	1,976,588	1,972,859	(183,694)	3,729
Supporting Services:					
Pupil services	53,257	40,492	40,878	12,765	(386)
Instructional staff	22,311	20,073	19,696	2,238	377
General administration	101,001	97,103	91,299	3,898	5,804
School administration	234,843	241,001	239,744	(6,158)	1,257
Fiscal services	124,550	123,682	116,121	868	7,561
Operation and maintenance	263,786	280,539	268,461	(16,753)	12,078
Pupil transportation	281,979	285,594	290,938	(3,615)	(5,344)
Non instructional technology services	48,288	49,262	48,005	(974)	1,257
Athletic activities	73,454	57,957	59,782	15,497	(1,825)
Total Supporting Services	1,203,469	1,195,703	1,174,924	7,766	20,779
Other Functions:					
Community service	-	-	-	-	-
Custody and care of children	-	-	-	-	-
Total Other Functions	-	-	-	-	-
Payments to Other Governments:					
Payment to other schools	-	-	-	-	-
Total Payments to Other Government Agencies	-	-	-	-	-
Debt Service:					
Principal	45,000	45,000	45,000	-	-
Interest	20,309	20,309	20,465	-	(156)
Total Debt Service	65,309	65,309	65,465	-	(156)
Facilities Acquisition					
Capital outlay	-	-	-	-	-
Total Facilities Acquisition	-	-	-	-	-
TOTAL EXPENDITURES	3,061,672	3,237,600	3,213,248	(175,928)	24,352
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(154,630)	(166,686)	(137,435)	(12,056)	29,251
OTHER FINANCING SOURCES (USES):					
Transfers from other governmental units	130,000	157,400	160,553	27,400	3,153
Transfers in	-	-	-	-	-
Transfers (out)	(15,000)	(15,000)	(12,391)	-	2,609
TOTAL OTHER FINANCING SOURCES (USES)	115,000	142,400	148,162	27,400	5,762
NET CHANGE IN FUND BALANCE	(39,630)	(24,286)	10,727	15,344	35,013
Fund balance, July 1	402,287	402,287	402,287	-	-
FUND BALANCE, JUNE 30	$ 362,657	$ 378,001	$ 413,014	$ 15,344	$ 35,013

Superior Central School District

SCHOOL LUNCH FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
School lunch activities	$ 50,000	$ 54,137	$ 50,952	$ 4,137	$ (3,185)
State aid	7,000	6,765	8,094	(235)	1,329
Federal sources	89,000	81,430	104,728	(7,570)	23,298
TOTAL REVENUES	146,000	142,332	163,774	(3,668)	21,442
EXPENDITURES:					
School lunch activities:					
Salaries	49,953	45,054	46,365	4,899	(1,311)
Fringe benefits	35,959	31,506	31,923	4,453	(417)
Purchased services	800	925	1,985	(125)	(1,060)
Other costs	650	395	2,891	255	(2,496)
Food and milk	63,613	57,467	83,360	6,146	(25,893)
Capital outlay	-	-	-	-	-
Donated commodities	9,387	9,387	9,387	-	-
Total Debt Service	160,362	144,734	175,911	15,628	(31,177)
TOTAL EXPENDITURES	160,362	144,734	175,911	15,628	(31,177)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,362)	(2,402)	(12,137)	11,960	(9,735)
OTHER FINANCING SOURCES (USES):					
Transfers in	2,402	2,402	12,391	-	9,989
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,402	2,402	12,391	-	9,989
NET CHANGE IN FUND BALANCE	(11,960)	-	254	11,960	254
Fund balance, July 1	785	785	785	-	-
FUND BALANCE, JUNE 30	$ (11,175)	$ 785	$ 1,039	$ 11,960	$ 254

OTHER SUPPLEMENTAL INFORMATION

Superior Central School District

NON-MAJOR FUNDS

COMBINING BALANCE SHEET

June 30, 2015

	Capital Projects Fund
ASSETS	
Cash and cash equivalents	$ 5,780
Due from other governmental units	-
Delinquent property taxes	-
Due from other funds	-
Inventory	-
TOTAL ASSETS	5,780
DEFERRED OUTFLOWS OF RESOURCES	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,780
LIABILITIES	
Accounts payable	$ -
Due from other funds	-
Accrued liabilities	-
TOTAL LIABILITIES	-
DEFERRED INFLOWS OF RESOURCES	
Fees received in advance	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-
FUND BALANCES	
Non-spendable	-
Restricted	-
Committed	-
Assigned	5,780
Unassigned	-
TOTAL FUND BALANCES	5,780
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 5,780

Superior Central School District

NON-MAJOR FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

For the Year Ended June 30, 2015

	Capital Projects Fund
REVENUES:	
Taxes and penalties	$ -
State aid	-
Federal sources	-
Donations	-
Interest	6
TOTAL REVENUES	6
EXPENDITURES:	
Capital outlay	-
Other expenditures	-
TOTAL EXPENDITURES	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6
OTHER FINANCING SOURCES (USES):	
Proceeds from borrowing	-
Transfers in	-
Transfers (out)	-
TOTAL OTHER FINANCING SOURCES (USES)	-
NET CHANGE IN FUND BALANCE	6
Fund balance, July 1	5,774
FUND BALANCE, JUNE 30	$ 5,780

COMPLIANCE SECTION

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"A Regional Firm With Offices In Michigan And Wisconsin"
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of the
Superior Central School District
E2865 Highway M-94
Eben Junction, Michigan 49825

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Superior Central School District (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 26, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Report to Management letter that we consider to be significant deficiencies (Item 2015-001 – 2015-002).

Compliance and Other Matters

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

Superior Central School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying Report to Management letter. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2015

COMMUNICATIONS SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
"A Regional Firm With Offices In Michigan And Wisconsin"
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PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Superior Central School District
Report to Management
For the Year Ended June 30, 2015

To the Board of Education of the
Superior Central School District
E2865 Highway M-94
Eben Junction, Michigan 49825

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Superior Central School District (the School District) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

SIGNIFICANT DEFICIENCIES

2015-001 – SEGREGATION OF DUTIES (REPEAT):

Condition/Criteria: The accounting staff of the Superior Central Public School District is made up of one individual, which does not allow for segregation of duties.

Effect: Because of the limited staff, there is an increased chance that misstatements in financial statements would not be prevented or detected on a timely basis.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
  - Terri Lintula, Business Manager
- Corrective Action Planned:
  - The Board of Education closely monitors all payments and reviews the financial statements on a month basis.
- Anticipated Completion Date:
  - Not Applicable

2015-002–ASSISTANCE IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (REPEAT):

Condition/Criteria: Statement on Auditing Standards #115 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Cause of Condition: The staff of the District did not have adequate staffing to prepare all the information included in the annual financial statements.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with generally accepted accounting principles.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
  - Terri Lintula, Business Manager
- Corrective Action Planned:
  - Management anticipates that this practice will continue as a needed service. Our staffing will not change and assistance is needed to complete all the requirements of the annual audit.
- Anticipated Completion Date:
  - Not Applicable

Board of Education of the
Superior Central School District

The School District's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2015

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PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Superior Central School District
Communication with Those Charged with Governance
For the Year Ended June 30, 2015

October 26, 2015

To the Board of Education of the
Superior Central School District
E2865 Highway M-94
Eben Junction, Michigan 49825

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Superior Central School District (the School District) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 18, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the notes to the financial statements. As described in Note W to the financial statements, the School District adopted the following new accounting guidance: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an Amendment of GASB No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB No. 68),* in 2015. Accordingly, the cumulative effect of the new accounting changes as of the beginning of the year is reported as a prior period adjustment on the Statement of Activities as enumerated upon in Note T to the financial statements. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of accumulated depreciation is based on historical cost. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of employee benefit obligations is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the District's proportionate share of Net Pension Liability is based on an actuarial performed for the Michigan Public Employees' Retirement System (MPSERS) to determine its liability. We evaluated the key factors and assumptions used to develop the District's proportionate share of Net Pension Liability, based on information provided by the Michigan Department of Technology, Management and Budget Office of Retirement Services, in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure of the District's proportionate share of the Defined Benefit Pension Plan includes significant actuarial assumptions used in calculating the valuation. Gabriel, Roeder, Smith & Company was the actuarial company hired by the Retirement Board of the Michigan Public Employees' Retirement System (MPSERS) and the Michigan Department of Technology, Management and Budget Office of Retirement Services for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MPSERS' Comprehensive Annual Financial Report of the Fiscal Year Ended September 30, 2014.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Our consideration of internal control was for the limited purpose described in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Report to Management letter that we consider to be significant deficiencies item 2015-001 – 2015-002.

Other Matters

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

Board of Education of the
Superior Central School District

We were engaged to report on Other Supplemental Information as listed in the audited financial statements table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants