



WEINLANDER FITZHUGH

REESE PUBLIC SCHOOLS
REESE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2014

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

September 4, 2014

Board of Education
Reese Public Schools
Reese, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards 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 School District'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 School District'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.

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Board of Education
Reese Public Schools
September 4, 2014

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, 2014 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information as noted 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 U.S. generally accepted auditing standards, 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 combining nonmajor fund financial statements and schedule of bonded indebtedness are presented for purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is also not a required part of the basic financial statements.



WEINLANDER FITZHUGH

Board of Education
Reese Public Schools
September 4, 2014

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2014, 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.

Weinlander Fitzhugh

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

Our discussion and analysis of Reese Public Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2014.

Financial Highlights

The School District's net position increased by \$412,440 or 13%. Program revenues were \$1,857,873 or 20% of total revenues, and general revenues were \$7,221,961 or 80%.

The General Fund reported a positive fund balance of \$862,889.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Capital Projects Fund with all other funds presented in one column as nonmajor 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. The following summarizes the presentation included in this annual financial report.

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

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

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

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off 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 manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to 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 available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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

District-wide Financial Analysis

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2014 and 2013:

Exhibit A	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 3,682,360	\$ 3,367,235
Capital assets - net of accumulated depreciation	8,188,542	8,372,742
Total assets	<u>11,870,902</u>	<u>11,739,977</u>
Liabilities		
Current liabilities	1,849,568	1,832,083
Long-term liabilities	6,520,000	6,819,000
Total liabilities	<u>8,369,568</u>	<u>8,651,083</u>
Net Position		
Net investment in capital assets	1,488,542	1,382,742
Restricted	1,269,903	879,559
Unrestricted	742,889	826,593
Total net position	<u>\$ 3,501,334</u>	<u>\$ 3,088,894</u>

The analysis above focuses on net position (see Exhibit A). The School District's net position was \$3,501,334 at June 30, 2014. Investment in property and equipment, net of related debt totaling \$1,488,542, compares the original costs 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 is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use the net position for day-to-day operations.

The \$742,889 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.

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

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2014 and 2013.

Exhibit B	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenue:		
Charges for services	\$ 262,376	\$ 318,633
Grants and categoricals	1,595,497	1,442,329
General revenue:		
Property taxes	1,829,517	1,354,644
State foundation allowance	5,293,247	5,692,179
Other	99,197	79,706
Total revenues	<u>9,079,834</u>	<u>8,887,491</u>
Function/Program Expenses		
Instruction	4,743,043	4,953,487
Support services	2,663,351	2,537,119
Community services	37,876	38,267
Food services	372,514	391,433
Athletics	238,804	231,191
Capital outlay	7,572	11,020
Interest on long-term debt	299,575	309,475
Depreciation (unallocated)	304,659	299,669
Total expenses	<u>8,667,394</u>	<u>8,771,661</u>
Change in Net Position	<u>\$ 412,440</u>	<u>\$ 115,830</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$8,667,394. Certain activities were partially funded from those who benefited from the programs, \$262,376, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$1,595,497. We paid for the remaining "public benefit" portion of our governmental activities with \$1,829,517 in taxes, \$5,293,247 in State Foundation Allowance and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$412,440. The major reason was the increase in the amount of taxes collected and not spent in our sinking fund and debt. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

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.

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

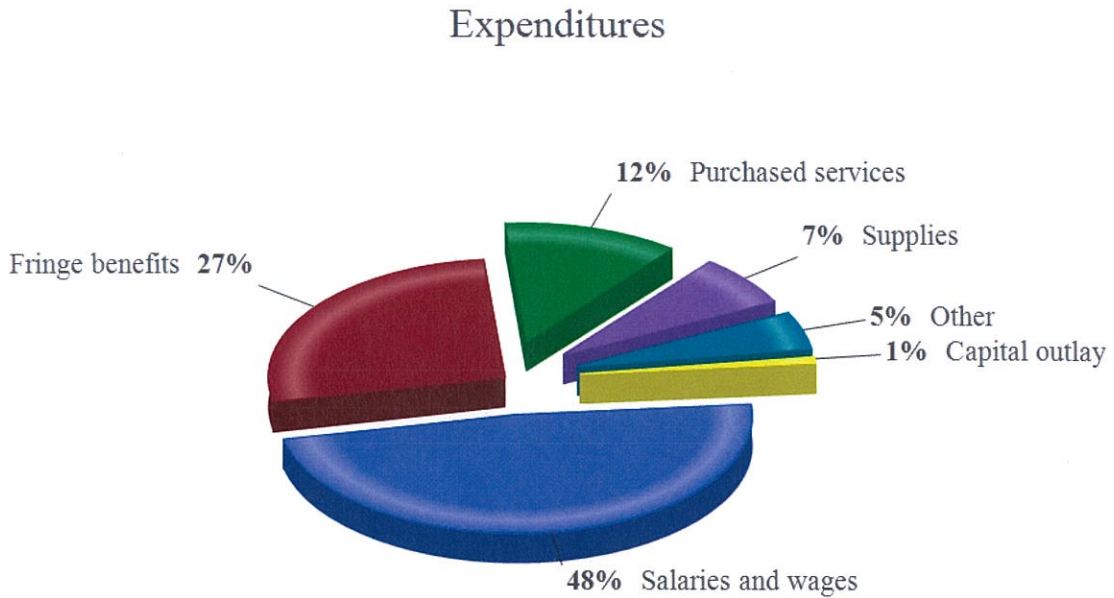
The School District's governmental funds reported a combined fund balance of \$2,180,792, which is above last year's total of \$1,875,153. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	<u>Fund Balance</u> <u>6/30/2014</u>	<u>Fund Balance</u> <u>6/30/2013</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 862,889	\$ 945,593	\$ (82,704)
Capital Projects	978,583	694,306	284,277
Special Revenue	59,501	43,935	15,566
Debt Service	279,819	191,319	88,500
	<u>\$ 2,180,792</u>	<u>\$ 1,875,153</u>	<u>\$ 305,639</u>

- Our General Fund decrease is mainly attributable to increases in utilities and transportation expenses. We also initiated a one-to-one tablet program at the middle school.
- Our Capital Projects Fund increased due to fewer sinking fund projects being done, as well as the increase in taxes collected because of the windmills. The main projects done this year were the elementary school temperature controls and the softball field renovations.
- Our Special Revenue Funds increased mainly due to an increase in the amount charged per meal.
- Our Debt Service Funds increased due to property values increasing significantly due to the windmills.

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

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



<u>Expenditures by Object</u>	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 3,649,495	\$ 3,738,261
Fringe benefits	2,098,808	2,115,249
Purchased services	959,543	999,682
Supplies	563,887	486,117
Capital outlay	51,086	17,940
Other	411,213	427,469
Total	<u>\$ 7,734,032</u>	<u>\$ 7,784,718</u>

Expenditures have decreased by \$50,686 from the prior year mainly due to the reduction in personnel and the insurance being capped.

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

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect 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 were as follows:

- Budgeted revenues were increased due to student counts being higher and property tax adjustments.
- Final budgeted expenditures for 2014 were increased due to increases in revenue. There were also increases due to transportation expenses and increases in utilities.

Capital Assets

At June 30, 2014, the School District had \$8,188,542 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of 2% from last year.

	2014	2013
Land	\$ 519,823	\$ 519,823
Buildings and improvements	13,212,649	13,131,117
Buses and other vehicles	778,456	739,529
Furniture and equipment	233,892	233,892
Total capital assets	14,744,820	14,624,361
Less accumulated depreciation	6,556,278	6,251,619
Net capital assets	\$ 8,188,542	\$ 8,372,742

This year's additions of \$120,459 were for a lawn mower, used buses, temperature controls at the elementary school and softball field renovations. No debt was issued for these additions.

We anticipate capital additions will continue with the upgrading of boilers, bleachers, roofs and building systems. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$6,700,000 in bonds outstanding versus \$6,990,000 in the previous year - a decrease of 4%.

	2014	2013
2005 Improvement Bonds	\$ 6,700,000	\$ 6,990,000

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

Factors Expected to have an Effect on Future Operations

Our elected Board and administration considered many factors when setting the School District's 2015 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2015 fiscal year budget was adopted in June 2014, based on an estimate of students that will be enrolled in September 2014. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2014-2015 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2015 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation until 2014-2015.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Reese Public Schools
1696 VanBuren
Reese, MI 48757

REESE PUBLIC SCHOOLS
Statement of Net Position
June 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 2,408,685
Receivables - net:	
Due from other governmental units	1,212,026
Accounts receivable	42,189
Prepaid expenses	500
Deposits	18,960
Capital assets less accumulated depreciation \$6,556,278	8,188,542
Total assets	11,870,902
<u>Liabilities</u>	
Accounts payable	7,902
Unearned revenue	17,511
Accrued interest payable	48,000
Accrued payroll and other liabilities	601,136
State aid anticipation note payable	875,019
Long-term liabilities:	
Due within one year	300,000
Due in more than one year	6,520,000
Total liabilities	8,369,568
<u>Net Position</u>	
Net investment in capital assets	1,488,542
Restricted for debt service	231,819
Restricted for capital projects	978,583
Restricted for food service	59,501
Unrestricted	742,889
Total net position	\$ 3,501,334

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2014

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 4,743,043	\$ 57,967	\$ 1,251,658	\$ (3,433,418)
Support services	2,663,351	0	56,494	(2,606,857)
Community services	37,876	23,846	0	(14,030)
Food services	372,514	106,212	287,345	21,043
Athletics	238,804	74,351	0	(164,453)
Capital outlay	7,572	0	0	(7,572)
Interest on long-term debt	299,575	0	0	(299,575)
Depreciation (unallocated)	304,659	0	0	(304,659)
	<u>\$ 8,667,394</u>	<u>\$ 262,376</u>	<u>\$ 1,595,497</u>	<u>(6,809,521)</u>
Total governmental activities				
General revenues:				
Taxes:				
Property taxes, levied for general purposes				797,781
Property taxes, levied for capital projects				351,661
Property taxes, levied for debt services				680,075
State aid				5,293,247
Interest and investment earnings				121
Other				99,076
				<u>7,221,961</u>
				412,440
Change in net position				<u>412,440</u>
Net position - beginning of year				<u>3,088,894</u>
Net position - end of year				<u>\$ 3,501,334</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2014

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<u>Assets</u>				
Cash and investments	\$ 1,084,091	\$ 978,583	\$ 346,011	\$ 2,408,685
Receivables - net:				
Due from other funds	0	0	999	999
Due from other governmental units	1,209,740	0	2,286	1,212,026
Accounts receivable	42,189	0	0	42,189
Prepaid expenditures	500	0	0	500
Deposits	18,960	0	0	18,960
	<u>\$ 2,355,480</u>	<u>\$ 978,583</u>	<u>\$ 349,296</u>	<u>\$ 3,683,359</u>
Total assets				
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 0	\$ 0	\$ 7,902	\$ 7,902
Due to other funds	999	0	0	999
Unearned revenue	15,437	0	2,074	17,511
Accrued payroll and payroll taxes	601,136	0	0	601,136
State aid anticipation note payable	875,019	0	0	875,019
	<u>1,492,591</u>	<u>0</u>	<u>9,976</u>	<u>1,502,567</u>
<u>Fund Balance</u>				
Nonspendable - prepaid	500	0	0	500
Restricted for debt service	0	0	279,819	279,819
Restricted for capital projects	0	978,583	0	978,583
Restricted for food service	0	0	59,501	59,501
Unassigned	862,389	0	0	862,389
	<u>862,889</u>	<u>978,583</u>	<u>339,320</u>	<u>2,180,792</u>
Total fund balance				
Total liabilities and fund balance	<u>\$ 2,355,480</u>	<u>\$ 978,583</u>	<u>\$ 349,296</u>	<u>\$ 3,683,359</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

Total fund balance - governmental funds	\$ 2,180,792
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds</p>	
Cost of the capital assets	14,744,820
Accumulated depreciation	(6,556,278)
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(6,700,000)
Compensated absences	(120,000)
Accrued interest payable is included as a liability in governmental activities	<u>(48,000)</u>
Total net position - governmental activities	<u><u>\$ 3,501,334</u></u>

See accompanying notes to financial statements.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Local sources				
Property taxes	\$ 797,781	\$ 351,661	\$ 680,075	\$ 1,829,517
Other local sources	197,000	0	106,212	303,212
State sources	5,902,527	0	20,486	5,923,013
Federal sources	717,379	0	248,351	965,730
Interdistrict and other sources	36,641	0	0	36,641
Total revenues	7,651,328	351,661	1,055,124	9,058,113
<u>Expenditures</u>				
Current:				
Instruction	4,742,043	0	0	4,742,043
Support services	2,702,278	0	0	2,702,278
Community services	37,876	0	0	37,876
Athletics	238,804	0	0	238,804
Food services	0	0	372,514	372,514
Capital outlay	0	67,384	0	67,384
Debt service:				
Principal	0	0	290,000	290,000
Interest and other	0	0	301,575	301,575
Total expenditures	7,721,001	67,384	964,089	8,752,474
Excess (deficiency) of revenues over expenditures	(69,673)	284,277	91,035	305,639
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	0	0	13,031	13,031
Operating transfers out	(13,031)	0	0	(13,031)
Total other financing sources (uses)	(13,031)	0	13,031	0
Net change in fund balance	(82,704)	284,277	104,066	305,639
Fund balance - beginning of year	945,593	694,306	235,254	1,875,153
Fund balance - end of year	\$ 862,889	\$ 978,583	\$ 339,320	\$ 2,180,792

See accompanying notes to financial statements.

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

Net change in fund balance - total governmental funds	\$ 305,639
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p>	
Depreciation expense	(304,659)
Capital outlay	120,459
Repayment of bonds	290,000
<p>Increases in compensated absences are reported as an addition in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6</p>	
	(1,000)
<p>Decreases in accrued interest are reported as a reduction in expenditures on the Statement of Activities</p>	
	2,001
Change in net position of governmental activities	\$ 412,440

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
<u>Assets</u>		
Cash and investments	\$ <u>141,246</u>	\$ <u>117,190</u>
<u>Liabilities</u>		
Due to student groups	\$ <u>141,246</u>	<u>0</u>
Held in trust for scholarships		<u>\$ 117,190</u>

REESE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

<u>Additions</u>	
Contributions and investment income	\$ 1,731
<u>Deductions</u>	
Scholarships	<u>4,151</u>
Change in net position	(2,420)
Net position - beginning of year	<u>119,610</u>
Net position - end of year	<u>\$ 117,190</u>

See accompanying notes to financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Reese Public Schools (the "School District") conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

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

District-wide and Fund Financial Statements

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Capital Projects Fund - The Capital Projects Fund is used to account for the recording of transactions relative to the improvement of the facilities of the School District.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity

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

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

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

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 asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and improvements	20-50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

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

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid - For the fiscal year ended June 30, 2014, the State of Michigan adopted 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, 2014, the foundation allowance was based on the average pupil membership counts taken in September of 2013 and February 2014.

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 payments from October 2013 - August 2014. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2014 relating to state aid is \$1,054,042.

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

Events Occurring After Reporting Date

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 the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

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

NOTE 2 - BUDGETS (CONTINUED)

Reese Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

NOTE 3 - CASH AND INVESTMENTS

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

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Investments	<u>\$ 2,408,685</u>	<u>\$ 258,436</u>	<u>\$ 2,667,121</u>

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Deposits (checking and savings accounts, certificates of deposit)	\$ 2,563,857
Investment in interlocal agreement investment pools (i.e. MILAF) with a weighted average maturity not to exceed 60 days	102,114
Petty cash and cash on hand	<u>1,150</u>
Total	<u><u>\$ 2,667,121</u></u>

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2014, the School District's investment in the investment pool was rated AAA by Standard & Poor's.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2014, \$1,039,366, of the School District's bank balance of \$2,839,993 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets not being depreciated:				
Land	\$ 519,823	\$ 0	\$ 0	\$ 519,823
Capital assets being depreciated:				
Buildings and improvements	13,131,117	81,532	0	13,212,649
Buses and other vehicles	739,529	38,927	0	778,456
Furniture and equipment	233,892	0	0	233,892
Subtotal	<u>14,104,538</u>	<u>120,459</u>	<u>0</u>	<u>14,224,997</u>
Accumulated depreciation:				
Buildings and improvements	5,252,355	268,223	0	5,520,578
Buses and other vehicles	626,372	28,970	0	655,342
Furniture and equipment	372,892	7,466	0	380,358
Subtotal	<u>6,251,619</u>	<u>304,659</u>	<u>0</u>	<u>6,556,278</u>
Net capital assets being depreciated	<u>7,852,919</u>	<u>(184,200)</u>	<u>0</u>	<u>7,668,719</u>
Net capital assets	<u>\$ 8,372,742</u>	<u>\$ (184,200)</u>	<u>\$ 0</u>	<u>\$ 8,188,542</u>

Depreciation expense for fiscal year ended June 30, 2014 was \$304,659. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND TRANSFERS AND BALANCES

A summary of inter-fund transfers made during the year ended June 30, 2014 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 999	\$ 0	\$ 13,031
Special Revenue				
Cafeteria	<u>999</u>	<u>0</u>	<u>13,031</u>	<u>0</u>
	<u>\$ 999</u>	<u>\$ 999</u>	<u>\$ 13,031</u>	<u>\$ 13,031</u>

Transfers are used to reflect federal revenues received for the food program. These interfund receivable and payable balances resulted from the time lag between the dates that payments between funds are made.

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

NOTE 6 - RECEIVABLES

Receivables at June 30, 2014 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 1,054,042
Federal grants	31,723
ISD	123,975
	<u>\$ 1,209,740</u>

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$17,511.

NOTE 8 - SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District's cash flow obligation to operating expenses precede the collection of state aid.

<u>Beginning</u> <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending</u> <u>Balance</u>
<u>\$ 800,000</u>	<u>\$ 1,075,000</u>	<u>\$ 999,981</u>	<u>\$ 875,019</u>

NOTE 9 - LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2014:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
Bonds	\$ 6,990,000	\$ 0	\$ 290,000	\$ 6,700,000	\$ 300,000
Compensated absences	119,000	1,000	0	120,000	0
	<u>\$ 7,109,000</u>	<u>\$ 1,000</u>	<u>\$ 290,000</u>	<u>\$ 6,820,000</u>	<u>\$ 300,000</u>

Bonds payable at June 30, 2014 is comprised of the following issues:

\$8,000,000 School Building & Site bonds due in annual installments of \$290,000 to \$570,000 through May 1, 2030; interest at 4.00% to 4.55%	<u>\$ 6,700,000</u>
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REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Compensated absences include unused sick pay and vacation pay. Unused sick pay is calculated using the termination payoff rate of \$45 for eligible employees times the number of unused days (maximum 150 days). Vacation payouts are computed using an average daily rate using 220 days. At June 30, 2014, the amount of \$120,000 has been recorded in the district-wide financial statements.

The School District defeased the outstanding debt listed below by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on the callable portions of the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements.

	As of June 30, 2014 the Amount of Debt <u>Considered Defeased</u>
2000 School Building and Site Bonds	\$ <u><u>6,565,000</u></u>

The annual requirements to amortize bonds outstanding as of June 30, 2014, including interest payments, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 300,000	\$ 287,742	\$ 587,742
2016	315,000	275,743	590,743
2017	325,000	263,142	588,142
2018	340,000	250,143	590,143
2019	355,000	236,542	591,542
2020 - 2024	2,005,000	952,558	2,957,558
2025 - 2029	2,490,000	476,907	2,966,907
2030	570,000	25,935	595,935
	<u>\$ 6,700,000</u>	<u>\$ 2,768,712</u>	<u>\$ 9,468,712</u>

NOTE 10 - RISK MANAGEMENT

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description - The School District participates in the statewide Michigan Public School Employees' Retirement System (System) which 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 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.

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 MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>.

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 who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Benefit Provisions - Pension

Introduction

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 hybrid 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.

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Funding Policy

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 choose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. 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, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the following table. The School District contributions to MPSERS were equal to the required contribution for those years.

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

The School District's contributions to MPSERS are as follows:

Fiscal Year Ending June 30,	Contributions to MPSERS
2014	\$ 900,586
2013	\$ 899,680
2012	\$ 891,536

Included in the amounts paid above, the School District received \$186,345 and \$72,279 of Section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The School District has recorded these amounts as state revenue and additional pension expenditures/expenses for the years ended June 30, 2014 and 2013.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts if any are included in the amounts paid above.

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

Fiscal Year 2014

Effective October 1, 2013

Public School Employee Pension Rates (FYE Sept. 30th)	Basic MIP	Pension Plus	Pension Plus	Pension Plus to	Basic MIP DB	Basic MIP DB	Basic MIP with	
			PHF - First worked after 9/2/13	DC with PHF First worked after 9/2/13	to DC with DB Health	to DC with PHF	PHF	
			DB Contributions					
Pension Normal Costs	2.90 %	2.67 %	2.67 %	0.00 %	0.00 %	0.00 %	2.90 %	
Pension UAL	14.08 %	14.08 %	14.08 %	14.08 %	14.08 %	14.08 %	14.08 %	
Pension Early Retirement Incentive	1.36 %	1.36 %	1.36 %	1.36 %	1.36 %	1.36 %	1.36 %	
Pension Contributions - Total Rate	18.34 %	18.11 %	18.11 %	15.44 %	15.44 %	15.44 %	18.34 %	
Health Normal Cost	0.93 %	0.93 %	0.00 %	0.00 %	0.93 %	0.00 %	0.00 %	
Health UAL	5.52 %	5.52 %	5.52 %	5.52 %	5.52 %	5.52 %	5.52 %	
Health Contributions - Total Rate	6.45 %	6.45 %	5.52 %	5.52 %	6.45 %	5.52 %	5.52 %	
Total	24.79 %	24.56 %	23.63 %	20.96 %	21.89 %	20.96 %	23.86 %	
			DC Contributions					
DC Employer Contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %	
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %	
Total	0.00 %	1.00 %	3.00 %	5.00 %	4.00 %	6.00 %	2.00 %	
Grand Total	24.79 %	25.56 %	26.63 %	25.96 %	25.89 %	26.96 %	25.86 %	

Fiscal Year 2013

Effective February 1, 2013

Public School Employee Pension Rates (FYE Sept. 30th)	Basic MIP	Pension Plus	Pension Plus	Pension Plus to	Basic MIP DB	Basic MIP DB	Basic MIP with
			PHF - First worked after 9/3/12	DC with PHF First worked after 9/3/12	to DC with PHF	to DC with PHF	PHF
Grand Total	24.32 %	24.13 %	26.20 %	25.96 %	25.89 %	26.96 %	25.39 %

Fiscal Year 2013

Fiscal Year 2012

Public School Employee Pension Rates FYE Sept. 30th)	4 months ended 1/31/2013				FY 2011 - 2012		Eleven months ended 9/30/11	
	First worked before 7/1/10	First worked 6/30/10 and 9/3/12	Pension Plus and First worked after 9/3/12	Elected DC and First worked after 9/3/12	First worked before 7/1/10	First worked after 6/30/10	First worked before 7/1/10	First worked after 6/30/10
Total	25.36 %	24.13 %	23.20 %	20.96 %	24.46 %	23.23 %	20.66 %	19.16 %

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Benefit Provisions - Other Postemployment

Introduction

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

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

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

NOTE 12 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 13 - ECONOMIC DEPENDENCY

The School District received approximately 77% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 14 - BOND AND SINKING FUND COMPLIANCE

The School District passed a sinking fund levy at 1.5 mills. The activity related to the sinking fund is recorded in the Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2014.

For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was issued by the GASB in June 2012 and will be effective for the School District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

REESE PUBLIC SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources				
Property taxes	\$ 535,100	\$ 800,100	\$ 797,781	\$ (2,319)
Other local sources	188,000	190,900	197,000	6,100
State sources	5,931,625	5,909,623	5,902,527	(7,096)
Federal sources	792,801	737,502	717,379	(20,123)
Interdistrict and other sources	48,000	48,400	36,641	(11,759)
Total revenues	<u>7,495,526</u>	<u>7,686,525</u>	<u>7,651,328</u>	<u>(35,197)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	3,843,250	3,965,516	3,951,910	13,606
Added needs	855,581	799,187	790,133	9,054
Support services:				
Pupil	354,164	339,838	335,811	4,027
Instructional staff	131,671	181,367	176,210	5,157
General administrative	184,255	180,980	177,471	3,509
School administrative	564,434	543,363	539,700	3,663
Business services	195,105	174,396	167,881	6,515
Operations and maintenance	724,545	820,319	805,009	15,310
Transportation	343,726	362,518	357,109	5,409
Information services	144,319	146,730	143,087	3,643
Community services	42,539	41,467	37,876	3,591
Athletics	239,320	242,883	238,804	4,079
Total expenditures	<u>7,622,909</u>	<u>7,798,564</u>	<u>7,721,001</u>	<u>77,563</u>
Excess (deficiency) of revenues over expenditures	(127,383)	(112,039)	(69,673)	42,366
<u>Other Financing Sources (Uses)</u>				
Operating transfers out	(25,783)	(21,228)	(13,031)	8,197
Net change in fund balance	(153,166)	(133,267)	(82,704)	50,563
Fund balance - beginning of year	<u>945,593</u>	<u>945,593</u>	<u>945,593</u>	<u>0</u>
Fund balance - end of year	<u>\$ 792,427</u>	<u>\$ 812,326</u>	<u>\$ 862,889</u>	<u>\$ 50,563</u>

REESE PUBLIC SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Fund	Debt Service Fund	
	Cafeteria	2005 Debt Retirement	Total
<u>Assets</u>			
Cash and investments	\$ 66,192	\$ 279,819	\$ 346,011
Receivables - net:			
Due from other funds	999	0	999
Due from other governmental units	2,286	0	2,286
Total assets	\$ 69,477	\$ 279,819	\$ 349,296
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 7,902	\$ 0	\$ 7,902
Unearned revenue	2,074	0	2,074
Total liabilities	9,976	0	9,976
<u>Fund Balance</u>			
Restricted for debt service	0	279,819	279,819
Restricted for food service	59,501	0	59,501
Total fund balance	59,501	279,819	339,320
	\$ 69,477	\$ 279,819	\$ 349,296

REESE PUBLIC SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Fund	Debt Service Fund	
	<u>Cafeteria</u>	<u>2005 Debt Retirement</u>	<u>Total</u>
<u>Revenues</u>			
Local sources			
Property taxes	\$ 0	\$ 680,075	\$ 680,075
Other local sources	106,212	0	106,212
State sources	20,486	0	20,486
Federal sources	248,351	0	248,351
Total revenues	<u>375,049</u>	<u>680,075</u>	<u>1,055,124</u>
<u>Expenditures</u>			
Current:			
Food services	372,514	0	372,514
Debt service:			
Principal	0	290,000	290,000
Interest and other	0	301,575	301,575
Total expenditures	<u>372,514</u>	<u>591,575</u>	<u>964,089</u>
Excess (deficiency) of revenues over expenditures	<u>2,535</u>	<u>88,500</u>	<u>91,035</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	<u>13,031</u>	<u>0</u>	<u>13,031</u>
Net change in fund balance	15,566	88,500	104,066
Fund balance - beginning of year	<u>43,935</u>	<u>191,319</u>	<u>235,254</u>
Fund balance - end of year	<u>\$ 59,501</u>	<u>\$ 279,819</u>	<u>\$ 339,320</u>

REESE PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness -
For the Year Ended June 30, 2014

PURPOSE

The 2000 bonds were refunded, the original bonds were issued for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, refurbishing and re-equipping the Reese Elementary, Middle and High School buildings, acquiring and installing educational technology, and developing and improving the sites.

DATE OF ISSUE

March 30, 2005

INTEREST PAYABLE

May 1 and November 1 of each year

AMOUNT OF ISSUE

\$ 8,000,000

AMOUNT REDEEMED

During prior years	\$ 1,010,000	
During current year	<u>290,000</u>	<u>1,300,000</u>

BALANCE OUTSTANDING - June 30, 2014

\$ 6,700,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	4.00%	\$ 300,000	\$ 287,742	\$ 587,742
2016	4.00%	315,000	275,743	590,743
2017	4.00%	325,000	263,142	588,142
2018	4.00%	340,000	250,143	590,143
2019	4.00%	355,000	236,542	591,542
2020	4.00%	370,000	222,343	592,343
2021	4.20%	385,000	207,542	592,542
2022	4.20%	400,000	191,373	591,373
2023	4.30%	415,000	174,572	589,572
2024	4.35%	435,000	156,728	591,728
2025	4.45%	455,000	137,805	592,805
2026	4.45%	475,000	117,557	592,557
2027	4.45%	495,000	96,420	591,420
2028	4.55%	520,000	74,393	594,393
2029	4.55%	545,000	50,732	595,732
2030	4.55%	<u>570,000</u>	<u>25,935</u>	<u>595,935</u>
		<u>\$ 6,700,000</u>	<u>\$ 2,768,712</u>	<u>\$ 9,468,712</u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
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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

Independent Auditor's Report

September 4, 2014

Board of Education
Reese Public Schools
Reese, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 Reese Public Schools (School District), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise Reese Public Schools' basic financial statements and have issued our report thereon dated September 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reese Public Schools' 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 Reese Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Reese Public Schools' 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 School District'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.

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WEINLANDER FITZHUGH

Board of Education
Reese Public Schools
September 4, 2014

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weinlander Fitzhugh



WEINLANDER FITZHUGH

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

September 4, 2014

To the Board of Education
Reese Public Schools
Reese, Michigan

Report on Compliance for Each Major Federal Program

We have audited Reese Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Reese Public Schools' major federal programs for the year ended June 30, 2014. Reese Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Reese Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Reese Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Reese Public Schools' compliance.

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WEINLANDER FITZHUGH

Board of Education
Reese Public Schools
September 4, 2014

Opinion on Each Major Federal Program

In our opinion, Reese Public Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Reese Public Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Reese Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Reese Public Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



WEINLANDER FITZHUGH

Board of Education
Reese Public Schools
September 4, 2014

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Weinlander Fitzhugh

REESE PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? YES NO
- Significant deficiency(ies) identified? YES NONE REPORTED

Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? YES NO
- Significant deficiency(ies) identified? YES NONE REPORTED

Type of auditor's report issued on compliance of major programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? YES NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A	IDEA Cluster

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

Auditee qualified as low-risk auditee? YES NO

SECTION II - Financial Statement Findings

There are no matters reported.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

REESE PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2013	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2014
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education:								
ECIA Title I								
Educationally Deprived	84.010							
1315301213		\$ 152,133	\$ 147,343	\$ 67,602	\$ 0	\$ 67,602	\$ 0	\$ 0
1415301314		151,403	0	0	0	127,211	147,250	20,039
			<u>147,343</u>	<u>67,602</u>	<u>0</u>	<u>194,813</u>	<u>147,250</u>	<u>20,039</u>
ECIA Title I								
Migrant Education	84.011							
1318301213		271,677	6,687	6,687	0	225,067	218,380	0
1318301314		164,125	0	0	0	0	5,476	5,476
			<u>6,687</u>	<u>6,687</u>	<u>0</u>	<u>225,067</u>	<u>223,856</u>	<u>5,476</u>
Title II								
Improving Teacher Quality	84.367							
1305201213		49,163	48,535	48,535	0	48,535	0	0
1405201314		43,794	0	0	0	39,314	41,717	2,403
			<u>48,535</u>	<u>48,535</u>	<u>0</u>	<u>87,849</u>	<u>41,717</u>	<u>2,403</u>
Passed through Tuscola ISD								
IDEA Special Education	84.027A							
1004551314		275,747	0	0	0	275,747	275,747	0
Rural Education Achievement Program	84.358A							
S358A107775		1,000	0	0	0	1,000	1,000	0
Total U.S. Department of Education			<u>202,565</u>	<u>122,824</u>	<u>0</u>	<u>784,476</u>	<u>689,570</u>	<u>27,918</u>
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
School Breakfast Program	10.553							
Cash Assistance		62,987	0	0	0	62,987	62,987	0

See accompanying notes to Schedule of Expenditures of Federal Awards

REESE PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2013	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2014
National School Lunch Program	10.555							
Cash Assistance		\$ 156,801	\$ 0	\$ 0	\$ 0	\$ 156,801	\$ 156,801	\$ 0
Non-Cash Assistance (Commodities)								
Entitlement		23,566	0	0	0	23,566	23,566	0
National School Lunch Program Subtotal			<u>0</u>	<u>0</u>	<u>0</u>	<u>180,367</u>	<u>180,367</u>	<u>0</u>
Summer Food Service Program for Children	10.559							
Cash Assistance								
130990		15,854	5,714	5,713	0	13,521	9,228	1,420
131900		14,942	0	0	0	1,421	3,805	2,384
Non-Cash Assistance (Commodities)								
Entitlement		3,998	0	0	0	3,998	3,998	0
Summer Food Service Program subtotal			<u>5,714</u>	<u>5,713</u>	<u>0</u>	<u>18,940</u>	<u>17,031</u>	<u>3,804</u>
Team Nutrition Grants	10.574							
Healthier US School Challenge		1,000	0	0	0	1,000	1,000	0
Total Child Nutrition Cluster			<u>5,714</u>	<u>5,713</u>	<u>0</u>	<u>263,294</u>	<u>261,385</u>	<u>3,804</u>
<u>Federal Communications Commission</u>								
Passed through AT&T:								
Communications information and assistance	32.xxx	12,613	0	0	0	12,613	12,613	0
Passed through Century Link:								
Communications information and assistance	32.xxx	436	0	0	0	436	436	0
			<u>0</u>	<u>0</u>	<u>0</u>	<u>436</u>	<u>436</u>	<u>0</u>
Passed through Charter:								
Communications information and assistance	32.xxx	1,728	0	0	0	1,728	1,728	0
Total Federal Communications Commission			<u>0</u>	<u>0</u>	<u>0</u>	<u>14,777</u>	<u>14,777</u>	<u>0</u>
			<u>\$ 208,279</u>	<u>\$ 128,537</u>	<u>\$ 0</u>	<u>\$ 1,062,547</u>	<u>\$ 965,732</u>	<u>\$ 31,722</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

REESE PUBLIC SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Reese Public Schools under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Reese Public Schools, it is not intended to and does not present the financial position or changes in net position of Reese Public Schools.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.