School District of the City of Pontiac

Financial Statements

June 30, 2015

Table of Contents

School District of the City of Pontiac
Members of the Board of Education and Administration
June 30, 2015

YEO & YEO

3023 Davenport Ave.
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

Independent Auditors' Report

Management and the Board of Education
School District of the City of Pontiac

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Pontiac, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of Pontiac, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the School District of the City of Pontiac continues as a going concern. As discussed in Note 2 to the financial statements, the School District has a general fund deficit of $33,438,424. This raises substantial doubt about the ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2015, the School District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Information

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

The other supplementary information, as identified in the table of contents, is the responsibility of management and, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015 on our consideration of the Pontiac 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 School District of the City of Pontiac's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

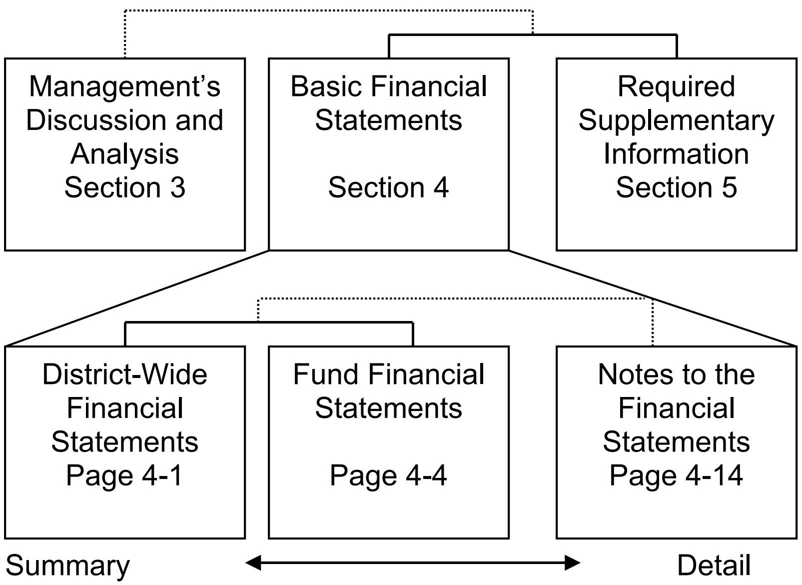
Saginaw, MI
October 19, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

The School District of the City of Pontiac is a K-12 public school district located in Oakland County, Michigan.

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

Figure A-1
School District of the City of Pontiac
Organization of Annual Financial Report



This section of the School District of the City of Pontiac's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2015. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District of the City of Pontiac financially as a whole. The government-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 government-wide financial statements by providing information about the School District's most significant funds - the General Fund, Special Revenue Food Service Fund and 2006 Building & Site Debt Service, with all other funds presented in one column as non-major funds. The Risk Related Activity Fund, an Internal Service Fund, accounts for all of the costs associated with the School District's property, unemployment and workman's compensation insurance programs provided to other funds of the School District on a cost-reimbursement basis. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

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

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. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

- Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

- Proprietary funds – The School District maintains a propriety fund, which is considered an Internal Service Fund. The Internal Service Fund accounts for all of the District's property, unemployment and workman's compensation insurance programs provided to other funds of the District on a cost-reimbursement basis as well as providing a claims fluctuation reserve for future insurance liabilities.

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

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

The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

As required by the Governmental Accounting Standards Board (GASB) the District adopted GASB 68 and 71. These standards required the inclusion of the districts proportionate share of the Michigan Public School Employees Retirement Plan within the District's financial statements, effective July 1, 2014. The effect of the adoption was to decrease July 1, 2014 beginning net position by ($56.7 million) and the inclusion of the obligation, and related deferred inflows and outflows, in the June 30, 2015 financial statements. All governments participating in the retirement plan were required to adopt these new standards and the District will amortize the deferrals through the plan year 2018.

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2015 and 2014:

Table 1	Governmental Activities	
	June 30	
	2015	2014
	(in millions)	
Assets		
Current and other assets	$ 12.4	$ 17.6
Capital assets	26.9	$ 27.6
Deferred outflows of resources	6.3	-
Total assets	45.6	45.2
Liabilities		
Current liabilities	44.1	48.9
Long-term liabilities	80.2	34.3
Deferred inflows of resources	6.2	-
Total liabilities	130.5	83.2
Net Position		
Net investment in capital assets	11.4	4.1
Restricted	2.5	5.2
Unrestricted	(98.9)	(47.3)
Total net position	**$ (85.0)**	**$ (38.0)**

The analysis focuses on the net position (see Table 1). The above schedule does not include the restatement of the 2014 figures as noted in this year's Statement of Activities for the implementation of GASB 68. The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was restated to ($85.0 million) at June 30, 2015. Net investment in capital assets totaling $11.4 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of $2.5 million is reported separately to show legal constraints from the Food Service Fund and debt covenants and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. The remaining amount of net position of ($98.9 million) was unrestricted.

The ($98.9 million) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position deficit represents the accumulated working capital and cash flow requirements of the School District as well as demonstrates the significant financial challenges that lie ahead. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years ended June 30, 2015 and 2014.

Table 2

	Governmental Activities	
	2015	2014
	(in millions)	
Revenue		
Program revenue:		
Charges for services	$ 0.4	$ 0.2
Operating grants and contributions	32.2	28.3
General revenue:		
Property taxes	37.7	39.4
State foundation allowance	2.8	2.6
Gain on Capital Assets	2.5	-
Insurance Proceeds	2.8	7.6
Other	0.6	1.6
Total revenue	79.0	79.7
Functions/Program Expenses		
Instruction	31.3	28.3
Support services	33.8	28.1
Food services	2.5	2.8
Community services	0.3	0.3
Interest on long-term debt	1.3	1.5
Impairment loss on capital assets	-	-
Total functions/program expenses	69.2	61.0
Increase (Decrease) in Net Position	9.8	18.7
Net Position - Beginning of year (Restated)	(94.7)	(56.7)
Net Position - End of year	**$ (84.9)**	**$ (38.0)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $69.2 million. Certain activities were partially funded from those who benefited from the programs $0.4 million or by other governments and organizations that subsidized certain programs with grants and contributions $32.2 million. We paid for the remaining "public benefit" portion of our governmental activities with $37.7 million in taxes, $2.8 million in state foundation allowance, $2.5 on property sales, $2.8 million in insurance proceeds, and with our other revenues, i.e., interest and general entitlements, totaling $0.6 million. The above schedule does not include the restatement of the 2014 figures as noted in this year's Statement of Activities for the implementation of GASB 68.

The School District experienced an increase in net position of $9.8 million. Key reasons for the change in net position were the ability to refinance the school loan revolving fund to a 7 year maturity, the sale of closed buildings and vacant property, collecting on old insurance claims, being able to recognize grant revenue throughout the year with cash on hand, as well as obtaining health care and bargaining concessions.

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund deficit of ($30.7 million), which is a decrease of $2.5 million from last year. The primary reasons for the decrease are as follows:

Final repayment of the 1991-C2 and 1985 Refunding 1991-D voter approved debt.

In the General Fund, our principal operating fund, the fund deficit decreased $5.6 million to a deficit of ($33.4 million). The change is mainly due to:

- The sale of closed buildings.
- Insurance claim proceeds from claims dated prior to 2014.

- Implementation of an Internal Service Fund to provide administration of workers compensation insurance, unemployment insurance and property, causality, general liability, transportation insurance.
- A continued loosening in cash flow constraints, the School District previously had difficulty in paying its vendors and as a result incurred significant penalties and interest on outstanding balances, which are recorded as additional expenditures. The school district has been able to meet its general operating obligations.
- The continued loosening of cash flow constraints also aided the School District in requesting reimbursement under certain federal grants, which allowed additional revenues to be realized in these financial statements including $0.5 million of indirect costs.

General Fund fund balance is available to fund costs related to allowable school operating purposes.

As a result of the deficit mentioned above, the School District was required to file a Deficit Elimination Plan (DEP). This DEP was filed and previously approved for a fourteen-year period (2015-2029). Due to the existence of the deficit, this DEP will be amended and submitted to the Department of Education for approval, along with the Finance and Operating Plan (FOP) and other required documents under the School District's consent agreement with the State of Michigan.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. There were significant revisions made to the 2014-2015 General Fund original budget. Budgeted revenues and other financing sources were decreased by $10.1 million this was largely due to not receiving the emergency loan prior to June 30, 2015. Budget expenditures and other financing uses were decreased by $8.5 million to follow the reduction in expected revenues.

A schedule showing the School District’s original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the School District had $26.9 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately $0.7 million, or approximately a 2.5 percent decrease, from last year.

	2015	2014
Land	$ 2,169,804	$ 3,289,804
Construction in progress	92,084	568,202
Land Improvements	193,525	1,865,712
Buildings and building improvements	48,770,901	56,368,555
Buses and other vehicles	85,797	85,797
Furniture and equipment	1,356,238	27,986,055
Total capital assets	52,668,349	90,164,125
Less accumulated depreciation	25,774,279	62,575,445
Net capital assets	**$ 26,894,070**	**$ 27,588,680**

Several major capital projects are planned for the 2015-2016 fiscal year which includes an installation of exterior lighting district-wide, window replacement at Frost Elementary, installation of heating controls within Pontiac Middle and High Schools, district-wide telephone system, video/camera security surveillance and other improvements. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had $25.4 million in bonds outstanding versus $24.0 million in the previous year – an increase of 5.9 percent. Those bonds consisted of the following:

	2015	2014
General obligation bonds	**$ 25,415,000**	**$ 23,996,755**

Other obligations include compensated absences, accreted interest, and school loan revolving fund. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2015-2016 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 blended count for the 2016 fiscal year is 10 percent and 90 percent of the February 2015 and October 2015 student counts, respectively. The 2015-2016 budget was adopted in June 2015, based on an estimate of students that will be enrolled in August 2015. Under State law, the School District cannot assess 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 just shy of the estimates used in creating the 2016-2016 budget by approximately 30 students.

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 will increase the foundation allowance in 2015-2016 slightly from $7,130 to $7,390 for Pontiac Schools.

Pursuant to Public Act 436 of 2012, on August 6, 2013 the Governor determined that a financial emergency existed within Pontiac School District. Subsequently, the District entered into a Consent Agreement with the Michigan Department of Treasury which became effective September 18, 2013. Under the terms of the Consent Agreement the District then entered into an Alternate Service Provider Agreement with Oakland Schools dated October 28, 2013 which became effective on November 15, 2013. Oakland Schools has since reorganized and staffed the financial and human resource teams of the District. The District has also, with the assistance of Oakland Schools provided and will continue to do so, all the required documents of the Michigan Department of Treasury and Michigan Department of Education under the timelines established within the Consent Agreement.

While working closely with the Michigan Department of Treasury, the District was able to secure a second Emergency Loan of $10,000,000 in July, 2015. The District also intends on refinancing the first Emergency Loan and the energy conservation bonds, benefitting the district with interest only payments for the first five (5) years.

One last important note is with the failure to pass a Sinking Fund in the 2014-2015 fiscal year; the capital outlay and operation and maintenance budgets will be increased, even so the District anticipates a positive net income for 2015-2016.

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office at 42700 Woodward Avenue, Pontiac, Michigan 48342, or telephone (248) 451-6820.

BASIC FINANCIAL STATEMENTS

School District of the City of Pontiac
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash	$ 6,591,168
Deposits	41,000
Accounts receivable, net of allowance	749,595
Due from other governmental units	4,932,518
Inventory	23,569
Prepaid items	63,778
Capital assets not being depreciated	2,261,888
Capital assets - net of accumulated depreciation	24,632,182
Total assets	39,295,698
Deferred Outflows of Resources	
Deferred amount on pension expense related to net pension liability	6,292,243
Total assets and deferred outflows of resources	45,587,941

School District of the City of Pontiac
Statement of Net Position
June 30, 2015

	Governmental Activities
Liabilities	
Accounts payable	$ 3,055,853
State aid and tax anticipation notes payable	19,017,000
Interest payable	963,120
Due to other governmental units	1,369,680
Claims payable	126,422
Accrued expenditures	221,629
Accrued salaries payable	3,158,371
MESSA Judgment payable	5,207,100
Vendor repayment plans payable	6,951,526
Unearned revenue	1,564,022
Noncurrent liabilities	
Debt due within one year	2,430,000
Debt due in more than one year	24,041,730
Net pension liability	56,197,431
Total liabilities	124,303,884
Deferred Inflows of Resources	
Deferred amount on net pension liability	6,212,858
Total liabilities and deferred inflows of resources	130,516,742
Net Position	
Net investment in capital assets	11,441,017
Restricted for:	
Food service	1,221,636
Debt service	1,304,212
Unrestricted (deficit)	(98,895,666)
Total net position	$ (84,928,801)

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Statement of Activities
For the Year Ended June 30, 2015

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
Instruction	$ 31,300,418	$ -	$ 18,948,926	$ -	$(12,351,492)
Supporting services	33,825,404	248,563	9,726,621	-	(23,850,220)
Food services	2,498,073	77,512	3,274,627	-	854,066
Community services	263,047	77,395	244,231	-	58,579
Interest on long-term debt	1,286,852	-	-	-	(1,286,852)
Total governmental activities	$ 69,173,794	$ 403,470	$ 32,194,405	$ -	(36,575,919)
General revenues					
Property taxes, levied for general purposes					27,254,318
Property taxes, levied for debt service					10,408,691
State aid - unrestricted					2,790,538
Interest and investment earnings					2,856
Gain on sale of capital assets					2,505,000
Insurance proceeds					2,751,594
Other					621,939
Total general revenues					46,334,936
Change in net position					9,759,017
Net position - beginning, as restated					(94,687,818)
Net position - ending					$(84,928,801)

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Balance Sheet
June 30, 2015

	General Fund	Special Revenue Food Service Fund	2006 Building & Site Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 3,163,860	$ 1,217,895	$ 1,467,799	$ -	$ 5,849,554
Accounts receivable, net of allowance	749,595	-	-	-	749,595
Due from other funds	169,936	-	-	-	169,936
Due from other governmental units	4,634,354	293,066	5,098	-	4,932,518
Inventory	-	23,569	-	-	23,569
Prepaid items	63,778	-	-	-	63,778
Total assets	$ 8,781,523	$ 1,534,530	$ 1,472,897	$ -	$ 11,788,950
Liabilities					
Accounts payable	$ 2,933,897	$ 114,047	$ -	$ -	$ 3,047,944
State aid and tax anticipation notes payable	19,017,000	-	-	-	19,017,000
Interest payable	794,435	-	-	-	794,435
Due to other funds	-	169,936	-	-	169,936
Due to other governmental units	1,229,327	375	-	-	1,229,702
Accrued expenditures	221,533	96	-	-	221,629
Accrued salaries payable	3,129,931	28,440	-	-	3,158,371
MESSA Judgment payable	5,207,100	-	-	-	5,207,100
Vendor repayment plans payable	6,951,526	-	-	-	6,951,526
Unearned revenue	1,564,022	-	-	-	1,564,022
Total liabilities	41,048,771	312,894	-	-	41,361,665

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Balance Sheet
June 30, 2015

	General Fund	Special Revenue Food Service Fund	2006 Building & Site Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources					
Unavailable revenue					
Grants received	$ 1,171,176	$ -	$ -	$ -	$ 1,171,176
Total liabilities and deferred inflows of resources	42,219,947	312,894	-	-	42,532,841
Fund Balance					
Non-spendable					
Inventory	-	23,569	-	-	23,569
Prepaid items	63,778	-	-	-	63,778
Restricted for:					
Food service	-	1,198,067	-	-	1,198,067
Debt service	-	-	1,472,897	-	1,472,897
Unassigned (deficit)	(33,502,202)	-	-	-	(33,502,202)
Total fund balance (deficit)	(33,438,424)	1,221,636	1,472,897	-	(30,743,891)
Total liabilities, deferred inflows of resources, and fund balance	$ 8,781,523	$ 1,534,530	$ 1,472,897	$ -	$ 11,788,950

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015

Total fund balances for governmental funds	$(30,743,891)
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Other governmental units	1,171,176
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	2,261,888
Capital assets - net of accumulated depreciation	24,632,182
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(6,212,858)
Deferred outflow of resources from subsequent pension expense from measurement date	6,292,243
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(168,685)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(56,197,431)
Compensated absences	(1,018,677)
Bonds payable	(25,415,000)
Premium on bond	(38,053)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	508,305
Net position of governmental activities	$(84,928,801)

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	General Fund	Special Revenue Food Service Fund	2006 Building & Site Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 28,176,337	$ 77,512	$ -	$ 10,408,691	$ 38,662,540
State sources	13,643,407	110,339	-	-	13,753,746
Federal sources	14,357,294	3,125,011	-	-	17,482,305
Interdistrict sources	5,313,737	-	-	-	5,313,737
Total revenues	61,490,775	3,312,862	-	10,408,691	75,212,328
Expenditures					
Current					
Education					
Instruction	30,284,518	-	-	-	30,284,518
Supporting services	30,984,485	-	-	-	30,984,485
Food services	-	2,463,296	-	-	2,463,296
Community services	246,019	-	-	-	246,019
Capital outlay	4,238,602	-	-	-	4,238,602
Debt service					
Principal	-	-	1,259,998	5,516,757	6,776,755
Interest and other expenditures	272,002	-	295,251	6,452,658	7,019,911
Total expenditures	66,025,626	2,463,296	1,555,249	11,969,415	82,013,586
Excess (deficiency) of revenues over expenditures	(4,534,851)	849,566	(1,555,249)	(1,560,724)	(6,801,258)

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	General Fund	Special Revenue Food Service Fund	2006 Building & Site Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds from bonds	$ 4,070,000	$ -	$ -	$ -	$ 4,070,000
Insurance recoveries	2,751,594	-	-	-	2,751,594
Proceeds from sale of capital assets	2,505,000	-	-	-	2,505,000
Transfers in	847,480	-	3,028,146	-	3,875,626
Transfers out	-	(156,097)	-	(3,719,529)	(3,875,626)
Total other financing sources (uses)	10,174,074	(156,097)	3,028,146	(3,719,529)	9,326,594
Net change in fund balance	5,639,223	693,469	1,472,897	(5,280,253)	2,525,336
Fund balance (deficit) - beginning, as restated	(39,077,647)	528,167	-	5,280,253	(33,269,227)
Fund balance (deficit) - ending	$ (33,438,424)	$ 1,221,636	$ 1,472,897	$ -	$ (30,743,891)

School District of the City of Pontiac
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances - Total governmental funds	$ 2,525,336
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	(1,536,111)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,631,071)
Capital outlay	3,798,782
Sale of capital assets (net book value)	(2,862,321)
Expenses are recorded when incurred in the statement of activities.	
Accreted interest	5,331,567
Accrued interest	395,150
Claims and judgments	167,265
Compensated absences and retirement incentives	(237,473)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in pension liability	3,586,499
Net change in the deferred inflow of resources related to the net pension liability	(6,212,858)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	3,212,850
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(4,070,000)
Repayments of long-term debt	6,776,755
Amortization of premiums	6,342
Internal service fund revenues and expenses are included in governmental activities in the statement of activities	508,305
Change in net position of governmental activities	$ 9,759,017

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2015

	Internal Service Fund
Assets	
Cash	$ 741,614
Deposits	41,000
Total assets	782,614
Liabilities	
Accounts payable	7,909
Due to other governmental units	139,978
Claims payable	126,422
Total liabilities	274,309
Net Position	
Unrestricted	$ 508,305

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
June 30, 2015

	Internal Service Fund
Revenues	
Charges to other funds	$ 1,684,887
Expenses	
Workers compensation and unemployment expenses	1,176,582
Net income	508,305
Net position - beginning	-
Net position - ending	$ 508,305

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Proprietary Fund
Internal Service Fund
Statement of Cash Flows
June 30, 2015

	Internal Service Fund
Cash flows from operating activities	
Charges to other funds	$ 1,643,887
Payments to suppliers	(902,273)
Net cash provided by operating activities	741,614
Cash - beginning of year	-
Cash - end of year	$ 741,614
Reconciliation of operating income to net cash from operating activities	
Operating income	$ 508,305
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Deposits	(41,000)
Accounts payable	7,909
Due to other governmental units	139,978
Claims payable	126,422
Net cash provided by operating activities	$ 741,614

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2015

	Agency Funds
Assets	
Cash	$ 116,682
Liabilities	
Due to agency fund activities	$ 116,682

See Accompanying Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the School District of the City of Pontiac (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

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

District-wide Financial Statements
The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district–wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements
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.

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 School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and 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 required to be provided for in other funds. The General Fund includes the General Fund, categorical funded programs, noncenter special education programs, insurance, and athletic programs.

Food Service Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds includes the Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

2006 Building & Site Debt Service Fund - Debt service funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on outstanding bond issues.

Additionally, the School District reports the following fund types:

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Internal Service Fund – The School District's proprietary fund is the Internal Service Fund. The purpose of the fund is to finance services provided to other funds of the School District on a cost-reimbursement basis. The Internal Service Fund maintained by the School District accounts for unemployment, workers compensation, and other liability claims. It is funded through charges primarily from the General Fund.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2015, the rates are as follows per $1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	3.87000
MESSA Judgment	0.34240

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 100% of the School District's tax roll lies within Oakland County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of $16,000 and an estimated useful life in excess of one year. 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 assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	25-50 years
Equipment and furniture	5-20 years
Buses and other vehicles	8 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of earned but unusual accumulated sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which the amount for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payment upon normal retirement 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.
Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications
In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards
The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability is recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. Statements 68 and 71 are effective for the year ending June 30, 2015.

Upcoming Accounting and Reporting Changes

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurements and Applications.* Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. The School District is evaluating the impact GASB 72 will have on its financial reporting. Statement 72 is effective for the year ending June 30, 2016.

In addition, the Governmental Accounting Standards Board has released the following three Statements.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68.* The first objective of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government's pension obligation. The second objective of this Statement is to improve the information about financial support provided by certain nonemployer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending June 30, 2017. The third objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and to clarify the application of certain provisions of Statement No. 67 and 68. These requirements are effective for the fiscal year ending June 30, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

The School District is evaluating the impact GASB 72 thru 75 will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.
The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instruction	27,784,600	30,284,518	2,499,918
Pupil	4,353,700	4,445,180	91,480
Instructional staff	3,182,600	3,306,503	123,903
Business	3,410,000	3,444,030	34,030
Pupil transportation services	4,224,300	4,433,225	208,925

Fund Deficits

The School District has an accumulated fund deficit in the general fund in the amount of $33,438,424 as of June 30, 2015. The School District also has a deficit unrestricted net position in the amount of $98,895,666 on the statement of net position. These accumulated deficits raise substantial doubt about the ability of the School District to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The School District has filed a deficit elimination plan with the State of Michigan. The School District is in compliance with the plan as of June 30, 2015. Additionally the School District has entered into a consent agreement with the State Treasurer which requires the School District to enter into a cooperative agreement with an Alternate Service Provider (Oakland Schools) to provide certain services to the School District as part of the plan to address the financial emergency.

Note 3 - Deposits

The School District's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 6,591,168	$ 116,682	$ 6,707,850

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 6,707,850

Interest rate risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

Credit risk – State statutes 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 has no investment policy that would further limit its investment choices.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

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. The School District does not have a deposit policy for custodial credit risk. As of year-end, $7,014,943 of the School District's bank balance of $7,710,579 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Long-Term Receivable

During 2014, the School District entered into an agreement to sell equipment in the amount of $167,250 with a repayment period of 60 months with zero percent interest and a monthly payment of $2,787. As of June 30, 2015, the remaining receivable amount was $133,800, and is included in accounts receivable. The amounts that are expected to be received over the term of the payment plan are as follows:

2016	$ 33,450
2017	33,450
2018	33,450
2019	33,450
	$ 133,800

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 3,289,804	$ -	$ 1,120,000	$ 2,169,804
Construction-in-progress	568,202	92,084	568,202	92,084
Total capital assets not being depreciated	3,858,006	92,084	1,688,202	2,261,888
Capital assets being depreciated				
Land improvements	1,865,712	-	1,672,187	193,525
Building and building improvements	56,368,555	4,261,765	11,859,419	48,770,901
Equipment and furniture	27,986,055	13,135	26,642,952	1,356,238
Buses and other vehicles	85,797	-	-	85,797
Total capital assets being depreciated	86,306,119	4,274,900	40,174,558	50,406,461
Less accumulated depreciation for				
Land improvements	1,785,499	9,676	1,666,056	129,119
Building and building improvements	33,479,276	1,472,418	10,137,967	24,813,727
Equipment and furniture	27,256,674	144,434	26,628,214	772,894
Buses and other vehicles	53,996	4,543	-	58,539
Total accumulated depreciation	62,575,445	1,631,071	38,432,237	25,774,279
Net capital assets being depreciated	23,730,674	2,643,829	1,742,321	24,632,182
Net capital assets	$ 27,588,680	$ 2,735,913	$ 3,430,523	$ 26,894,070

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

Governmental activities	
Instruction	$ 870,379
Supporting services	684,051
Food services	57,358
Athletics	19,283
Total governmental activities	$ 1,631,071

Construction Contracts

As of year-end, the School District had the following construction contracts in progress:

	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
Exterior Lighting Project	$ 963,295	$ 871,211	$ 92,084

Contracts payable at year end represent actual contractor billings and are recorded as a General Fund liability. All projects are expected to be complete during the 2016 school year.

Idle Facilities

As part of the terms of the emergency loan obtained in 2014, the Michigan Department of Treasury required the School District to approve a real estate plan that includes a disposal provision for any idle property that has not received any sale offers by December 31, 2014.

Those properties will be disposed of by one of three methods. The local unit of government has the first right of refusal to purchase the buildings. The second method allows for the Superintendent to select the auction process to sell the building. The final method of disposal would be to dispose of the building with the assistance of the State of Michigan Land Bank Fast Track Authority. The estimated net book value of idle buildings at year end was $1,800,000.

As of June 30, 2015, the School District has sold all but 3 parcels, which are estimated at a net book value of $300,000. The State of Michigan has granted the School District an extension on the requirement to surrender properties to the State of Michigan Land Bank Fast Track Authority. As of year-end, the School District has two tentative purchase agreements in the development stages and has taken the third property off the market for possible repurposing for future educational needs.

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Food Service Fund	General Fund	$ 169,936

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year from Food Service to General Fund of $156,097 for indirect costs, from the School Improvements 1991-C2 Debt Service fund and the School Improvement 2010A fund of $1,756,360 and $1,271,786, respectively, to cover debt payments in the 2006 Building & Site fund, and from the MESSA Levy Fund to General Fund of $691,383 for payment of liability.

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Grant and categorical aid payments received prior to meeting all eligibility requirements	$ 1,564,022

Note 8 - State Aid and Tax Anticipation Notes

The School District issues state aid and tax anticipation notes in advance of state aid collections and property tax collections, depositing the proceeds in the General Fund. The state aid anticipation notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. The tax anticipation note is necessary to finance current operations prior to the receipt of the tax revenues. When the tax revenues are received the proceeds are used to retire the debt.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid note	$ 5,658,646	$ 6,700,000	$ 7,018,646	$ 5,340,000
Tax anticipation note	13,894,000	13,677,000	13,894,000	13,677,000
	$ 19,552,646	$ 20,377,000	$ 20,912,646	$ 19,017,000

Note 9 - Vendor Repayment Plans Payable

In January 2013, a $7.8 million judgment was levied against the School District related to outstanding health care premiums owed to its carrier, MESSA. This judgment was for the period from January

2012 through December 2013. Property taxes levied to satisfy this levy are being received by the School District over a one to ten year time period depending on how the respective jurisdiction issued its levy. As property taxes are collected and remitted to the School District by the taxing authority, they are submitted to the vendor as payment against the obligation. As of June 30, 2015, $5,207,100 is the amount that is still owed.

The School District has also set up various other payment plans with vendors for operating expenditures owed. The future requirements in association with other vendor payment plans are as follows:

Year Ending June 30,	Due to Other Governments	Due to Vendors	Total
2016	$ 1,457,043	$ 2,133,409	$ 3,590,452
2017	855,433	309,407	1,164,840
2018	756,000	-	756,000
2019	756,000	-	756,000
2020	684,234	-	684,234
Total	$ 4,508,710	$ 2,442,816	$ 6,951,526

Note 10 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	$ 23,996,755	$ 4,070,000	$ 2,651,755	$ 25,415,000	$ 2,430,000
Accreted interest	5,331,567	-	5,331,567	-	-
School Loan Revolving Fund	4,125,000	-	4,125,000	-	-
Compensated absences	781,204	237,473	-	1,018,677	-
Premium on bonds	44,395	-	6,342	38,053	-
Total	$ 34,278,921	$ 4,307,473	$ 12,114,664	$ 26,471,730	$ 2,430,000

For governmental activities, compensated absences are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

$4,070,000 general obligation local government loan program revenue bonds due in annual installments of $595,000 to $765,000 through May 1, 2021, interest at 5.15%	$ 4,070,000
$18,395,000 general obligation limited tax energy conservation bonds due in annual installments of $1,110,000 to $2,400,000 through May 1, 2021, interest at 4.0% to 5.0%	11,345,000
$10,000,000 general obligation limited tax emergency loan bond due in annual installments of $410,000 to $665,000 through May 1, 2034, interest at 2.75%	10,000,000
Total general obligation bonded debt	$ 25,415,000

Future principal and interest requirements for bonded debt are as follows:

		Principal		Interest		Total
Year Ending June 30,						
2016	$	2,430,000	$	1,012,484	$	3,442,484
2017		2,640,000		898,574		3,538,574
2018		2,870,000		775,450		3,645,450
2019		3,105,000		648,645		3,753,645
2020		3,360,000		511,432		3,871,432
2021-2025		5,630,000		1,093,944		6,723,944
2026-2030		2,825,000		588,521		3,413,521
2031-2034		2,555,000		177,949		2,732,949
Total	$	25,415,000	$	5,706,999	$	31,121,999

The energy conservation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of $1,472,897 to pay this debt. Future debt and interest will be payable from future tax levies. The revenue bonds and emergency loan are payable from the General Fund. Future debt and interest will be payable from state aid and future tax levies.

School Loan Revolving Fund
The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in Accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. The remaining balance on the loan was repaid in September 2014.

Accrued Interest
Interest payable is accrued in the General Fund for the interest expense relating to the State Aid Anticipation Note, Tax Anticipation Note, and the MESSA Levy in the amount of $794,595. Additional interest relating to long term debt is accrued on the statement of net position in the amount of $168,525. The total amount of accrued interest for the School District at June 30, 2015 is $963,120.

Compensated Absences
Accrued compensated absences at year end, consist of $27,000 of vacation hours earned and vested and $991,677 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Note 11 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. These estimates are recorded as liabilities in the Internal Service Fund in the amount of $139,978.

The 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.

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded as liabilities in the Internal Service Fund in the amount of $126,422.

Changes in the estimated liability for the past two fiscal years were as follows:

	2015	2014
Estimated liability at the beginning of the year	$ 1,534,323	$ 1,408,269
Estimated claims incurred including changes in estimates	1,176,582	685,541
Claim payments	(2,584,483)	(559,487)
Estimated liability end of year	$ 126,422	$ 1,534,323

Note 12 - Pension Plans and Post Employment Benefits

Organization

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

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

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

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

MPSERS issues a publicly-available Comprehensive Annual Financial Report. That report may be obtained by writing to ORS at P.O. Box 30171, Lansing, Michigan 48909-7671, or on the Internet at http://www.michigan.gov/orsschools.

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

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

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

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

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

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

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7%

(MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

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

Summary of Significant Accounting Policies

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

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

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

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

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

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

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

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

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

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

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

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

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

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

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

Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

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

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

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

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

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

Building rentals	$ 789,000
Technological support	10,420,000
Attorney general	417,000
Investment services	12,846,000
Personnel services	9,922,000

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

Contributions and Funding Status

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

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

Pension Contribution Rates

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

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

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

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was $29.7 million and the discounted long-term receivable was $83.6 million at September 30, 2014.

Net Pension Liability

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

MPSERS (Plan) Net Pension Liability – As of September 30, 2014:

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

Year one MPSERS implementation of GASB Statement No. 68 recognizes a 0.00% change in the employers' proportionate share between beginning net pension liability and ending net pension liability.

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

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

Proportionate Share of Reporting Unit's Net Pension Liability – At September 30, 2014, the School District reported a liability of $56,197,431 or its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2014, the School District's proportionate share percent was *.25514* percent, which is consistent with the prior measurement date.

Long-Term Expected Return on Plan Assets – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

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

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

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

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

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

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
$ 74,091,419	$ 56,197,431	$ 41,121,482

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

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

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

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

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

Additional information as of the latest actuarial valuation follows:

Actuarial Assumptions:

- Wage inflation rate: 3.5%
- Investment Rate of returns:
  - MIP and Basic Plans (Non-Hybrid): 8.0%
  - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 8.5% Year 1 graded to 3.5% Year 12

- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The experience study is included in the actuarial valuation described above.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the MPSERS Comprehensive Annual Financial Report.

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 total pension expense of $5,101,493.

At June 30, 2015, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of resources	Deferred Inflows of Resources
Changes in assumptions	$ 2,073,565	$ -
Net difference between projected and actual earnings on pension plan investments	-	(6,212,649)
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	-	(209)
Reporting Unit contributions subsequent to the measurement date	4,218,678	-
	$ 6,292,243	$ (6,212,858)

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

Deferred (Inflows) and Deferred Outflows of Resources by Year Post-Employment Benefits

Plan Year Ended September 30	Amount
2015	$ 2,352,955
2016	(1,014,026)
2017	(1,014,026)
2018	(1,097,215)

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

Other Post-Employment Benefits
The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2014 through September 30, 2014, and October 1, 2014 through June 30, 2015, the employer contribution rate ranged from 5.52% to 6.45% and 2.20% to 2.71%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2015, 2014, and 2013 and were approximately $796,000, $1,570,000, and $2,190,000, respectively.

Unfunded Accrued Liability
During the year ending June 30, 2015, the School District had contributions in the amount of $1,926,073 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 7.63% for the year.

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2015.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Note 14 - Prior Period Adjustment

As indicated in Note 1, the School District has adopted Government Accounting Standards Board Statements 68 and 71. These statements require the School District to record their proportionate share of the net pension liability and pension expense. Previously these amounts were not recorded on the School District's statements. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2014, by $56,704,537 restating it from $(37,983,281) to $(94,687,818).

Note 15 - Subsequent Event

Subsequent to June 30, 2015, the School District received an Emergency Loan from the State of Michigan in the amount of $10,000,000 on July 22, 2015. This loan was issued as the Emergency Loan Note (General Obligation Limited Tax) 2014-2015 Series I with an interest rate of 2.70% and a maturity date of May 1, 2035.

REQUIRED SUPPLEMENTARY INFORMATION

Pontiac School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Revenues				
Local sources	$ 26,541,300	$ 26,681,000	$ 28,176,337	$ 1,495,337
State sources	12,187,300	13,079,200	13,643,407	564,207
Federal sources	19,254,800	13,501,200	14,357,294	856,094
Interdistrict sources	4,929,200	5,374,800	5,313,737	(61,063)
Total revenues	62,912,600	58,636,200	61,490,775	2,854,575
Expenditures				
Instruction	31,630,700	27,784,600	30,284,518	2,499,918
Supporting services				
Pupil	3,771,000	4,353,700	4,445,180	91,480
Instructional staff	4,591,100	3,182,600	3,306,503	123,903
General administration	1,247,100	1,724,700	1,571,341	(153,359)
School administration	2,851,700	3,038,900	2,892,015	(146,885)
Business	3,914,000	3,410,000	3,444,030	34,030
Operations and maintenance	9,074,300	9,163,000	8,276,508	(886,492)
Pupil transportation services	4,460,000	4,224,300	4,433,225	208,925
Central	3,387,200	2,817,900	2,393,838	(424,062)
Other	233,500	230,100	221,845	(8,255)
Community services	464,300	262,500	246,019	(16,481)
Capital outlay	5,409,700	4,673,000	4,238,602	(434,398)
Debt service				
Interest and fiscal charges	343,000	398,000	272,002	(125,998)
Total expenditures	71,377,600	65,263,300	66,025,626	762,326
Excess (deficiency) of revenues over expenditures	(8,465,000)	(6,627,100)	(4,534,851)	2,092,249

Pontiac School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Other Financing Sources (Uses)				
Proceeds from bonds	$ 10,000,000	$ 4,070,000	$ 4,070,000	$ -
Insurance recoveries	2,450,000	2,464,200	2,751,594	287,394
Proceeds from sale of capital assets	2,000,000	2,700,000	2,505,000	(195,000)
Transfers in	2,198,500	1,611,500	847,480	(764,020)
Transfers out	(3,450,700)	(1,076,700)	-	1,076,700
Total other financing sources (uses)	13,197,800	9,769,000	10,174,074	405,074
Net change in fund balance	4,732,800	3,141,900	5,639,223	2,497,323
Fund balance - beginning	(39,077,647)	(39,077,647)	(39,077,647)	-
Fund balance - ending	$ (34,344,847)	$ (35,935,747)	$ (33,438,424)	$ 2,497,323

School District of the City of Pontiac
Required Supplementary Information
Budgetary Comparison Schedule - Food Service
For the Year Ended June 30, 2015

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Revenues				
Local sources	$ 51,000	$ 51,000	$ 77,512	$ 26,512
State sources	95,000	95,000	110,339	15,339
Federal sources	2,998,000	2,998,000	3,125,011	127,011
Total revenues	3,144,000	3,144,000	3,312,862	168,862
Expenditures				
Current				
Education				
Food services	2,812,500	2,947,500	2,463,296	(484,204)
Excess (deficiency) of revenues over expenditures	331,500	196,500	849,566	653,066
Other Financing Sources (Uses)				
Transfers out	(135,000)	(135,000)	(156,097)	21,097
Net change in fund balance	196,500	61,500	693,469	631,969
Fund balance - beginning	528,167	528,167	528,167	-
Fund balance - ending	$ 724,667	$ 589,667	$ 1,221,636	$ 631,969

School District of the City of Pontiac
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th)

	June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A. School District's proportion of net pension liability (%)	0.25514%									
B. School District's proportionate share of net pension liability	$ 56,197,431									
C. School District's covered-employee payroll	$ 21,011,654									
D. School District's proportionate share of net pension liability as a percentage of its covered- employee payroll	267%									
E. Plan fiduciary net position as a percentage of total pension liability	66.20%									

School District of the City of Pontiac
Required Supplementary Information
Schedule of the School District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A. Statutorily required contributions	$ 5,101,493									
B. Contributions in relation to statutorily required contributions	5,101,493									
C. Contribution deficiency (excess)	$ -									
D. School District's covered-employee payroll	$ 23,387,029									
E. Contributions as a percentage of covered-employee payroll	21.81%									

OTHER SUPPLEMENTARY INFORMATION

School District of the City of Pontiac
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Debt Service Funds			Total Nonmajor
	School Improvements 1991-C2	1985 Refunding 1991-D	MESSA Levy	Governmental Funds
Assets				
Cash	$ -	$ -	$ -	$ -
Due from other governmental units	-	-	-	-
Total assets	$ -	$ -	$ -	$ -
Fund Balance				
Non-spendable				
Restricted for:				
Debt service	$ -	$ -	$ -	$ -

School District of the City of Pontiac
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	Debt Service Funds			Total Nonmajor
	School Improvements 1991-C2	1985 Refunding 1991-D	MESSA Levy	Governmental Funds
Revenues				
Local sources	$ 5,619,225	$ 4,098,083	$ 691,383	$ 10,408,691
Expenditures				
Debt service				
Principal	3,204,934	2,311,823	-	5,516,757
Interest and other expenditures	3,667,500	2,785,158	-	6,452,658
Total expenditures	6,872,434	5,096,981	-	11,969,415
Excess (deficiency) of revenues over expenditures	(1,253,209)	(998,898)	691,383	(1,560,724)
Other Financing Sources (Uses)				
Transfers out	(1,756,360)	(1,271,786)	(691,383)	(3,719,529)
Net change in fund balance	(3,009,569)	(2,270,684)	-	(5,280,253)
Fund balance - beginning	3,009,569	2,270,684	-	5,280,253
Fund balance - ending	$ -	$ -	$ -	$ -

School District of the City of Pontiac
Other Supplementary Information
General Fund
Combining Balance Sheet
June 30, 2015

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Insurance Fund	Eliminations	Total
Assets							
Cash	$ 2,638,388	$ 522,790	$ 2,682	$ -	$ -	$ -	$ 3,163,860
Accounts receivable	741,134	6,498	-	1,963	-	-	749,595
Due from other funds	-	399,093	-	398,883	-	(628,040)	169,936
Due from other governmental units	869,718	2,756,421	-	1,008,501	-	-	4,634,640
Prepaid items	48,576	15,202	-	-	-	-	63,778
Total assets	$ 4,297,816	$ 3,700,004	$ 2,682	$ 1,409,347	$ -	$ (628,040)	$ 8,781,809
Liabilities							
Accounts payable	$ 2,047,111	$ 272,476	$ 119	$ 614,191	$ -	$ -	$ 2,933,897
State aid anticipation note payable	19,017,000	-	-	-	-	-	19,017,000
Interest payable	794,435	-	-	-	-	-	794,435
Due to other funds	621,657	-	6,383	-	-	(628,040)	-
Due to other governmental units	1,128,037	101,501	75	-	-	-	1,229,613
Accrued expenditures	74,481	106,393	(6,321)	46,980	-	-	221,533
Accrued salaries payable	1,447,443	932,886	1,426	748,176	-	-	3,129,931
MESSA Judgments payable	5,207,100	-	-	-	-	-	5,207,100
Vendor repayment plans payable	6,951,526	-	-	-	-	-	6,951,526
Unearned revenue	-	1,563,022	1,000	-	-	-	1,564,022
Total liabilities	37,288,790	2,976,278	2,682	1,409,347	-	(628,040)	41,049,057

School District of the City of Pontiac
Other Supplementary Information
General Fund
Combining Balance Sheet
June 30, 2015

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Insurance Fund	Eliminations	Total
Deferred Inflows of Resources							
Grant funds	$ 447,450	$ 723,726	$ -	$ -	$ -	$ -	$ 1,171,176
Fund Balance							
Non-spendable							
Prepaid items	48,576	15,202	-	-	-	-	63,778
Unassigned (deficit)	(33,487,000)	(15,202)	-	-	-	-	(33,502,202)
Total fund balance (deficit)	(33,438,424)	-	-	-	-	-	(33,438,424)
Total liabilities, deferred inflows of resources, and fund balance	$ 4,297,816	$ 3,700,004	$ 2,682	$ 1,409,347	$ -	$ (628,040)	$ 8,781,809

School District of the City of Pontiac
Other Supplementary Information
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2015

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Insurance Fund	Eliminations	Funds
Revenues							
Local sources	$ 28,057,025	$ 97,118	$ 22,162	$ -	$ 32	$ -	$ 28,176,337
State sources	5,597,807	4,549,451	-	3,496,149	-	-	13,643,407
Federal sources	88,885	12,596,723	-	1,671,686	-	-	14,357,294
Interdistrict sources	21,742	-	-	5,291,995	-	-	5,313,737
Total revenues	33,765,459	17,243,292	22,162	10,459,830	32	-	61,490,775
Expenditures							
Current							
Education							
Instruction	11,036,623	11,535,467	-	7,712,428	-	-	30,284,518
Supporting services	20,860,917	4,964,989	294,408	4,864,171	-	-	30,984,485
Community services	230	242,789	-	3,000	-	-	246,019
Capital outlay	3,850,186	187,242	-	-	201,174	-	4,238,602
Debt service							
Interest and other expenditures	272,002	-	-	-	-	-	272,002
Total expenditures	36,019,958	16,930,487	294,408	12,579,599	201,174	-	66,025,626
Excess (deficiency) of revenues over expenditures	(2,254,499)	312,805	(272,246)	(2,119,769)	(201,142)	-	(4,534,851)
Other Financing Sources (Uses)							
Proceeds from refinancing debt	4,070,000	-	-	-	-		4,070,000
Insurance recoveries	2,440,776	-	-	-	310,818	-	2,751,594
Proceeds from sale of capital assets	2,505,000	-	-	-	-		2,505,000
Transfers in	3,674,253	-	272,246	3,505,484	-	(6,604,503)	847,480
Transfers out	(3,794,772)	(2,611,086)	-	(138,136)	(60,509)	6,604,503	-
Total other financing sources (uses)	8,895,257	(2,611,086)	272,246	3,367,348	250,309	-	10,174,074
Net change in fund balance	6,640,758	(2,298,281)	-	1,247,579	49,167	-	5,639,223
Fund balance (deficit) - beginning	(40,079,182)	2,298,281	-	(1,247,579)	(49,167)	-	(39,077,647)
Fund balance (deficit) - ending	$ (33,438,424)	$ -	$ -	$ -	$ -	$ -	$ (33,438,424)

School District of the City of Pontiac
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2015

Year Ending June 30,	2006 Energy Conservation Bonds	Emergency Loan 2014	2014E Refunding Bond	Total
2016	$ 1,425,000	$ 410,000	$ 595,000	$ 2,430,000
2017	1,595,000	420,000	625,000	2,640,000
2018	1,780,000	430,000	660,000	2,870,000
2019	1,970,000	440,000	695,000	3,105,000
2020	2,175,000	455,000	730,000	3,360,000
2021	2,400,000	465,000	765,000	3,630,000
2022	-	480,000	-	480,000
2023	-	495,000	-	495,000
2024	-	505,000	-	505,000
2025	-	520,000	-	520,000
2026	-	535,000	-	535,000
2027	-	550,000	-	550,000
2028	-	565,000	-	565,000
2029	-	580,000	-	580,000
2030	-	595,000	-	595,000
2031	-	615,000	-	615,000
2032	-	630,000	-	630,000
2033	-	645,000	-	645,000
2034	-	665,000	-	665,000
Total	$ 11,345,000	$ 10,000,000	$ 4,070,000	$ 25,415,000
Principal payments due	May 1	May 1	May	
Interest payments due	May 1	May 1 and November 1	May 1 and November 1	
Interest rate	4.00% to 5.00%	2.75%	5.15%	
Original issue	$ 18,395,000	$ 10,000,000	$ 4,070,000	