

Bullock Creek School District

Financial Statements

June 30, 2015

Table of Contents

<u>Section</u>		<u>Page</u>
1	Members of the Board of Education and Administration	1 - 1
2	Independent Auditors' Report	2 - 1
3	Management's Discussion and Analysis	3 - 1
4	Basic Financial Statements	
	District-wide Financial Statements	
	Statement of Net Position	4 - 1
	Statement of Activities	4 - 2
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 - 3
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 - 4
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 5
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 7
	Fiduciary Funds	
	Statement of Assets and Liabilities	4 - 8
	Notes to the Financial Statements	4 - 9
5	Required Supplementary Information	
	Budgetary Comparison Schedule – General Fund	5 – 1
	Schedule of School District's Proportionate Share of Net Pension Liability	5 – 3
	Schedule of School District's Contributions	5 – 4

Section

Page

6

Other Supplementary Information

Nonmajor Governmental Funds

Combining Balance Sheet

6 - 1

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

6 - 2

General Fund

Comparative Balance Sheet

6 - 3

Schedule of Revenues

6 - 4

Schedule of Expenditures

6 - 5

Schedule of Outstanding Bonded Indebtedness

6 - 14

Bullock Creek School District
Members of the Board of Education and Administration
June 30, 2015

Members of the Board of Education

James Nemeth	President
Nelson Terburgh	Vice President
Henry Mashue	Treasurer
Holly Miller	Secretary
Joel Beeck	Trustee
Scott Cain	Trustee
Jill Derry	Trustee

Administration

Charles Schwedler	Superintendent
Julie Pierce	Director of Business Services

Independent Auditors' Report

Management and the Board of Education
Bullock Creek School District

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 Bullock Creek School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Bullock Creek School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 net pension liability, and schedule of school district's contributions, as 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 Bullock Creek School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is 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, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary 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, other than the prior year information, 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.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Bullock Creek School District's basic financial statements as of and for the year ended June 30, 2014, which are not presented with the accompanying basic financial statements. In our report dated October 21, 2014, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Bullock Creek School District's basic financial statements as a whole. The 2014 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2014 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2015 on our consideration of Bullock Creek 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 Bullock Creek School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

October 22, 2015
Saginaw, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

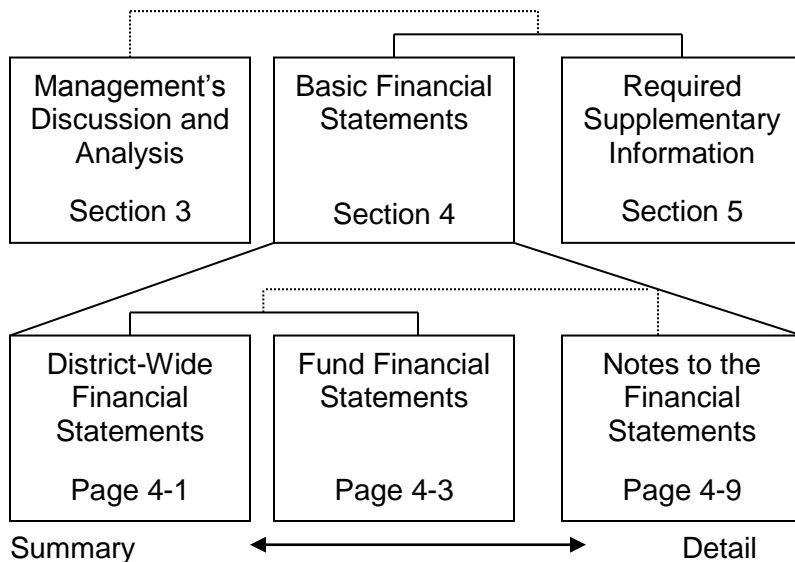
**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

The following discussion and analysis of the Bullock Creek School District's financial performance provides an overall review of the District's financial activities and position for the fiscal year ended June 30, 2015. Readers should also review the financial statements, the notes to the financial statements and the supplementary information to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The overall organization of this report is shown in Figure A-1.

**Figure A-1
Bullock Creek School District
Organization of Annual Financial Report**



The basic financial statements include two kinds of statements that present different views of the District: the district-wide financial statements and the fund financial statements.

District-wide Financial Statements

The District-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District-wide statements: The Statement of Net Position and the Statement of Activities.

The Statement of Net Position (page 4-1) combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Bullock Creek School District include Capital Project Funds, Fiduciary Funds, Debt Service Funds and a Special Revenue Fund for Food Service.

Bullock Creek School District is the trustee, or fiduciary, for its student activity funds established for the benefit of our students. These fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

Summary of Net Position

	Governmental Activities		
	June 30, 2015	June 30, 2014	Change
Assets			
Current assets	\$ 8,931,099	\$ 8,787,001	\$ 144,098
Capital assets	32,830,364	32,697,865	132,499
Less accumulated depreciation	<u>(14,159,837)</u>	<u>(13,312,531)</u>	<u>(847,306)</u>
Capital assets net book value	<u>18,670,527</u>	<u>19,385,334</u>	<u>(714,807)</u>
Deferred outflows of resources	<u>3,116,728</u>	<u>416,463</u>	<u>2,700,265</u>
Total assets	<u>30,718,354</u>	<u>28,588,798</u>	<u>2,129,556</u>
Liabilities			
Current liabilities	5,987,720	5,505,213	482,507
Noncurrent liabilities	<u>35,827,618</u>	<u>13,278,072</u>	<u>22,549,546</u>
Total liabilities	<u>41,815,338</u>	<u>18,783,285</u>	<u>23,032,053</u>
Deferred inflows of resources	<u>2,664,576</u>	<u>-</u>	<u>2,664,576</u>
Net Position			
Net investment in capital assets	7,804,470	6,866,694	937,776
Restricted	1,177,927	1,243,864	(65,937)
Unrestricted	<u>(22,738,578)</u>	<u>1,694,955</u>	<u>(24,433,533)</u>
Total net position	<u>\$ (13,756,181)</u>	<u>\$ 9,805,513</u>	<u>\$ (23,561,694)</u>

Unrestricted net position is similar but not identical to fund balance. Reserves for grants, deferred gifts and debt service within the fund balance are treated as restricted assets since they are not available for general operations. A reconciliation of the difference between increased net position and an increase in fund balance is on page 4-7.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Effective for the year ended June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions, and Statements No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*. This change impacted every public school district participating in MPSERS. As of September 30, 2014 the net pension liability for the entire MPSERS Plan was \$22,026,503,110. Bullock Creek School District's portion of that liability is \$24,102,818. Please refer to Note 11 of the Financial Statements for details on this new accounting policy.

The net position for the District increased by \$729,794 during the 2014-15 year. The *Statement of Net Position from Operating Results* (below) shows the details of this change.

The *Statement of Changes in Net Position from Operating Results* (below) shows the change from another perspective. As shown in the *Summary of Net Position*, the majority of the change in total assets is due to a decrease in assets, associated with a decrease in cash from the use of bond proceeds. The net change in total liabilities is a decrease, which is related to the decrease in bonds payable associated with the principal payments made by the District in 2014-2015.

Statement of Changes in Net Position from Operating Results

	Governmental Activities		
	Year ended 2015	Year ended 2014	Difference
Revenues			
Program Revenues			
Charges for Services	\$ 346,463	\$ 334,160	\$ 12,303
Operating Grants/Contributions	3,895,289	3,411,247	484,042
Capital Grants/Contributions	23,087	55,250	(32,163)
General Revenues			
Property Taxes	3,736,527	3,612,692	123,835
State Foundation Allowance	12,239,378	12,062,806	176,572
Other	415,814	711,985	(296,171)
Total Revenues	<u>20,656,558</u>	<u>20,188,140</u>	<u>468,418</u>
Expenses			
Instruction	12,212,897	12,181,647	31,250
Support Services	6,560,586	6,118,286	442,300
Food Services	866,288	806,237	60,051
Other Transactions	286,993	490,017	(203,024)
Total Expenses	<u>19,926,764</u>	<u>19,596,187</u>	<u>330,577</u>
Change in Net Position	<u>\$ 729,794</u>	<u>\$ 591,953</u>	<u>\$ 137,841</u>

Approximately 83% of the District's revenues are received from State sources. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student enrollment calculated by blending 90 percent of the current year's fall count and 10 percent of the prior year's winter count.
3. The amount raised by the District's non principal residence exemption tax levy of 18 mills.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

The School District's Funds

At June 30, 2015, the District's governmental funds reported a combined fund balance of \$2,971,121 which is a decrease of \$378,895 from last year. The primary reasons for the decrease are:

- In the General Fund, our principal operating fund, the fund balance decreased by \$267,093. The decrease is made up of \$321,964 less revenue than budgeted and \$168,679 less expenditures than budgeted. This is the result of conservative spending in the areas of insurance, supplies and purchased services from the original budget. In addition, overall revenue was lower than expected due to an error made between local property tax revenues and State Of Michigan contributions for Renaissance Zone revenues. The reserves and designations of fund balance are identified on page 4-3. By law, the portion of the fund balance restricted for other purposes is unavailable for school operations.
- A 2012 Capital Projects Fund was created through the issuance of \$3.485 million in bonds which will be used for capital related projects. During 2014-2015, a total of \$313,514 of the bond proceeds remaining in fund balance were expended on the purchase of new buses and technology equipment as well as towards the building improvements completed during 2014-2015.
- In the Special Revenue Funds, the Food Service fund balance increased by \$9,096. This was partly due to a reduction in expenditures, mainly in food costs as adjustments were constantly made to find economical solutions to the increased regulations from the USDA. An increase in federal funding for reimbursable meals as well as conservative spending in the areas of supplies and purchased services also contributed to this gain.
- The Debt Service Funds showed an increase of \$192,616 in combined fund balances. Millage rates are determined

annually to ensure that the School District accumulates sufficient resources to pay annual bond-issue related debt service. The fund balance of the Debt Service is restricted since it can only be used for future debt service obligations.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. In 2014-15 the State was able to fully fund the Bullock Creek School District foundation allowance of \$7,126 per pupil.

Student Enrollment

The District's student enrollment for the fall count of 2014-2015 was 1,864 students. This is a decrease of 16 students from the previous September. While the District has seen an overall decrease in students, it continues to have a strong school of choice population. This is due, in part, to the District offering some unique programs that other area schools do not offer such as Nature Kindergarten and a Young Fives program. The following summarizes fall student enrollments in the past five years:

Enrollment History

Year	Student FTE	FTE Change from Prior Year
2014-2015	1,864	(16)
2013-2014	1,880	(53)
2012-2013	1,933	(49)
2011-2012	1,982	(12)
2010-2011	1,994	(30)

Preliminary student enrollment projections for 2015-2016 indicate that enrollments are likely to remain the same compared to 2014-2015. The District uses county birthrates, current enrollment, and community factors as part of this forecast.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Property Taxes Levied for General Operations

The District levies 18.0 mills of property taxes on non principal residence exemption properties and 6.0 mills on Commercial personal property for operations (General Fund). Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

Year	Local Property Tax Revenue	% of General Fund Revenue
2014-2015	\$ 861,934	4.9%
2013-2014	853,744	4.9%
2012-2013	853,070	5.0%
2011-2012	838,848	4.9%
2010-2011	832,755	4.8%

Capital Assets

At June 30, 2015, the District had \$18,670,527 invested in capital assets including land, construction in progress, buildings, furniture, and equipment.

Assets	Governmental Activities	
	2015	2014
Land and construction in progress	\$ 212,611	\$ 212,611
Buildings and additions	29,356,634	29,316,252
Equipment and furniture	977,825	962,303
Buses and other vehicles	2,283,294	2,206,699
Subtotal	32,830,364	32,697,865
Less accumulated depreciation	(14,159,837)	(13,312,531)
Total	\$ 18,670,527	\$ 19,385,334

Debt Administration

At June 30, 2015, the District had \$11,145,000 in general obligation bonds outstanding for capital projects. During the 2014-2015 fiscal year, the District levied a debt millage of 7.0 mills that generated revenue of \$2,050,673 and was based on the taxable value of all properties within the District. The revenue raised by the debt levy is used to pay maturities on the general obligation bonds.

The School District's general obligation bond rating continues to be equivalent to the State's credit rating.

For more detailed information on debt, please see the accompanying Notes to the Financial Statements (page 4-18).

Original versus Revised Budget

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2014-2015 was approved on June 23, 2014 and amended in January and June of 2015.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

General Fund Revenues

Total Revenues Revised Budget	\$ 18,088,669
Total Revenues Original Budget	<u>17,593,223</u>
Change	<u>\$ 495,446</u>

The District's actual general fund revenues were more than the revised budget by \$321,964 a variance of about than 1.78%.

Some of the significant revenue budget adjustments for the year include:

- An increase in State Aid of \$443,772 primarily due to an increase in MPSERS UAAL Stabilization funding that went from 4.56% in 2013-14 to 8.84% in 2014-15.

General Fund Expenditures

Total Expenditures Revised Budget	\$ 18,176,316
Total Expenditures Original Budget	<u>18,338,282</u>
Change	<u>\$ (161,966)</u>

The District's actual general fund expenditures were less than the revised budget by \$168,679, a variance of .09%.

The significant expenditure budget adjustment for the year includes:

- An increase in retirement cost expense to match the increase in funding received for the MPSERS UAAL Stabilization funding. This increase offset various reductions in budgeted expenditures in salaries, health insurance costs and the Special Education Tuition billing and other charges from Midland County Educational Service Agency

- The remaining items were related to either minor changes in programs or benefits costs based on personnel changes along with savings in supplies and contracted services.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. The other key factor in determining revenue is the actual per pupil foundation allowance established in the State Aid Act. The Board of Education was required by law to approve the 2015-2016 budget by July 1, 2015. The District budget was based on a per pupil foundation allowance of \$7,391 and a loss of 15 students. The foundation allowance for 2015-16 reflects the State rolling the Foundation Equity Payment received in 2014-15 into the base foundation allowance for 2015-16.

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to: Director of Business Services, Bullock Creek School District, 1420 South Badour Road, Midland, MI 48640; telephone number 989-631-9022.

BASIC FINANCIAL STATEMENTS

Bullock Creek School District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash	\$ 5,629,379
Due from other governmental units	3,085,763
Due from agency fund activities	1,925
Inventory	201,367
Prepaid items	18,044
Capital assets not being depreciated	212,611
Capital assets - net of accumulated depreciation	<u>18,457,916</u>
Total assets	<u>27,607,005</u>
Deferred Outflows of Resources	
Deferred amount on debt refunding	508,784
Deferred amount of pension expense related to net pension liability	<u>2,607,944</u>
Total deferred outflows of resources	<u>3,116,728</u>
Total assets and deferred outflows of resources	<u>30,723,733</u>
Liabilities	
Accounts payable	319,178
State aid anticipation note payable	3,900,000
Payroll deductions and withholdings	507
Accrued expenditures	493,039
Accrued salaries payable	926,028
Unearned revenue	348,968
Noncurrent liabilities	
Net pension liability	24,102,818
Debt due within one year	1,903,915
Debt due in more than one year	<u>9,820,885</u>
Total liabilities	<u>41,815,338</u>
Deferred Inflows of Resources	
Deferred amount on net pension liability	<u>2,664,576</u>
Total liabilities and deferred inflows of resources	<u>44,479,914</u>
Net Position	
Net investment in capital assets	7,804,470
Restricted for	
Debt service	664,043
Capital projects	319,855
Food service	194,029
Unrestricted	<u>(22,738,578)</u>
Total net position	<u>\$ (13,756,181)</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Statement of Activities
For the Year Ended June 30, 2015

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs					
Governmental activities					
Instruction	\$ 12,212,897	\$ -	\$ 2,486,571	\$ 1,540	\$ (9,724,786)
Supporting services	6,560,586	109,325	772,394	21,547	(5,657,320)
Food services	866,288	237,138	636,324	-	7,174
Interest and fiscal charges on long-term debt	286,993	-	-	-	(286,993)
Total governmental activities	\$ 19,926,764	\$ 346,463	\$ 3,895,289	\$ 23,087	(15,661,925)
General revenues					
Property taxes, levied for general purposes					1,686,530
Property taxes, levied for debt service					2,049,997
State aid - unrestricted					12,239,378
Interest and investment earnings					6,198
Other					409,616
Total general revenues					16,391,719
Change in net position					729,794
Net position - beginning, as restated					(14,485,975)
Net position - ending					\$ (13,756,181)

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Governmental Funds
Balance Sheet
June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 4,231,883	\$ 1,397,496	\$ 5,629,379
Due from other funds	92,413	9,371	101,784
Due from agency fund activities	1,925	-	1,925
Due from other governmental units	3,048,035	37,728	3,085,763
Inventory	201,367	-	201,367
Prepaid items	18,044	-	18,044
Total assets	<u>\$ 7,593,667</u>	<u>\$ 1,444,595</u>	<u>\$ 9,038,262</u>
Liabilities			
Accounts payable	\$ 309,644	\$ 9,534	\$ 319,178
State aid anticipation note payable	3,900,000	-	3,900,000
Due to other funds	-	101,784	101,784
Payroll deductions and withholdings	507	-	507
Accrued expenditures	470,676	-	470,676
Accrued salaries payable	926,028	-	926,028
Unearned revenue	348,740	228	348,968
Total liabilities	<u>5,955,595</u>	<u>111,546</u>	<u>6,067,141</u>
Fund Balance			
Non-spendable:			
Inventory	201,367	-	201,367
Prepaid items	18,044	-	18,044
Restricted for			
Debt service	-	686,406	686,406
Capital projects	-	319,855	319,855
Food service	-	194,029	194,029
Committed for			
Purchase of textbooks	100,000	-	100,000
PPACA implementation	200,000	-	200,000
Future year budget	509,864	-	509,864
Assigned for			
Capital projects	-	132,759	132,759
Unassigned	608,797	-	608,797
Total fund balance	<u>1,638,072</u>	<u>1,333,049</u>	<u>2,971,121</u>
Total liabilities and fund balance	<u>\$ 7,593,667</u>	<u>\$ 1,444,595</u>	<u>\$ 9,038,262</u>

See Accompanying Notes to the Financial Statements

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

Total fund balances for governmental funds	\$ 2,971,121
Total net position for governmental activities in the statement of net position is different because	
Inventories used in governmental activities are reported on the purchase method in the funds.	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets not being depreciated	212,611
Capital assets - net of accumulated depreciation	18,457,916
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	508,784
Deferred inflows of resources resulting from net pension liability	(2,664,576)
Deferred outflows of resources from pension expenses subsequent to measurement date of net pension liability	2,607,944
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(22,363)
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	(24,102,818)
Compensated absences	(349,959)
Bonds payable	(11,236,149)
Capital lease payable	<u>(138,692)</u>
Net position of governmental activities	<u>\$(13,756,181)</u>

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 1,276,081	\$ 2,291,848	\$ 3,567,929
State sources	14,737,446	32,916	14,770,362
Federal sources	659,734	567,607	1,227,341
Interdistrict sources	1,048,444	42,482	1,090,926
	<u>17,721,705</u>	<u>2,934,853</u>	<u>20,656,558</u>
Expenditures			
Current			
Education			
Instruction	11,617,967	-	11,617,967
Supporting services	6,220,331	-	6,220,331
Food services	-	861,712	861,712
Capital outlay	35,906	314,065	349,971
Debt service			
Principal	72,655	1,510,000	1,582,655
Interest and other expenditures	11,260	339,519	350,779
Bond issuance costs	-	45,058	45,058
Payment to bond refunding escrow agent	-	6,980	6,980
	<u>17,958,119</u>	<u>3,077,334</u>	<u>21,035,453</u>
Excess (deficiency) of revenues over expenditures	<u>(236,414)</u>	<u>(142,481)</u>	<u>(378,895)</u>

See Accompanying Notes to the Financial Statements

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)			
Proceeds from refinancing debt	\$ -	\$ 2,545,000	\$ 2,545,000
Payment to bond refunding escrow agent	-	(2,545,000)	(2,545,000)
Transfers in	19,971	50,650	70,621
Transfers out	<u>(50,650)</u>	<u>(19,971)</u>	<u>(70,621)</u>
Total other financing sources (uses)	<u>(30,679)</u>	<u>30,679</u>	<u>-</u>
Net change in fund balance	(267,093)	(111,802)	(378,895)
Fund balance - beginning	<u>1,905,165</u>	<u>1,444,851</u>	<u>3,350,016</u>
Fund balance - ending	<u>\$ 1,638,072</u>	<u>\$ 1,333,049</u>	<u>\$ 2,971,121</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
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	\$ (378,895)
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(951,109)
Capital outlay	255,926
Disposal of capital assets (net book value)	(6,696)
Expenses are recorded when incurred in the statement of activities.	
Interest	45,865
Compensated absences	(6,990)
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 net pension liability	1,538,616
Net change in the deferred inflow of resources related to the net pension liability	(2,664,576)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	1,245,039
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	(2,545,000)
Repayments of long-term debt	4,134,635
Amortization of deferred amount on refunding	40,341
Amortization of bond premium	22,638
Change in net position of governmental activities	\$ 729,794

Bullock Creek School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2015

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>217,899</u>
Liabilities	
Accounts payable	\$ 1,265
Due to other funds	1,925
Due to agency fund activities	<u>214,709</u>
Total liabilities	<u>\$ 217,899</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Bullock Creek School District (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.). The School District does not allocate indirect costs. 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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – 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 include Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

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.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring busses, technology equipment, and for building and site improvements and remodeling. The funds are kept open until the purpose for which the fund was created has been accomplished.

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.

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	7.00000

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

The property tax levy runs from July 1 to June 30 in the City of Midland and January 1 to December 31 in the County. 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 Midland County and remitted to the School District by May 15.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of the general fund 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 \$5,000. 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	20-50 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 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 – Sick days are earned at a rate determined by their job category, for most employees this is at the rate of twelve days per school year. Unlimited unused sick days may be accumulated by an employee. Retiring employees who meet certain criteria are paid for accumulated sick days at a rate determined by their job category. There is no contractual provision for payment of unused vacation days. They may be used for vacation only.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon retirement, are included. The amount reported is salary related and includes no fringe benefits.

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.

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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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 finance committee or the Superintendent. The Board of Education has granted the finance committee and 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 Government Accounting Standards Board ("The GASB") has issued Statement 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.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending June 30, 2015.

Bullock Creek School District
Notes to the Financial Statements
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.

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 yearend, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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 School 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			
Adult and continuing education	\$ 342,620	\$ 370,122	\$ 27,502
School administration	1,182,184	1,207,828	25,644
Operations and maintenance	1,189,374	1,211,212	21,838
Pupil transportation services	972,039	986,741	14,702
Central	129,761	132,464	2,703
Athletics	258,711	260,387	1,676

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$22,738,578 as of June 30, 2015. There are no governmental funds with a deficit.

Compliance – Bond Proceeds

The Capital Projects Funds include project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2012 Capital Project Fund from the inception of the funds through the current fiscal year:

	2012 Capital Projects Fund
Revenues	\$ 3,878
Expenditures	(3,131,518)
Other Financing Sources	<u>3,447,495</u>
	<u>\$ 319,855</u>

Note 3 – Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 5,629,379</u>	<u>\$ 217,899</u>	<u>\$ 5,847,278</u>

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 5,847,182
Petty cash and cash on hand	96
Total	\$ 5,847,278

Interest rate risk – The School District will minimize this risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; and investing operating funds primarily in short-term securities, liquid asset funds, money market mutual funds, or similar investment pools limiting the average maturity in accordance with the School District’s cash requirements.

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

Concentration of credit risk – The School District will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any type of security or issuer will be minimized.

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 yearend, \$ 6,536,004 of the School District’s bank balance of \$ 6,286,004 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 – 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	\$ 212,611	\$ -	\$ -	\$ 212,611
Capital assets being depreciated				
Buildings and additions	29,316,252	40,382	-	29,356,634
Equipment and furniture	962,303	36,422	(20,900)	977,825
Buses and other vehicles	2,206,699	179,122	(102,527)	2,283,294
Total capital assets being depreciated	32,485,254	255,926	(123,427)	32,617,753
Less accumulated depreciation for				
Buildings and additions	(11,339,704)	(664,610)	-	(12,004,314)
Equipment and furniture	(428,547)	(95,255)	1,276	(522,526)
Buses and other vehicles	(1,544,280)	(191,244)	102,527	(1,632,997)
Total accumulated depreciation	(13,312,531)	(951,109)	103,803	(14,159,837)
Net capital assets being depreciated	19,172,723	(695,183)	(19,624)	18,457,916
Net capital assets	\$ 19,385,334	\$ (695,183)	\$ (19,624)	\$ 18,670,527

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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

Governmental activities	
Instruction	\$ 567,877
Support services	373,169
Food services	<u>10,063</u>
Total governmental activities	<u><u>\$ 951,109</u></u>

As of yearend, the School District had the following construction contracts in progress:

Project	Remaining Construction Commitment at		Contract Payable at Year End
	Total Contract	Year End	
Construction project	\$ 3,447,495	\$ 315,977	\$ 6,143

Note 5 – Interfund Receivables, Payables and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	Other governmental funds	\$ 92,413
Other governmental funds	Other governmental funds	9,371
General Fund	Fiduciary Fund	<u>1,925</u>
		<u><u>\$ 103,709</u></u>

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 consist of the following:

	<u>Transfers Out</u>		
	General Fund	Other Governmental Funds	Total
Transfers in			
General Fund	\$ -	\$ 19,971	\$ 19,971
Other governmental funds	<u>50,650</u>	<u>-</u>	<u>50,650</u>
	<u><u>\$ 50,650</u></u>	<u><u>\$ 19,971</u></u>	<u><u>\$ 70,621</u></u>

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities and also to cover debt service payments.

Note 6 – 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:

	<u>Unearned</u>
Grant, categorical aid, and food service payments received prior to meeting all eligibility requirements	<u><u>\$ 348,968</u></u>

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

Note 7 – Leases

Capital Leases

The School District has a capital lease for copy machines. The future minimum lease payments are as follows:

<u>Year ending June 30,</u>		
2016	\$	83,915
2017		<u>62,992</u>
Total minimum lease payments		146,907
Less amount representing interest		<u>8,215</u>
Present value of minimum lease payments		<u><u>\$ 138,692</u></u>

The assets acquired through capital leases are as follows:

Asset		
Equipment and furniture	\$	358,859
Less accumulated depreciation		<u>227,277</u>
Total		<u><u>\$ 131,582</u></u>

Note 8 – State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

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

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 3,200,000</u>	<u>\$ 3,900,000</u>	<u>\$ 3,200,000</u>	<u>\$ 3,900,000</u>

Note 9 – 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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 12,610,000	\$ 2,545,000	\$ (4,010,000)	\$ 11,145,000	\$ 1,820,000
Capital lease	211,316	-	(72,624)	138,692	83,915
Compensated absences	342,969	6,990	-	349,959	-
Premium on bonds	113,787	-	(22,638)	91,149	-
Total	<u>\$ 13,278,072</u>	<u>\$ 2,551,990</u>	<u>\$ (4,105,262)</u>	<u>\$ 11,724,800</u>	<u>\$ 1,903,915</u>

Deferred amount on refunding activity is summarized as follows:

Deferred amount on refunding	<u>\$ 416,463</u>	<u>\$ 267,921</u>	<u>\$ (175,600)</u>	<u>\$ 508,784</u>	<u>\$ -</u>
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For governmental activities, compensated absences and the capital leases are primarily liquidated by the General Fund.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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

\$4,590,000 refunding bond due in annual installments of \$490,000 to \$630,000 through May 1, 2022, interest at 1.30% to 2.80%.	\$ 3,840,000
\$2,825,000 serial bond due in annual installments of \$510,000 through May 1, 2016, interest at 3.05%.	510,000
\$2,545,000 refunding bond due in annual installments of \$50,000 to \$460,000 through May 1, 2026, interest at 0.65% to 3.05%.	2,545,000
\$330,000 energy conservation bond due in annual installments of \$40,000 through May 1, 2016, interest at 2.70%.	40,000
\$1,775,000 refunding bond due in annual installments of \$215,000 to \$230,000 through May 1, 2019, interest at 5.00%.	900,000
\$3,485,000 serial bond due in annual installments of \$175,000 to \$660,000 through May 1, 2021, interest at 0.75% to 1.75%.	3,310,000
	<u>11,145,000</u>
Total general obligation bonded debt	<u>\$ 11,145,000</u>

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

	Principal	Interest	Total
Year Ending June 30,			
2016	\$ 1,820,000	\$ 254,132	\$ 2,074,132
2017	1,545,000	201,390	1,746,390
2018	1,545,000	174,460	1,719,460
2019	1,475,000	144,798	1,619,798
2020	1,225,000	113,272	1,338,272
2021-2025	3,135,000	269,496	3,404,496
2026	400,000	12,200	412,200
	<u>\$ 11,145,000</u>	<u>\$ 1,169,748</u>	<u>\$ 12,314,748</u>
Total			

The general obligation bonds are payable from the Debt Service Funds. As of yearend, the fund had a balance of \$686,406 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end, consist of \$349,959 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.

Advance Refunding

On February 1, 2015, the School District issued general obligation bonds of \$2,545,000 (par value) with an interest rate of 0.65% to 3.05% to advance refund term bonds with an interest rate of 3.75% to 4.25% and a par value of \$2,500,000. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$389,397, which resulted in an economic gain of \$242,510.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$180,713. This amount is reported in the accompanying statement of net position as a deferred outflow (inflow) of resources and is being charged to activities through fiscal year 2026.

Deferred Amount on Refunding

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$180,713. This amount is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year June 30, 2026.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2022 and May 1, 2026 for the 2000 issue. As of yearend, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2000 Issue refunded in 2004 and 2014	\$ 2,500,000
2000 Issue refunded in 2005 and 2015	3,945,000
	6,445,000
Total	\$ 6,445,000

Note 10 – 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 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 self-insured for dental insurance. The School District has contracted with MEBS and NGS to process the dental claims and perform other administrative duties. According to the provisions of this program, the School District pays 70-100% of dental claims, up to \$800 for teachers and \$600 for all other eligible employees annually, to each covered employee and the remaining

balance is paid by the employee. The School District evaluates the liability related to the dental claims at the end of each fiscal year. The liability is calculated, based upon claims already incurred and reported and an estimate of incurred but not reported claims, as provided by the administrator. For governmental activities, the liability for dental benefits is primarily liquidated by the General Fund. The School District's balance of \$6,801 is deemed to be adequate to cover outstanding claims.

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. The School District had no unemployment compensation expense for the year ended June 30, 2015. No provision has been made for possible future claims.

Note 11 – Pension Plans and Post Employment Benefits

Organization

The Michigan Public School Employees' Retirement System (MPERS) 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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

- 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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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 MPERS 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).

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

Total Pension Liability	\$ 65,160,887,182
Plan Fiduciary Net Position	<u>43,134,384,072</u>
Net Pension Liability	<u>\$ 22,026,503,110</u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
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Net Pension Liability as a Percentage of Covered-Employee Payroll	250.11%
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Year one MPERS 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.

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

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

Proportionate Share of Reporting Unit's Net Pension Liability – At September 30, 2014, the School District reported a liability of \$24,102,818 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The 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 .10943 percent, which is unchanged since 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:

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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)
	100.0%	

*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%
\$ 31,777,467	\$ 24,102,818	\$ 17,636,813

*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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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 \$1,952,396. 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	\$ 889,342	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(2,664,576)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	1,718,602	-
	\$ 2,607,944	\$ (2,664,576)

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

Plan Year Ending September 30	Amount:
2015	\$ 1,283,714
2016	(434,888)
2017	(434,888)
2018	(470,571)
Total	\$ (56,633)

Post-Employment Benefits

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 (MPERS).

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2015

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 \$693,000, \$714,000, and \$735,000, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2015, the School District had contributions in the amount of \$815,688 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 12 – 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.

Note 13 – Subsequent Event

Subsequent to June 30, 2015, the School District has paid the balance of the \$3,900,000 and accrued interest on the short-term state aid anticipation note borrowed on August 20, 2014 and has subsequently borrowed \$3,900,000 in short-term state aid anticipation notes through Chemical Bank with approval from the

Michigan Municipal Bond Authority. Proceeds from the borrowing were distributed to the School District on August 20, 2015.

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 \$24,278,529 restating it from a surplus of \$9,792,554 to a deficit of \$14,485,975.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 1,272,823	\$ 1,446,953	\$ 1,276,081	\$ (170,872)
State sources	14,375,000	14,818,772	14,737,446	(81,326)
Federal sources	699,098	730,087	659,734	(70,353)
Interdistrict sources	1,201,302	1,047,857	1,048,444	587
Total revenues	<u>17,548,223</u>	<u>18,043,669</u>	<u>17,721,705</u>	<u>(321,964)</u>
Expenditures				
Instruction				
Basic programs	8,639,229	8,708,576	8,683,988	(24,588)
Added needs	2,745,068	2,699,551	2,563,857	(135,694)
Adult and continuing education	562,747	342,620	370,122	27,502
Supporting services				
Pupil	1,082,530	1,016,900	986,058	(30,842)
Instructional staff	706,807	794,667	764,947	(29,720)
General administration	284,964	305,298	294,947	(10,351)
School administration	1,109,810	1,182,184	1,207,828	25,644
Business	307,619	361,400	338,588	(22,812)
Operations and maintenance	1,295,977	1,189,374	1,211,212	21,838
Pupil transportation services	1,053,059	972,039	986,741	14,702
Central	104,351	129,761	132,464	2,703
Athletics	244,158	258,711	260,387	1,676
Other	39,888	39,913	37,159	(2,754)
Capital outlay	20,795	37,906	35,906	(2,000)
Debt service				
Principal	64,010	76,000	72,655	(3,345)
Interest and fiscal charges	19,907	11,898	11,260	(638)
Total expenditures	<u>18,280,919</u>	<u>18,126,798</u>	<u>17,958,119</u>	<u>(168,679)</u>
Excess (deficiency) of revenues over expenditures	<u>(732,696)</u>	<u>(83,129)</u>	<u>(236,414)</u>	<u>(153,285)</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers in	\$ 45,000	\$ 45,000	\$ 19,971	\$ (25,029)
Transfers out	<u>(57,363)</u>	<u>(49,518)</u>	<u>(50,650)</u>	<u>(1,132)</u>
Total other financing sources (uses)	<u>(12,363)</u>	<u>(4,518)</u>	<u>(30,679)</u>	<u>(26,161)</u>
Net change in fund balance	(745,059)	(87,647)	(267,093)	(179,446)
Fund balance - beginning	<u>1,905,165</u>	<u>1,905,165</u>	<u>1,905,165</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,160,106</u>	<u>\$ 1,817,518</u>	<u>\$ 1,638,072</u>	<u>\$ (179,446)</u>

Bullock Creek School District
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.	Reporting unit's proportion of net pension liability (%)	0.11%									
B.	Reporting unit's proportionate share of net pension liability	\$ 25,641,434									
C.	Reporting unit's covered-employee payroll	\$ 9,297,179									
D.	Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	275.80%									
E.	Plan fiduciary net position as a percentage of total pension liability	66.20%									

Bullock Creek School District
Required Supplementary Information
Schedule of the Reporting Unit'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	\$ 1,718,602									
B.	Contributions in relation to statutorily required contributions	<u>1,718,602</u>									
C.	Contribution deficiency (excess)	<u>\$ -</u>									
D.	Reporting unit's covered- employee payroll	9,362,550									
E.	Contributions as a percentage of covered-employee payroll	18.4%									

OTHER SUPPLEMENTARY INFORMATION

Bullock Creek School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special	Debt Service Funds					Capital	2012	Total
	Revenue	2004	2015	2009	2010	2012			
	Funds	Refunding	Refunding	Debt	Refunding	Debt	Projects	Projects	Governmental
	Food						Fund	Fund	Funds
	Service								
Assets									
Cash	\$ 236,313	\$ 335,533	\$ 29,916	\$ 163,674	\$ 105,303	\$ 51,980	\$ 132,759	\$ 342,018	\$ 1,397,496
Due from other funds	9,371	-	-	-	-	-	-	-	9,371
Due from other governmental units	37,728	-	-	-	-	-	-	-	37,728
Total assets	\$ 283,412	\$ 335,533	\$ 29,916	\$ 163,674	\$ 105,303	\$ 51,980	\$ 132,759	\$ 342,018	\$ 1,444,595
Liabilities and Fund Balance									
Liabilities									
Accounts payable	\$ 3,391	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,143	\$ 9,534
Due to other funds	85,764	-	-	-	-	-	-	16,020	101,784
Unearned revenue	228	-	-	-	-	-	-	-	228
Total liabilities	89,383	-	-	-	-	-	-	22,163	111,546
Fund Balance									
Restricted for									
Debt service	-	335,533	29,916	163,674	105,303	51,980	-	-	686,406
Capital projects	-	-	-	-	-	-	-	319,855	319,855
Food service	194,029	-	-	-	-	-	-	-	194,029
Assigned	-	-	-	-	-	-	132,759	-	132,759
Total fund balance	194,029	335,533	29,916	163,674	105,303	51,980	132,759	319,855	1,333,049
Total liabilities and fund balance	\$ 283,412	\$ 335,533	\$ 29,916	\$ 163,674	\$ 105,303	\$ 51,980	\$ 132,759	\$ 342,018	\$ 1,444,595

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

	Special	Debt Service Funds						Capital Projects Fund	2012	Total
	Revenue	2004	2015	2009	2010	2012	Energy		Capital	Nonmajor
	Food Service	Refunding	Refunding	Debt	Refunding	Debt	Conservation	Projects Fund	Projects Fund	Governmental Funds
Revenues										
Local sources	\$ 240,624	\$ 970,389	\$ 79,207	\$ 526,120	\$ 284,578	\$ 190,379	\$ -	\$ -	\$ 551	\$ 2,291,848
State sources	32,916	-	-	-	-	-	-	-	-	32,916
Federal sources	567,607	-	-	-	-	-	-	-	-	567,607
Interdistrict sources	42,482	-	-	-	-	-	-	-	-	42,482
Total revenues	<u>883,629</u>	<u>970,389</u>	<u>79,207</u>	<u>526,120</u>	<u>284,578</u>	<u>190,379</u>	<u>-</u>	<u>-</u>	<u>551</u>	<u>2,934,853</u>
Expenditures										
Current										
Education										
Food services	861,712	-	-	-	-	-	-	-	-	861,712
Capital outlay	-	-	-	-	-	-	-	-	314,065	314,065
Debt service										
Principal	-	700,000	15,000	435,000	195,000	125,000	40,000	-	-	1,510,000
Interest and other expenditures	-	156,306	53,333	28,605	54,750	43,025	3,500	-	-	339,519
Bond issuance costs	-	-	45,058	-	-	-	-	-	-	45,058
Payment to bond refunding escrow agent	-	-	6,980	-	-	-	-	-	-	6,980
Total expenditures	<u>861,712</u>	<u>856,306</u>	<u>120,371</u>	<u>463,605</u>	<u>249,750</u>	<u>168,025</u>	<u>43,500</u>	<u>-</u>	<u>314,065</u>	<u>3,077,334</u>
Excess (deficiency) of revenues over expenditures	<u>21,917</u>	<u>114,083</u>	<u>(41,164)</u>	<u>62,515</u>	<u>34,828</u>	<u>22,354</u>	<u>(43,500)</u>	<u>-</u>	<u>(313,514)</u>	<u>(142,481)</u>
Other Financing Sources (Uses)										
Proceeds from refinancing debt	-	-	2,545,000	-	-	-	-	-	-	2,545,000
Payment to bond refunding escrow agent	-	-	(2,545,000)	-	-	-	-	-	-	(2,545,000)
Transfers in	7,150	-	-	-	-	-	43,500	-	-	50,650
Transfers out	(19,971)	-	-	-	-	-	-	-	-	(19,971)
Total other financing sources (uses)	<u>(12,821)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,500</u>	<u>-</u>	<u>-</u>	<u>30,679</u>
Net change in fund balance	9,096	114,083	(41,164)	62,515	34,828	22,354	-	-	(313,514)	(111,802)
Fund balance - beginning	<u>184,933</u>	<u>221,450</u>	<u>71,080</u>	<u>101,159</u>	<u>70,475</u>	<u>29,626</u>	<u>-</u>	<u>132,759</u>	<u>633,369</u>	<u>1,444,851</u>
Fund balance - ending	<u>\$ 194,029</u>	<u>\$ 335,533</u>	<u>\$ 29,916</u>	<u>\$ 163,674</u>	<u>\$ 105,303</u>	<u>\$ 51,980</u>	<u>\$ -</u>	<u>\$ 132,759</u>	<u>\$ 319,855</u>	<u>\$ 1,333,049</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2015 and 2014

	2015	2014
Assets		
Cash	\$ 4,231,883	\$ 4,257,101
Taxes receivable		
Due from other funds	94,338	41,310
Due from other governmental units	3,048,035	3,201,213
Inventory	201,367	-
Prepaid items	18,044	18,044
Total assets	\$ 7,593,667	\$ 7,517,668
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 309,644	\$ 333,195
State aid anticipation note payable	3,900,000	3,200,000
Due to other funds	-	185,011
Payroll deductions and withholdings	507	26,220
Accrued expenditures	470,676	430,140
Accrued salaries payable	926,028	913,919
Unearned revenue	348,740	524,018
Total liabilities	5,955,595	5,612,503
Fund Balance		
Non-spendable		
Prepaid items	18,044	18,044
Committed		
Purchase of textbooks	100,000	100,000
PPACA implementation	200,000	200,000
Future year budget	509,864	745,059
Unassigned	608,797	842,062
Total fund balance	1,638,072	1,905,165
Total liabilities and fund balance	\$ 7,593,667	\$ 7,517,668

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Revenues
For the Years Ended June 30, 2015 and 2014

	2015	2014
Revenue from local sources		
Property tax levy	\$ 861,934	\$ 853,744
Student activities	109,325	86,582
Other local revenues	<u>304,822</u>	<u>323,072</u>
Total revenues from local sources	<u>1,276,081</u>	<u>1,263,398</u>
Revenues from state sources		
Grants - unrestricted	12,241,478	12,064,143
Grants - restricted	<u>2,495,968</u>	<u>2,064,058</u>
Total revenues from state sources	<u>14,737,446</u>	<u>14,128,201</u>
Revenues from federal sources		
Grants	<u>659,734</u>	<u>667,347</u>
Interdistrict sources		
Community service activity	223,848	542,120
ISD collected millage	<u>824,596</u>	<u>827,990</u>
Total interdistrict sources	<u>1,048,444</u>	<u>1,370,110</u>
Other financing sources		
Transfers in	<u>19,971</u>	<u>18,741</u>
Total revenue and other financing sources	<u>\$ 17,741,676</u>	<u>\$ 17,447,797</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2015 and 2014

	2015	2014
Basic program - elementary		
Salaries	\$ 2,398,911	\$ 2,412,775
Employee benefits	1,496,676	1,511,543
Purchased services	108,813	113,405
Supplies and materials	45,569	88,720
Other	55	20
Total elementary	4,050,024	4,126,463
Basic program - middle school		
Salaries	1,141,613	1,185,176
Employee benefits	752,142	701,190
Purchased services	17,122	21,761
Supplies and materials	63,735	33,253
Other	515	515
Total middle school	1,975,127	1,941,895
Basic program - high school		
Salaries	1,452,230	1,391,938
Employee benefits	949,334	876,773
Purchased services	202,123	179,611
Supplies and materials	42,883	81,428
Other	4,360	816
Total high school	2,650,930	2,530,566

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Basic program - summer school		
Salaries	\$ 5,592	\$ 6,984
Employee benefits	2,315	2,338
Purchased services	-	1,143
Total summer school	<u>7,907</u>	<u>10,465</u>
Total basic programs	<u>8,683,988</u>	<u>8,609,389</u>
Added needs - special education		
Salaries	1,023,325	1,021,984
Employee benefits	566,800	533,315
Purchased services	429,058	529,728
Supplies and materials	7,118	3,817
Total special education	<u>2,026,301</u>	<u>2,088,844</u>
Added needs - compensatory education		
Salaries	241,079	226,096
Employee benefits	142,656	117,507
Purchased services	6,972	4,461
Supplies and materials	1,966	1,067
Total compensatory education	<u>392,673</u>	<u>349,131</u>
Added needs - career and technical education		
Salaries	92,252	108,188
Employee benefits	44,239	47,482
Purchased services	5,338	14,703
Supplies and materials	3,054	3,785
Total career and technical education	<u>144,883</u>	<u>174,158</u>
Total added needs	<u>2,563,857</u>	<u>2,612,133</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2015 and 2014

	2015	2014
Adult and continuing education - secondary		
Purchased services	\$ 370,122	\$ 544,340
Pupil - truancy/absenteeism services		
Salaries	16,728	14,269
Employee benefits	7,029	5,172
	23,757	19,441
Total truancy/absenteeism services		
Pupil - guidance services		
Salaries	282,688	274,416
Employee benefits	183,249	165,654
Purchased services	99	3,136
Supplies and materials	5,139	6,251
	471,175	449,457
Total guidance services		
Pupil - health services		
Purchased services	42,289	-
Pupil - psychological services		
Purchased services	77,177	640
Supplies and materials	779	332
	77,956	972
Total psychological services		

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2015 and 2014

	2015	2014
Pupil - speech and hearing services		
Salaries	\$ 135,812	\$ 81,669
Employee benefits	75,261	39,366
Purchased services	-	88
Supplies and materials	1,167	1,053
Total speech and hearing services	212,240	122,176
Pupil - social work services		
Salaries	52,931	50,500
Employee benefits	39,129	41,217
Purchased services	705	678
Supplies and materials	156	315
Total social work services	92,921	92,710
Pupil - other support services		
Salaries	48,938	43,349
Employee benefits	16,782	15,998
Total other pupil support services	65,720	59,347
Total pupil	986,058	724,662
Instructional staff - improvement of education		
Salaries	128,241	138,332
Employee benefits	84,122	79,282
Purchased services	13,863	33,303
Supplies and materials	1,813	963
Total improvement of education	228,039	251,880

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2015 and 2014

	2015		2014
Instructional staff - educational media services			
Salaries	\$ 113,250	\$	110,148
Employee benefits	61,664		57,468
Purchased services	373		312
Supplies and materials	3,887		2,960
Other	4,195		9,035
Total educational media services	183,369		179,923
Instructional staff - technology assisted instruction			
Salaries	83,059		78,584
Employee benefits	52,386		51,200
Purchased services	32,646		24,509
Supplies and materials	26,920		22,016
Other	8,734		5,090
Total technology assisted instruction	203,745		181,399
Instructional staff - supervision and direction of instructional staff			
Salaries	66,863		66,075
Employee benefits	33,745		33,466
Purchased services	48,960		2,060
Supplies and materials	226		325
Total supervision and direction of instructional staff	149,794		101,926
Total instructional staff	764,947		715,128

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2015 and 2014

	2015		2014
General administration - board of education			
Salaries	\$ 13,060	\$	1,580
Purchased services	36,848		25,879
Supplies and materials	510		407
Other	<u>2,147</u>		<u>2,565</u>
Total board of education			<u>30,431</u>
 General administration - executive administration			
Salaries	123,091		124,042
Employee benefits	101,676		93,485
Purchased services	4,550		4,904
Supplies and materials	4,592		290
Other	<u>8,473</u>		<u>5,062</u>
Total executive administration			<u>227,783</u>
Total general administration			<u>294,947</u>
 School administration - office of the principal			
Salaries	642,029		612,583
Employee benefits	446,582		421,590
Purchased services	76,528		7,407
Supplies and materials	41,679		48,950
Other	<u>1,010</u>		<u>217</u>
Total office of the principal			<u>1,090,747</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2015 and 2014

	2015	2014
School administration - other		
Supplies and materials	\$ -	\$ 2,217
Total school administration - other	1,207,828	1,092,964
Business - fiscal services		
Salaries	122,454	109,727
Employee benefits	102,848	110,696
Purchased services	29,875	5,766
Supplies and materials	2,864	2,215
Other	2,685	3,040
Total fiscal services	260,726	231,444
Business - other		
Purchased services	25,527	19,519
Other	52,335	34,397
Total other business	77,862	53,916
Total business	338,588	285,360
Operations and maintenance - operating building services		
Salaries	412,309	438,630
Employee benefits	249,884	267,022
Purchased services	87,773	75,856
Supplies and materials	452,450	449,756
Other	4,940	5,404
Total operating building services	1,207,356	1,236,668
Operations and maintenance - security services		
Purchased services	3,856	-
Total operations and maintenance	1,211,212	1,236,668

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2015 and 2014

	2015	2014
Pupil transportation services		
Salaries	\$ 482,855	\$ 482,595
Employee benefits	230,195	209,069
Purchased services	23,603	24,016
Supplies and materials	247,714	273,375
Other	2,374	3,868
Total transportation services	986,741	992,923
Central - communication services		
Purchased services	2,298	-
Central - staff/personnel services		
Salaries	26,862	27,760
Employee benefits	20,259	26,397
Purchased services	12,772	8,755
Total staff/personnel services	59,893	62,912
Central - support services technology		
Purchased services	58,534	83,349
Central - pupil accounting		
Purchased services	11,739	-
Total central	132,464	146,261
Athletics		
Salaries	80,589	89,381
Employee benefits	25,550	25,917
Purchased services	116,907	69,350
Supplies and materials	14,810	15,894
Other	22,531	23,581
Total athletics	260,387	224,123

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2015 and 2014

	2015	2014
Other supporting services		
Salaries	\$ -	\$ 340
Employee benefits	-	130
Purchased services	35,987	37,056
Supplies and materials	<u>1,172</u>	<u>3,855</u>
Total other supporting services	<u>37,159</u>	<u>41,381</u>
 Capital outlay		
Basic program - elementary	-	10,105
Instructional staff - technology assisted instruction	-	12,913
Operations and maintenance - operating building services	<u>35,906</u>	<u>8,695</u>
Total capital outlay	<u>35,906</u>	<u>31,713</u>
 Debt service		
Principal	72,655	68,180
Interest and other expenditures	<u>11,260</u>	<u>15,735</u>
Total debt service	<u>83,915</u>	<u>83,915</u>
 Other financing uses		
Transfers out	<u>50,650</u>	<u>52,820</u>
Total expenditures and other financing uses	<u>\$ 18,008,769</u>	<u>\$ 17,671,435</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2006 Energy Conservation Bonds
June 30, 2015

Date of issue: 2006

Original amount of issue: \$330,000

Purpose of this issue: Middle and Elementary School roofs replacements/energy conservation

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity	Total Fiscal Year Requirements
		November 1st	May 1st	May 1st	
2.700	2015-16	\$ <u>540</u>	\$ <u>540</u>	\$ <u>40,000</u>	\$ <u>41,080</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2009 Issue
June 30, 2015

Date of issue: 2009

Original amount of issue: \$2,825,000

Purpose of this issue: Construction of school educational facilities

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity	Total Fiscal Year Requirements
		November 1st	May 1st	May 1st	
3.050	2015-16	\$ <u>7,778</u>	\$ <u>7,778</u>	\$ <u>510,000</u>	\$ <u>525,556</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2010 Issue
June 30, 2015

Date of issue: 2010

Original amount of issue: \$1,775,000

Purpose of this issue: Refund 1998 bonds maturing 5/1/2011 through 5/1/2019

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
5.000	2015-16	\$ 22,500	\$ 22,500	\$ 215,000	\$ 260,000
5.000	2016-17	17,125	17,125	225,000	259,250
5.000	2017-18	11,500	11,500	230,000	253,000
5.000	2018-19	<u>5,750</u>	<u>5,750</u>	<u>230,000</u>	<u>241,500</u>
		<u>\$ 56,875</u>	<u>\$ 56,875</u>	<u>\$ 900,000</u>	<u>\$ 1,013,750</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2012 Debt
June 30, 2015

Date of issue: 2012

Original amount of issue: \$3,485,000

Purpose of this issue: Construction of school educational facilities

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
0.750	2015-16	\$ 21,105	\$ 21,105	\$ 175,000	\$ 217,210
0.900	2016-17	20,450	20,450	575,000	615,900
1.050	2017-18	17,863	17,863	600,000	635,726
1.250	2018-19	14,714	14,714	650,000	679,428
1.500	2019-20	10,649	10,649	650,000	671,298
1.750	2020-21	5,775	5,775	660,000	671,550
		<u>\$ 90,556</u>	<u>\$ 90,556</u>	<u>\$ 3,310,000</u>	<u>\$ 3,491,112</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2014 Issue
June 30, 2015

Date of issue: 2014

Original amount of issue: \$4,540,000

Purpose of this issue: Refund 2004 refunding bonds maturing 5/1/2022

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
1.300	2015-16	\$ 38,592	\$ 38,592	\$ 630,000	\$ 707,184
1.550	2016-17	34,496	34,496	585,000	653,992
1.800	2017-18	29,963	29,963	560,000	619,926
2.050	2018-19	24,923	24,923	545,000	594,846
2.300	2019-20	19,336	19,336	525,000	563,672
2.550	2020-21	13,298	13,298	505,000	531,596
2.800	2021-22	6,860	6,860	490,000	503,720
		<u>\$ 167,468</u>	<u>\$ 167,468</u>	<u>\$ 3,840,000</u>	<u>\$ 4,174,936</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2015 Issue
June 30, 2015

Date of issue: 2015

Original amount of issue: \$2,545,000

Purpose of this issue: Refund 2005 refunding bonds maturing 5/1/2026

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
0.650	2015-16	\$ 43,664	\$ 43,664	\$ 250,000	\$ 337,328
0.900	2016-17	28,624	28,624	160,000	217,248
1.150	2017-18	27,904	27,904	155,000	210,808
1.450	2018-19	27,013	27,013	50,000	104,026
1.800	2019-20	26,650	26,650	50,000	103,300
2.100	2020-21	26,200	26,200	50,000	102,400
2.400	2021-22	25,675	25,675	50,000	101,350
2.600	2022-23	25,075	25,075	460,000	510,150
2.750	2023-24	19,095	19,095	460,000	498,190
2.900	2024-25	12,770	12,770	460,000	485,540
3.050	2025-26	6,100	6,100	400,000	412,200
		<u>\$ 268,770</u>	<u>\$ 268,770</u>	<u>\$ 2,545,000</u>	<u>\$ 3,082,540</u>

Bullock Creek School District

Single Audit Report

June 30, 2015

Table of Contents

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Expenditures of Federal Awards Provided to Subrecipients	9
Schedule of Findings and Questioned Costs	10
Summary of Prior Year Audit Findings	11

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditors' Report

To The Board of Education
Bullock Creek School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bullock Creek School District's basic financial statements, and have issued our report thereon dated October 22, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Saginaw, Michigan
October 22, 2015

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

To The Board of Education
Bullock Creek School District
Midland, Michigan

Report on Compliance for Each Major Federal Program

We have audited Bullock Creek School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bullock Creek School District's major federal programs for the year ended June 30, 2015. Bullock Creek School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bullock Creek School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Bullock Creek School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bullock Creek School District's basic financial statements. We issued our report thereon October 22, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 22, 2015

Bullock Creek School District
Schedule of Expenditures of Federal Awards
June 30, 2015

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Award Amount	Accrued (Unearned) Revenue July 1, 2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2015
U.S. Department of Agriculture							
Nutrition Cluster							
Passed through Michigan Department of Education							
Non-cash assistance (commodities)							
National School Lunch Program	10.555	\$ 45,245	\$ -	\$ 49,539	\$ 45,245	\$ 45,245	\$ -
Cash assistance							
141970 National School Lunch Breakfast	10.553	115,934	3,134	101,278	14,656	17,790	-
151970 National School Lunch Breakfast		116,948	-	-	116,948	116,948	-
			<u>3,134</u>	<u>101,278</u>	<u>131,604</u>	<u>134,738</u>	<u>-</u>
Summer Food Service Program for Children	10.559	2,180	-	-	2,180	-	2,180
141960 National S/L Section 11 All Lunches	10.555	336,424	8,763	295,177	41,247	50,010	-
141980 National S/L Snacks		30,519	775	27,062	3,457	4,232	-
151960 National S/L Section 11 All Lunches		316,602	-	-	316,602	316,602	-
151980 National S/L Snacks		27,272	-	-	27,272	27,272	-
			<u>9,538</u>	<u>322,239</u>	<u>388,578</u>	<u>398,116</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>12,672</u>	<u>473,056</u>	<u>567,607</u>	<u>578,099</u>	<u>2,180</u>
U.S. Department of Education							
Passed through Michigan Department of Career Development							
141120145997 Adult Ed - Engl Lit/Civics		14,500	1,981	14,500	-	1,981	-
141130141997 Adult Ed - ABE Instruction		280,000	39,682	280,000	-	39,682	-
141190141997 Adult Ed - Institutional Programs		30,000	3,830	30,000	-	3,830	-
151120155997 Adult Ed - Engl Lit/Civics		14,500	-	-	14,500	7,505	6,995
151130151997 Adult Ed - ABE Instruction		287,360	-	-	287,360	203,711	83,649
151190151997 Adult Ed - Institutional Programs		40,000	-	-	40,000	22,883	17,117
			<u>45,493</u>	<u>324,500</u>	<u>341,860</u>	<u>279,592</u>	<u>107,761</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Bullock Creek School District
Schedule of Expenditures of Federal Awards
June 30, 2015

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Award Amount	Accrued (Unearned) Revenue July 1, 2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2015
Passed through Michigan Department of Education							
141530 1314 Title I	84.010	\$ 246,038	\$ 230,677	\$ 230,677	\$ -	\$ 230,677	\$ -
151530 1415 Title I		267,574	-	-	227,089	193,117	33,972
			<u>230,677</u>	<u>230,677</u>	<u>227,089</u>	<u>423,794</u>	<u>33,972</u>
Passed through Midland County							
Carl Perkins Technology Grant	84.048	19,426	-	18,774	19,426	12,946	6,480
Passed through Clare-Gladwin RESD							
McKinney-Vento Homeless Education Assistance Fund	84.196	2,624	-	2,624	-	-	-
Passed through Michigan Department of Education							
140520 1314 Improving Teacher Quality		94,098	90,772	90,772	-	90,772	-
150520 1314 Improving Teacher Quality		99,303	-	-	71,359	54,722	16,637
			<u>90,772</u>	<u>90,772</u>	<u>71,359</u>	<u>145,494</u>	<u>16,637</u>
Total U.S. Department of Education			<u>366,942</u>	<u>667,347</u>	<u>659,734</u>	<u>861,826</u>	<u>164,850</u>
Total Federal Programs			<u>\$ 379,614</u>	<u>\$ 1,140,403</u>	<u>\$ 1,227,341</u>	<u>\$ 1,439,925</u>	<u>\$ 167,030</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Bullock Creek School District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2015.
3. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures Awards for U.S.D.A. donated food commodities.
4. The federal amounts reported on the "Grant Auditor Report" is in agreement with the Schedule of Expenditures of Federal Awards.
5. The financial statements federal revenues equal the total expenditures for federal awards.

Bullock Creek School District
Schedule of Expenditures of Federal Awards
Provided to Subrecipients
For the Year Ended June 30, 2015

Program Title Grant Number Sub-recipient Name	Federal CFDA Number	Sub- recipient Award/ Contract Amount	Due to Subrecipient June 30, 2014	(Memo Only) Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Transferred to Subrecipient	Adjustments	Due to Subrecipient June 30, 2015
U.S. Department of Education Passed through Michigan Department of Education to Education and Training Connection, Inc.								
141120115997 Adult Ed - Engl Lit/Civics	84.002	14,500	\$ -	\$ 14,065	\$ -	\$ -	\$ -	\$ -
141130111997 Adult Ed - ABE Instruction		280,000	16,829	271,600	-	16,829	-	-
141190111997 Adult Ed - Institutional Programs		30,000	278	29,100	-	278	-	-
151120115997 Adult Ed - Engl Lit/Civics		14,500	-	-	14,500	7,505	-	6,995
151130111997 Adult Ed - ABE Instruction		287,360	-	-	287,360	203,711	-	83,649
151190111997 Adult Ed - Institutional Programs		40,000	-	-	40,000	22,883	-	17,117
			<u>\$ 17,107</u>	<u>\$ 314,765</u>	<u>\$ 341,860</u>	<u>\$ 251,206</u>	<u>\$ -</u>	<u>\$ 107,761</u>

Bullock Creek School District
Schedule of Findings and Questioned Costs
June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements notes?
 yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553, 10.555 & 10.559	Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes no

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2015.

SECTION III - FEDERAL AWARD FINDINGS

There were no findings or questioned costs related to federal awards for the year ended June 30, 2015.

**Bullock Creek School District
Summary Schedule of Prior Audit Findings
June 30, 2015**

SECTION IV – PRIOR AUDIT FINDINGS

There were no audit findings for the year ended June 30, 2014.