



WEINLANDER FITZHUGH

REESE PUBLIC SCHOOLS
REESE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2015

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 16, 2015

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, 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 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.

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 Reese Public Schools as of June 30, 2015 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

1600 Center Avenue | PO Box 775 | Bay City, MI 48707-0775

1.800.624.2400 | 989.893.5577 | Fax: 989.895.5842 | www.wf-cpas.com

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Board of Education
Reese Public Schools
October 16, 2015

Emphasis of Matter

As discussed in Note 14 to the financial statements, the School District has implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, and Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

The 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 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.



Board of Education
Reese Public Schools
October 16, 2015

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 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.

Weinlander Fitzhugh

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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, 2015.

Financial Highlights

The School District's net position increased by \$279,578 or 5%. Of that amount, \$(380,343) was a direct result of implementing Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Program revenues were \$2,056,117 or 22% of total revenues, and general revenues were \$7,346,127 or 78%.

The General Fund reported a positive fund balance of \$921,428. The Capital Projects Fund reported a positive fund balance of \$1,243,342. The 2015 Debt Retirement Fund reported a positive fund balance of \$458,932.

The School District implemented GASB Statement No. 68. The effects of this Statement required the School District to report in its statement of net position a liability of \$9,323,429.

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 2015 Debt Retirement 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)

Pension Schedules (Required Supplemental Information)

Other Supplemental Information

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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, 2015

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, 2015 and 2014:

Exhibit A	<u>Governmental Activities</u>	
	<u>2015</u>	<u>Nonrestated 2014</u>
Assets		
Current and other assets	\$ 4,191,871	\$ 3,682,360
Capital assets - net of accumulated depreciation	8,023,942	8,188,542
Total assets	<u>12,215,813</u>	<u>11,870,902</u>
Deferred Outflows of Resources		
Related to refunding	134,809	0
Related to pensions	691,791	0
Total deferred outflows of resources	<u>826,600</u>	<u>0</u>
Liabilities		
Current liabilities	1,847,162	1,849,568
Long-term liabilities	15,665,634	6,520,000
Total liabilities	<u>17,512,796</u>	<u>8,369,568</u>
Deferred Inflows of Resources		
Related to pensions	1,030,709	0
	<u>0</u>	<u>0</u>
Net Position		
Net investment in capital assets	2,163,942	1,488,542
Restricted	1,713,281	1,269,903
Unrestricted	(9,378,315)	742,889
Total net position	<u>\$ (5,501,092)</u>	<u>\$ 3,501,334</u>

The analysis above focuses on net position (see Exhibit A). The School District's net position was \$(5,501,092) at June 30, 2015. Investment in property and equipment, net of related debt totaling \$2,163,942, 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.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The \$(9,378,315) 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.

The School District implemented GASB Statement No. 68 for 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$9,378,315. The 2014 summary of the School District's net position was not restated to reflect this implementation.

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, 2015 and 2014.

Exhibit B

	Governmental Activities	
	2015	Nonrestated 2014
Revenues		
Program revenue:		
Charges for services	\$ 276,682	\$ 262,376
Grants and categoricals	1,779,435	1,595,497
General revenue:		
Property taxes	2,081,303	1,829,517
State aid	5,158,936	5,293,247
Other	105,888	99,197
Total revenues	9,402,244	9,079,834
Function/Program Expenses		
Instruction	5,043,259	4,743,043
Support services	2,782,777	2,663,351
Community services	36,569	37,876
Food services	398,917	372,514
Athletics	245,275	238,804
Capital outlay	60,114	7,572
Interest on long-term debt	136,544	299,575
Depreciation (unallocated)	318,309	304,659
Bond issuance costs	100,902	0
Total expenses	9,122,666	8,667,394
Change in Net Position	\$ 279,578	\$ 412,440

The School District implemented GASB Statement No. 68 for 2015. The effects of this Statement required the School District to report in the summary of the change in net position, an expense of \$380,343. The 2014 summary of the School District's change in net position was not restated to reflect this implementation.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2015

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$9,122,666. Certain activities were partially funded from those who benefited from the programs, \$276,682, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$1,779,435. We paid for the remaining "public benefit" portion of our governmental activities with \$2,081,303 in taxes, \$5,158,936 in State Aid and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$279,578. The major reason was the increase in debt retirement and capital projects accounts. 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.

The School District's governmental funds reported a combined fund balance of \$2,682,708, which is above last year's total of \$2,180,791. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

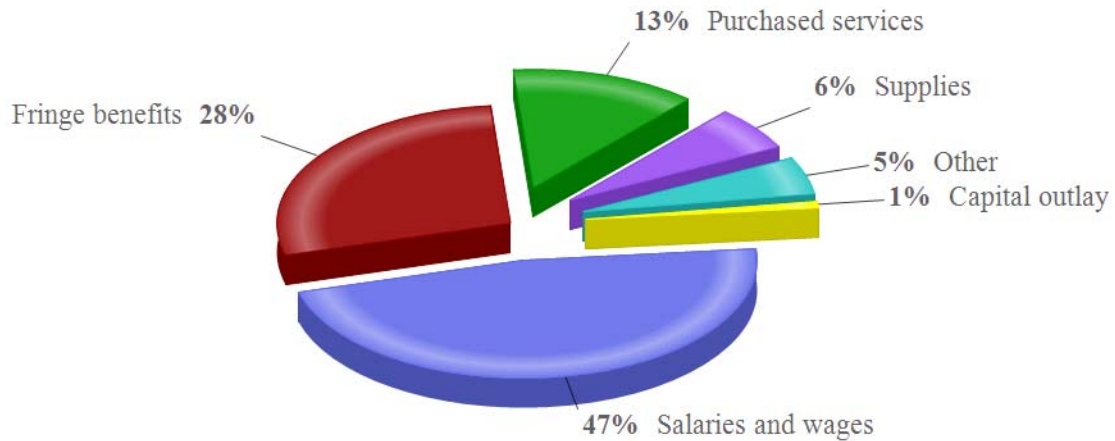
	Fund Balance <u>6/30/2015</u>	Fund Balance <u>6/30/2014</u>	Increase <u>(Decrease)</u>
General	\$ 921,428	\$ 862,889	\$ 58,539
Capital Projects	1,243,342	978,583	264,759
Debt Retirement	458,932	279,818	179,114
Special Revenue	59,006	59,501	(495)
	<u>\$ 2,682,708</u>	<u>\$ 2,180,791</u>	<u>\$ 501,917</u>

- Our General Fund increase is mainly attributable to the retirement of three teachers who were not replaced.
- Our Capital Projects Fund increased due to not many capital projects being done. The money was being saved to do the middle school renovations the following year.
- Our Special Revenue Fund was about break-even.
- Our Debt Service Funds increased due to the refunding of the bond. We also have money reserved for a pending tax tribunal judgment.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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.

Expenditures



<u>Expenditures by Object</u>	<u>2015</u>	<u>2014</u>
Salaries and wages	\$ 3,616,428	\$ 3,649,495
Fringe benefits	2,186,072	2,098,808
Purchased services	1,024,172	959,543
Supplies	466,756	563,887
Capital outlay	88,315	51,086
Other	399,737	411,213
Total	<u>\$ 7,781,480</u>	<u>\$ 7,734,032</u>

Expenditures have increased by \$47,448 mainly due to the purchase of a bus and sub buses. Also, the retirement rate was increased due to Section 147c.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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 a GPS grant, property tax adjustment and opening another GSRP room.
- Final budgeted expenditures for 2015 were increased due to an increase in the ORS Section 147c rate, spending the GPS grant and expanding our GSRP program.
- Actual revenues were lower than budgeted amounts by \$74,794 due to reduced revenues for property taxes, State aid and federal revenues.
- Actual expenditures were lower than budgeted amounts by \$169,921 due to actual expenditures in various functional areas being recognized at amounts lower than budget. No significant individual variance noted.

Capital Assets

At June 30, 2015, the School District had \$8,023,942 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.

	2015	2014
Land	\$ 519,823	\$ 519,823
Buildings and improvements	13,285,056	13,212,649
Buses and other vehicles	565,130	778,456
Furniture and equipment	231,435	233,892
Total capital assets	14,601,444	14,744,820
Less accumulated depreciation	6,577,502	6,556,278
Net capital assets	\$ 8,023,942	\$ 8,188,542

This year's additions of \$171,564 were for lockers, baseball fence, pole vault mat, scoreboards, computer software, and buses. No debt was issued for these additions.

We anticipate capital additions will continue with the renovations to the high school for middle school to move over. Also, we will continue to upgrade parking lots, boilers, roofs and building systems. We present more detailed information about our capital assets in the notes to the financial statements.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Debt

At the end of this year, the School District had \$5,860,000 in bonds outstanding versus \$6,700,000 in the previous year - a decrease of 13%.

	2015	2014
2015 Improvement Bonds	\$ 5,860,000	\$ 0
2005 Improvement Bonds	0	6,700,000
	\$ 5,860,000	\$ 6,700,000

Factors Expected to have an Effect on Future Operations

Our elected Board and administration considered many factors when setting the School District's 2016 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 2016 fiscal year budget was adopted in June 2015, based on an estimate of students that will be enrolled in September 2015. 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 2015-2016 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2016 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 2015-2016.

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, 2015

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 2,802,343
Receivables - net:	
Taxes	5,630
Due from other governmental units	1,342,165
Accounts receivable	22,773
Deposits	18,960
Capital assets less accumulated depreciation \$6,577,502	<u>8,023,942</u>
Total assets	<u>12,215,813</u>
<u>Deferred Outflows of Resources</u>	
Related to pensions	691,791
Loss on bond refunding	<u>134,809</u>
Total Deferred Outflows of Resources	<u>826,600</u>
<u>Liabilities</u>	
Accounts payable	9,822
Unearned revenue	16,697
Accrued interest payable	47,999
Accrued payroll and other liabilities	622,624
State aid anticipation note payable	860,020
Long-term liabilities:	
Due within one year	290,000
Due in more than one year	6,342,205
Net pension liability	<u>9,323,429</u>
Total liabilities	<u>17,512,796</u>
<u>Deferred Inflows of Resources</u>	
Related to pensions	<u>1,030,709</u>
<u>Net Position</u>	
Net investment in capital assets	2,163,942
Restricted for debt service	410,933
Restricted for capital projects	1,243,342
Restricted for food service	59,006
Unrestricted	<u>(9,378,315)</u>
Total net position	<u>\$ (5,501,092)</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2015

		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	\$ 5,043,259	\$ 79,613	\$ 1,424,702	\$ (3,538,944)
Support services	2,782,777	0	57,668	(2,725,109)
Community services	36,569	22,059	0	(14,510)
Food services	398,917	101,352	297,065	(500)
Athletics	245,275	73,658	0	(171,617)
Capital outlay	60,114	0	0	(60,114)
Interest on long-term debt	136,544	0	0	(136,544)
Depreciation (unallocated)	318,309	0	0	(318,309)
Bond issuance costs	100,902	0	0	(100,902)
	<u>\$ 9,122,666</u>	<u>\$ 276,682</u>	<u>\$ 1,779,435</u>	<u>(7,066,549)</u>
Total governmental activities				
General revenues:				
Taxes:				
Property taxes, levied for general purposes				954,708
Property taxes, levied for capital projects				367,367
Property taxes, levied for debt services				759,228
State aid				5,158,936
Interest and investment earnings				33
Other				105,855
				<u>7,346,127</u>
Total general revenues				
Change in net position				
Net position - beginning of year				
Change in accounting principle				
Net position - beginning of year, restated				
Net position - end of year				

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2015

	General	Capital Projects	2015 Debt Retirement	Other Nonmajor Governmental Funds	Total
<u>Assets</u>					
Cash and investments	\$ 1,039,678	\$ 1,241,674	\$ 455,484	\$ 65,507	\$ 2,802,343
Receivables - net:					
Taxes	514	1,668	3,448	0	5,630
Due from other governmental units	1,336,247	0	0	5,918	1,342,165
Accounts receivable	22,773	0	0	0	22,773
Deposits	18,960	0	0	0	18,960
	<u>\$ 2,418,172</u>	<u>\$ 1,243,342</u>	<u>\$ 458,932</u>	<u>\$ 71,425</u>	<u>\$ 4,191,871</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 9,822	\$ 9,822
Unearned revenue	14,100	0	0	2,597	16,697
Accrued payroll and payroll taxes	622,624	0	0	0	622,624
State aid anticipation note payable	860,020	0	0	0	860,020
	<u>1,496,744</u>	<u>0</u>	<u>0</u>	<u>12,419</u>	<u>1,509,163</u>
<u>Fund Balance</u>					
Restricted for debt service	0	0	458,932	0	458,932
Restricted for capital projects	0	1,243,342	0	0	1,243,342
Restricted for food service	0	0	0	59,006	59,006
Unassigned	921,428	0	0	0	921,428
	<u>921,428</u>	<u>1,243,342</u>	<u>458,932</u>	<u>59,006</u>	<u>2,682,708</u>
Total liabilities and fund balance	<u>\$ 2,418,172</u>	<u>\$ 1,243,342</u>	<u>\$ 458,932</u>	<u>\$ 71,425</u>	<u>\$ 4,191,871</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, 2015

Total fund balance - governmental funds	\$ 2,682,708
<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	14,601,444
Accumulated depreciation	(6,577,502)
<p>Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:</p>	
Related to pensions	691,791
Loss on bond refunding	134,809
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(5,860,000)
Compensated absences	(137,000)
Unamortized debt premium	(635,205)
Net pension liability	(9,323,429)
Accrued interest payable is included as a liability in governmental activities	(47,999)
<p>Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:</p>	
Related to pensions	<u>(1,030,709)</u>
Total net position - governmental activities	<u><u>\$ (5,501,092)</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, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>2015 Debt Retirement</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Revenues</u>					
Local sources					
Property taxes	\$ 954,708	\$ 367,367	\$ 759,228	\$ 0	\$ 2,081,303
Other local sources	202,456	0	0	101,357	303,813
State sources	5,977,432	0	0	16,898	5,994,330
Federal sources	651,436	0	0	280,167	931,603
Interdistrict and other sources	<u>53,987</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53,987</u>
Total revenues	<u>7,840,019</u>	<u>367,367</u>	<u>759,228</u>	<u>398,422</u>	<u>9,365,036</u>
<u>Expenditures</u>					
Current:					
Instruction	4,783,656	0	0	0	4,783,656
Support services	2,715,980	0	0	0	2,715,980
Community services	36,569	0	0	0	36,569
Athletics	245,275	0	0	0	245,275
Food services	0	0	0	398,917	398,917
Capital outlay	0	102,608	0	0	102,608
Principal	0	0	300,000	0	300,000
Interest and other	<u>0</u>	<u>0</u>	<u>150,980</u>	<u>0</u>	<u>150,980</u>
Total expenditures	<u>7,781,480</u>	<u>102,608</u>	<u>450,980</u>	<u>398,917</u>	<u>8,733,985</u>
Excess (deficiency) of revenues over expenditures	<u>58,539</u>	<u>264,759</u>	<u>308,248</u>	<u>(495)</u>	<u>631,051</u>
<u>Other Financing Sources (Uses)</u>					
Proceeds from bond issuance	0	0	6,509,641	0	6,509,641
Bond issuance costs	0	0	(100,902)	0	(100,902)
Payment to escrow account	<u>0</u>	<u>0</u>	<u>(6,537,873)</u>	<u>0</u>	<u>(6,537,873)</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(129,134)</u>	<u>0</u>	<u>(129,134)</u>
Net change in fund balance	58,539	264,759	179,114	(495)	501,917
Fund balance - beginning of year	<u>862,889</u>	<u>978,583</u>	<u>279,818</u>	<u>59,501</u>	<u>2,180,791</u>
Fund balance - end of year	<u>\$ 921,428</u>	<u>\$ 1,243,342</u>	<u>\$ 458,932</u>	<u>\$ 59,006</u>	<u>\$ 2,682,708</u>

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, 2015

Net change in fund balance - total governmental funds	\$ 501,917
<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	(318,309)
Capital outlay	171,564
Loss on sale of assets	(17,855)
Repayment of bonds	300,000
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental fund. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items as follows:</p>	
Proceeds from issuance of debt	(5,860,000)
Premium on issuance	(649,641)
Payments on long-term debt	6,537,873
Amortization of bond premium	14,436
Amortization of loss on refunding	(3,064)
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	(17,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds</p>	
Pension related items	(380,343)
Change in net position of governmental activities	<u>\$ 279,578</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2015

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
<u>Assets</u>		
Cash and investments	\$ <u>165,853</u>	\$ <u>114,898</u>
<u>Liabilities</u>		
Due to student groups	\$ <u>165,853</u>	<u>0</u>
Held in trust for scholarships		<u>\$ 114,898</u>

REESE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

<u>Additions</u>	
Contributions and investment income	\$ 2,860
<u>Deductions</u>	
Scholarships	5,150
Service charge	<u>2</u>
Change in net position	(2,292)
Net position - beginning of year	<u>117,190</u>
Net position - end of year	<u>\$ 114,898</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Reese Public Schools (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, 2015

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.

2015 Debt Retirement Fund - The Debt Retirement Fund is used to account for the recording of transactions relative to the debt retirement of the School District.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Benefit Plan - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement Systems (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred outflows - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the deferred charge on refunding and pension contributions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension contributions made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one item that qualifies for reporting in this category. It is future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

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.

State Aid - For the fiscal year ended June 30, 2015, 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, 2015, the foundation allowance was based on the average pupil membership counts taken in September of 2014 and February 2015.

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 2014 - August 2015. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2015 relating to state aid is \$1,043,640.

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 cancel 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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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>\$ 2,802,353</u>	<u>\$ 280,751</u>	<u>\$ 3,083,104</u>

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

Deposits (checking and savings accounts, certificates of deposit)	\$ 2,980,007
Investment in interlocal agreement investment pools (i.e. MILAF) with a weighted average maturity not to exceed 60 days	102,147
Petty cash and cash on hand	<u>950</u>
Total	<u>\$ 3,083,104</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, 2015, 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, 2015, \$2,527,810, of the School District's bank balance of \$3,129,957 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, 2015

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2014	Additions	Disposals and Adjustments	Balance June 30, 2015
Assets not being depreciated:				
Land	\$ 519,823	\$ 0	\$ 0	\$ 519,823
Capital assets being depreciated:				
Buildings and improvements	13,212,649	100,621	(28,214)	13,285,056
Buses and other vehicles	778,456	63,400	(276,726)	565,130
Furniture and equipment	233,892	7,543	(10,000)	231,435
Subtotal	<u>14,224,997</u>	<u>171,564</u>	<u>(314,940)</u>	<u>14,081,621</u>
Accumulated depreciation:				
Buildings and improvements	5,741,329	273,268	(20,414)	5,994,183
Buses and other vehicles	655,335	37,532	(271,838)	421,029
Furniture and equipment	159,614	7,509	(4,833)	162,290
Subtotal	<u>6,556,278</u>	<u>318,309</u>	<u>(297,085)</u>	<u>6,577,502</u>
Net capital assets being depreciated	<u>7,668,719</u>	<u>(146,745)</u>	<u>(17,855)</u>	<u>7,504,119</u>
Net capital assets	<u>\$ 8,188,542</u>	<u>\$ (146,745)</u>	<u>\$ (17,855)</u>	<u>\$ 8,023,942</u>

Depreciation expense for fiscal year ended June 30, 2015 was \$318,309. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2015 consist of accounts (fees), intergovernmental grants and interest.

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

State aid and grants	\$ 1,043,640
Federal grants	153,958
ISD	144,567
	<u>\$ 1,342,165</u>

NOTE 6 - 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 \$16,697.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 7 - 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 Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
\$ 875,019	\$ 1,100,000	\$ 1,114,999	\$ 860,020

NOTE 8 - LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2015:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2015</u>	<u>Amount Due Within One Year</u>
Bonds	\$ 6,700,000	\$ 5,860,000	\$ 6,700,000	\$ 5,860,000	\$ 290,000
Compensated absences	120,000	17,000	0	137,000	0
	<u>\$ 6,820,000</u>	<u>\$ 5,877,000</u>	<u>\$ 6,700,000</u>	5,997,000	290,000
Bond premium				635,205	0
				<u>\$ 6,632,205</u>	<u>\$ 290,000</u>

Bonds payable at June 30, 2015 is comprised of the following issues:

\$5,860,000 School Building & Site bonds due in annual installments of \$290,000 to \$510,000 through May 1, 2030; interest at 4.00%	<u>\$ 5,860,000</u>
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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, 2015, the amount of \$137,000 has been recorded in the district-wide financial statements.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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, 2015 the Amount of Debt Considered Defeased
2000 School Building and Site Bonds	\$ 6,310,000
2005 School Building and Site Bonds	6,400,000
	\$ 12,710,000

The annual requirements to amortize bonds outstanding as of June 30, 2015, including interest payments, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 290,000	\$ 261,747	\$ 551,747
2017	305,000	222,800	527,800
2018	315,000	210,600	525,600
2019	330,000	198,000	528,000
2020	340,000	184,800	524,800
2021 - 2025	1,925,000	708,000	2,633,000
2026 - 2030	2,355,000	290,200	2,645,200
	\$ 5,860,000	\$ 2,076,147	\$ 7,936,147

NOTE 9 - 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, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0.1607.7-206-36585-.00.html>.

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.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of Final Average Compensation (FAC).

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan).

Final Average Compensation - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

The majority of the members currently participate on a contributory basis, under a variety of options "Benefits Provided." Reporting units 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

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

The School District's pension contributions for the year ended June 30, 2015 were equal to the required contribution total. Pension contributions were approximately \$1,231,006, with \$795,619 specifically for the Defined Benefit Plan. These amounts include Section 147 contributions also.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2015, the School District reported a liability of \$9,323,429 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 as of that date. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the School District's proportion was 0.04233 percent.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the School District recognized pension expense of \$795,619. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	1,030,709
Reporting Unit contributions subsequent to the measurement date	<u>691,791</u>	<u>0</u>
Total	<u>\$ 691,791</u>	<u>\$ 1,030,709</u>

\$691,791, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

Year Ended June 30	Amount
2015	\$ 257,678
2016	257,677
2017	257,677
2018	257,677
	<u>\$ 1,030,709</u>

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality assumptions - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Female Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2008 to September 30, 2013. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments - The rate was 8% (7% Pension Plus Plan) net of investment and administrative expenses was determined using a 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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation*	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	4.8%
Alternate 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	100.0%	

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

Discount rate - The discount rate used to measure the total pension liability was 8% (7% for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Lower (7.0%)	Discount Rate (8.0%)	1% Higher (9.0%)
Reporting Unit's proportionate share of the net pension liability	\$12,292,129	\$9,323,429	\$6,822,255

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

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 is 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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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.

Employer Contributions

The School District postemployment healthcare contributions to MPSERS for the year ended June 30, 2015 were approximately \$117,987.

NOTE 11 - 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 12 - 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 13 - 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, 2015.

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 14 - NEW ACCOUNTING STANDARDS

For the year ended June 30, 2015 the School District implemented the following new pronouncements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary:

GASB statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. 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. The statement 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.

GASB statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

The restatement of the beginning of the year net position follows:

	Governmental activities
Net position (deficit) as previously stated, July 1, 2014	\$ <u>3,501,334</u>
Deferred outflows related to pensions	552,065
Net pension liability	<u>(9,834,069)</u>
	<u>(9,282,004)</u>
Net position as restated, July 1, 2014	\$ <u><u>(5,780,670)</u></u>

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued by the GASB in June 2015 and will be effective for the School District's 2018 fiscal year. The Statement requires governments that participate in other postemployment benefit plans (OPEB) to report in their statement of net position an OPEB liability. The OPEB liability is the difference between the total OPEB 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 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense. The School District is in the process of evaluating the financial statement impact of this statement and believes the impact of this statement could be significant.

REESE PUBLIC SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources				
Property taxes	\$ 800,100	\$ 994,500	\$ 954,708	\$ (39,792)
Other local sources	162,000	201,000	202,456	1,456
State sources	5,930,542	6,005,470	5,977,432	(28,038)
Federal sources	676,652	665,943	651,436	(14,507)
Interdistrict and other sources	33,000	47,900	53,987	6,087
Total revenues	<u>7,602,294</u>	<u>7,914,813</u>	<u>7,840,019</u>	<u>(74,794)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	3,777,042	4,050,938	3,984,480	66,458
Added needs	787,420	811,146	799,176	11,970
Support services:				
Pupil	337,390	326,383	323,539	2,844
Instructional staff	120,044	163,101	139,159	23,942
General administrative	192,175	197,695	192,319	5,376
School administrative	557,379	556,026	549,205	6,821
Business services	177,337	180,995	171,746	9,249
Operations and maintenance	790,981	792,851	771,107	21,744
Transportation	399,020	403,745	394,320	9,425
Information services	152,223	177,433	174,585	2,848
Community services	23,140	42,166	36,569	5,597
Athletics	246,015	248,922	245,275	3,647
Total expenditures	<u>7,560,166</u>	<u>7,951,401</u>	<u>7,781,480</u>	<u>169,921</u>
Excess (deficiency) of revenues over expenditures	42,128	(36,588)	58,539	95,127
<u>Other Financing Sources (Uses)</u>				
Operating transfers out	(42,128)	0	0	0
Net change in fund balance	0	(36,588)	58,539	95,127
Fund balance - beginning of year	<u>862,889</u>	<u>862,889</u>	<u>862,889</u>	<u>0</u>
Fund balance - end of year	<u>\$ 862,889</u>	<u>\$ 826,301</u>	<u>\$ 921,428</u>	<u>\$ 95,127</u>

REESE PUBLIC SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

		<u>2014</u>
Reporting unit's proportion of net pension liability (%)		0.04233 %
Reporting unit's proportionate share of net pension liability	\$	9,323,429
Reporting unit's covered-employee payroll	\$	3,554,972
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll		0.38129 %
Plan fiduciary net position as a percentage of total pension liability		66.15000 %

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

REESE PUBLIC SCHOOLS
Required Supplemental Information
Schedule of the Reporting Unit's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

		<u>2015</u>
Statutorily required contributions	\$	778,962
Contributions in relation to statutorily required contributions*		<u>778,962</u>
Contribution deficiency (excess)	\$	<u>0</u>
Reporting unit's covered-employee payroll	\$	3,554,972
Contributions as a percentage of covered-employee payroll		0.22 %

*Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

REESE PUBLIC SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015.

REESE PUBLIC SCHOOLS
 Other Supplemental Information
 Balance Sheet
 Nonmajor Governmental Funds
June 30, 2015

	<u>Special Revenue Fund</u> <u>Cafeteria</u>
<u>Assets</u>	
Cash and investments	\$ 65,507
Receivables - net:	
Due from other governmental units	5,918
Total assets	\$ 71,425
<u>Liabilities and Fund Balance</u>	
<u>Liabilities</u>	
Accounts payable	\$ 9,822
Unearned revenue	2,597
Total liabilities	12,419
<u>Fund Balance</u>	
Restricted for food service	59,006
Total fund balance	59,006
	\$ 71,425

REESE PUBLIC SCHOOLS
Other Supplemental Information
Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	<u>Special Revenue Fund Cafeteria</u>
<u>Revenues</u>	
Local sources	
Other local sources	\$ 101,357
State sources	16,898
Federal sources	<u>280,167</u>
Total revenues	<u>398,422</u>
 <u>Expenditures</u>	
Current:	
Food services	<u>398,917</u>
Excess (deficiency) of revenues over expenditures	(495)
Fund balance - beginning of year	<u>59,501</u>
Fund balance - end of year	<u><u>\$ 59,006</u></u>

REESE PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2015 Bond Refunding
For the Year Ended June 30, 2015

PURPOSE

The 2005 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 19, 2015

AMOUNT OF ISSUE

\$ 5,860,000

AMOUNT REDEEMED

During prior years
During current year

\$ 0
0 0

BALANCE OUTSTANDING - June 30, 2015

\$ 5,860,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	4.00%	\$ 290,000	\$ 261,747	\$ 551,747
2017	4.00%	305,000	222,800	527,800
2018	4.00%	315,000	210,600	525,600
2019	4.00%	330,000	198,000	528,000
2020	4.00%	340,000	184,800	524,800
2021	4.00%	355,000	171,200	526,200
2022	4.00%	370,000	157,000	527,000
2023	4.00%	385,000	142,200	527,200
2024	4.00%	400,000	126,800	526,800
2025	4.00%	415,000	110,800	525,800
2026	4.00%	435,000	94,200	529,200
2027	4.00%	450,000	76,800	526,800
2028	4.00%	470,000	58,800	528,800
2029	4.00%	490,000	40,000	530,000
2030	4.00%	510,000	20,400	530,400
		<u>\$ 5,860,000</u>	<u>\$ 2,076,147</u>	<u>\$ 7,936,147</u>



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

October 16, 2015

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, 2015 and the related notes to the financial statements, which collectively comprise Reese Public Schools' basic financial statements and have issued our report thereon dated October 16, 2015.

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.

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.



Board of Education
Reese Public Schools
October 16, 2015

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



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

Independent Auditor's Report

October 16, 2015

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, 2015. 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.

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, 2015.



Board of Education
Reese Public Schools
October 16, 2015

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.

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, 2015

SECTION I - 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>
10.553 - 10.559	Child Nutrition 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, 2015

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2014</u>	<u>Adjustments</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2015</u>
<u>U.S. Department of Education</u>								
Passed through Michigan								
Department of Education:								
ECIA Title I -								
Educationally Deprived								
1415301314	84.010	\$ 151,403	\$ 147,250	\$ 20,039	\$ 0	\$ 20,039	\$ 0	\$ 0
1515301415		152,676	0	0	0	0	146,197	146,197
			<u>147,250</u>	<u>20,039</u>	<u>0</u>	<u>20,039</u>	<u>146,197</u>	<u>146,197</u>
ECIA Title I -								
Migrant Education								
1418301314	84.011	164,125	5,476	5,476	0	163,438	157,962	0
1518301415		139,163	0	0	0	0	4,037	4,037
			<u>5,476</u>	<u>5,476</u>	<u>0</u>	<u>163,438</u>	<u>161,999</u>	<u>4,037</u>
Title II -								
Improving Teacher quality								
1405201314	84.367	43,794	41,717	2,403	0	2,403	0	0
1505201415		47,836	0	0	0	43,849	43,849	0
			<u>41,717</u>	<u>2,403</u>	<u>0</u>	<u>46,252</u>	<u>43,849</u>	<u>0</u>
Passed through Tuscola ISD:								
IDEA Special Education								
1004551415	84.027A	285,572	0	0	0	285,572	285,572	0
Total U.S. Department of Education			<u>194,443</u>	<u>27,918</u>	<u>0</u>	<u>515,301</u>	<u>637,617</u>	<u>150,234</u>

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, 2015

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2014</u>	<u>Adjustments</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2015</u>
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
School Breakfast Program	10.553							
Cash Assistance		\$ 82,073	\$ 0	\$ 0	\$ 0	\$ 82,073	\$ 82,073	\$ 0
National School Lunch Program	10.555							
Cash Assistance		164,570	0	0	0	164,570	164,570	0
Non-Cash Assistance (Commodities)								
Entitlement		19,430	0	0	0	19,430	19,430	0
National School Lunch Program Subtotal			<u>0</u>	<u>0</u>	<u>0</u>	<u>184,000</u>	<u>184,000</u>	<u>0</u>
Summer Food Service Program for Children	10.559							
Cash Assistance								
140900		14,942	9,228	1,420	0	10,887	9,994	527
141900		12,022	3,805	2,384	0	1,135	1,948	3,197
Non-Cash Assistance (Commodities)								
Entitlement		2,152	0	0	0	2,152	2,152	0
Summer Food Service Program Subtotal			<u>13,033</u>	<u>3,804</u>	<u>0</u>	<u>14,174</u>	<u>14,094</u>	<u>3,724</u>
 Total Child Nutrition Cluster			<u>13,033</u>	<u>3,804</u>	<u>0</u>	<u>280,247</u>	<u>280,167</u>	<u>3,724</u>
 <u>Federal Communications Commission</u>								
Passed through AT&T								
Communications information and assistance	32.xxx	11,899	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,899</u>	<u>11,899</u>	<u>0</u>
Passed through Century Link								
Communications information and assistance	32.xxx	430	<u>0</u>	<u>0</u>	<u>0</u>	<u>430</u>	<u>430</u>	<u>0</u>
Passed through Charter								
Communications information and assistance	32.xxx	1,490	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,490</u>	<u>1,490</u>	<u>0</u>
Total Federal Communications Commission			<u>0</u>	<u>0</u>	<u>0</u>	<u>13,819</u>	<u>13,819</u>	<u>0</u>
			<u>\$ 207,476</u>	<u>\$ 31,722</u>	<u>\$ 0</u>	<u>\$ 809,367</u>	<u>\$ 931,603</u>	<u>\$ 153,958</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, 2015

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, 2015. 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.