



WEINLANDER FITZHUGH

VASSAR PUBLIC SCHOOLS
VASSAR, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2015

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 21, 2015

Board of Education
Vassar Public Schools
Vassar, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Vassar Public Schools as of June 30, 2015 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

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Board of Education
Vassar Public Schools
October 21, 2015

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements and schedules of bonded indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is also not a required part of the basic financial statements.

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



Board of Education
Vassar Public Schools
October 21, 2015

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Weinlander Fitzhugh

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

Our discussion and analysis of Vassar Public Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2015.

Financial Highlights

The School District's net position increased by \$223,516 or 2%. Of that amount, \$408,584 was a direct result of implementing Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Program revenues were \$3,392,226 or 24% of total revenues, and general revenues were \$10,457,158 or 76%.

The General Fund reported a positive fund balance of \$832,127.

The School District implemented GASB Statement No. 68. The effects of this Statement required the School District to report in its statement of net position a liability of \$16,215,240.

Using this Annual Financial Report

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

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

Basic Financial Statements

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

Budgetary Information for the General Fund (Required Supplemental Information)

Pension Schedules (Required Supplemental Information)

Other Supplemental Information

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

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

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

District-wide Financial Analysis

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2015 and 2014:

Exhibit A	<u>Governmental Activities</u>	
	<u>2015</u>	<u>Nonrestated 2014</u>
Assets		
Current and other assets	\$ 3,916,768	\$ 3,353,797
Capital assets - net of accumulated depreciation	4,880,745	4,989,541
Total assets	<u>8,797,513</u>	<u>8,343,338</u>
Deferred Outflows of Resources		
Related to pensions	<u>1,269,205</u>	<u>0</u>
Liabilities		
Current liabilities	3,052,146	2,729,998
Long-term liabilities	18,313,809	2,598,644
Total liabilities	<u>21,365,955</u>	<u>5,328,642</u>
Deferred Inflows of Resources		
Related to pensions	<u>1,792,680</u>	<u>0</u>
Net Position		
Net investment in capital assets	2,555,745	2,214,541
Restricted	574,111	436,955
Unrestricted	<u>(16,221,773)</u>	<u>363,200</u>
Total net position	<u>\$ (13,091,917)</u>	<u>\$ 3,014,696</u>

The analysis above focuses on net position (see Exhibit A). The School District's net position was \$(13,091,917) at June 30, 2015. Investment in property and equipment, net of related debt totaling \$2,555,745, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use the net position for day-to-day operations.

The \$(16,221,773) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

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

The School District implemented GASB Statement No. 68 for 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$16,215,240. The 2014 summary of the School District's net position was not restated to reflect this implementation.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2015 and 2014.

Exhibit B

	Governmental Activities	
	2015	Nonrestated 2014
Revenues		
Program revenue:		
Charges for services	\$ 228,570	\$ 221,766
Grants and categoricals	3,163,656	3,068,509
General revenue:		
Property taxes	1,308,950	1,293,500
State aid	9,067,166	8,283,166
Other	81,042	39,913
	<u>13,849,384</u>	<u>12,906,854</u>
Function/Program Expenses		
Instruction	8,829,801	8,002,971
Support services	3,610,819	3,503,811
Community services	31,159	20,899
Food service	580,242	579,034
Athletics	254,230	229,627
Interest	94,021	118,950
Depreciation (unallocated)	225,596	223,509
	<u>13,625,868</u>	<u>12,678,801</u>
	<u>\$ 223,516</u>	<u>\$ 228,053</u>

The School District implemented GASB Statement No. 68 for 2015. The effects of this Statement required the School District to report in the summary of the change in net position, an expense of \$408,586. The 2014 summary of the School District's change in net position was not restated to reflect this implementation.

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$13,625,868. Certain activities were partially funded from those who benefited from the programs, \$228,570, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$3,163,656. We paid for the remaining "public benefit" portion of our governmental activities with \$1,308,950 in taxes, \$9,067,166 in State aid and with our other revenues, such as interest and entitlements.

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

The School District had an increase in net position of \$223,516. The major reason was the implementation of GASB Statement 68. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of \$1,336,287, which is above last year's total of \$1,092,759. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2015 and 2014.

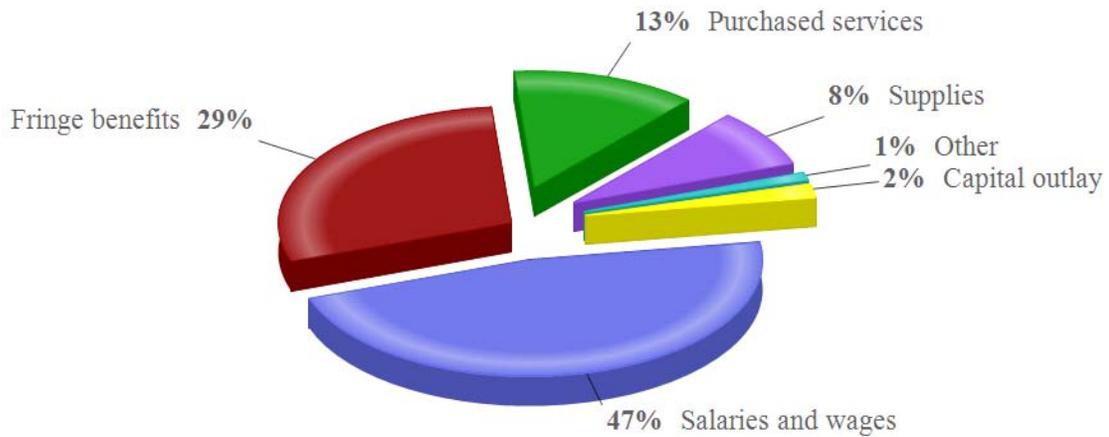
	<u>Fund Balance</u> <u>6/30/2015</u>	<u>Fund Balance</u> <u>6/30/2014</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 832,127	\$ 636,844	\$ 195,283
Special Revenue	111,932	105,962	5,970
Debt Service	392,228	349,953	42,275
	<u>\$ 1,336,287</u>	<u>\$ 1,092,759</u>	<u>\$ 243,528</u>

- Our General Fund increased due to new alternative funding streams, in particular Michigan Educational Resources and State Aid Section 23a.
- Our Special Revenue Funds increased mainly due to Section 31f Breakfast funding that was a welcome surprise.
- Our Debt Service Funds increased due to payment of current delinquencies from the county.

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

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

Expenditures



Expenditures by Object	2015	2014
Salaries and wages	\$ 5,863,473	\$ 6,238,268
Fringe benefits	3,585,685	3,651,072
Purchased services	1,678,218	778,428
Supplies	1,059,165	964,596
Capital outlay	245,414	131,649
Other	36,491	55,615
Total	\$ 12,468,446	\$ 11,819,628

Expenditures have increased by \$648,818 from the prior year mainly due to staff reductions/realignments, the revised accounting for MEPS purchased services and capital outlay.

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

General Fund Budgetary Highlights

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

- Budgeted revenues included MEP/Section 23a funding, variances in State Aid categoricals including Section 147 MPSERS, increased federal grant revenues and the loss of shared services with Millington Community Schools.
- Budgeted expenditure changes included staff reductions/realignments, increased dual enrollment costs and capital outlay (district phone system, paging system, media center).
- Variances between the final budget and actual amounts are reflected as required supplemental information to the financial statements.
- Budget violation for Basic Programs is due to the revenue and expenditures for the MEP/Section 23a kids amounts being presented net of contract payments instead of being reflected in gross amounts.

Capital Assets

At June 30, 2015, the School District had \$4,880,745 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of 2% from last year.

	2015	2014
Buildings and improvements	\$ 10,083,622	\$ 10,083,622
Buses and other vehicles	693,865	693,865
Furniture and equipment	1,050,543	985,639
Total capital assets	11,828,030	11,763,126
Less accumulated depreciation	6,947,285	6,773,585
Net capital assets	\$ 4,880,745	\$ 4,989,541

This year's addition of \$116,800 was for a scoreboard, phone system, paging system, and media center. No debt was issued for this addition.

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

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

Debt

At the end of this year, the School District had \$2,325,000 in bonds outstanding versus \$2,775,000 in the previous year - a decrease of 16%.

	2015	2014
2005 QZAB Bonds	\$ 500,000	\$ 500,000
2009 Refunding Bonds	1,825,000	2,275,000
	\$ 2,325,000	\$ 2,775,000

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2016 fiscal year budget. The main factors affecting the budget: student count and state retirement rate changes.

The School District continues to see a decline in student enrollment. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

In addition, the State of Michigan special pupil membership audit (See Note 16) will have an impact on future cash flows as the appeal with the State of Michigan is resolved.

The 2016 fiscal year budget was adopted in June 2015, based on an estimate of students that will be enrolled in September 2015. Under State law, the School District cannot access additional property tax revenue for general operations. Based on early enrollment data at the start of the 2015-2016 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2016 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

For the past three years we have been affected by multiple increases in the School District's contribution to the state retirement fund. For 2016 we projected a constant rate as the state lawmakers restructure the state retirement fund. We are anticipating future consistency in the contributions to the state retirement fund.

School districts need to receive increases high enough to compensate for inflation, salary increases, fringe benefit increases, and operating costs. Until the state economic growth gets better, they will continue to have economic difficulties.

Requests for Information

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

Office of the Superintendent
Vassar Public Schools
220 Athletic Street
Vassar, MI 48768

VASSAR PUBLIC SCHOOLS
Statement of Net Position
June 30, 2015

	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 1,623,111
Receivables - net:	
Accounts receivable	31,943
Due from other governmental units	2,243,596
Inventories	18,118
Capital assets less accumulated depreciation \$6,947,285	4,880,745
Total assets	8,797,513
<u>Deferred Outflows of Resources</u>	
Related to pensions	1,269,205
<u>Liabilities</u>	
Accounts payable	371,350
State aid anticipation notes	1,146,141
Accrued interest payable	11,665
Accrued payroll and other liabilities	1,053,442
Unearned revenue	9,548
Long-term liabilities:	
Due within one year	460,000
Due in more than one year	2,098,569
Net pension liability	16,215,240
Total liabilities	21,365,955
<u>Deferred Inflows of Resources</u>	
Related to pensions	1,792,680
<u>Net Position</u>	
Net investment in capital assets	2,555,745
Restricted for debt service	380,563
Restricted for food service	111,932
Committed for board approved capital assets	81,616
Unrestricted	(16,221,773)
Total net position	\$ (13,091,917)

See accompanying notes to financial statements.

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

	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 8,829,801	\$ 8,575	\$ 2,702,994	\$ (6,118,232)
Support services	3,610,819	0	33,324	(3,577,495)
Community services	31,159	0	0	(31,159)
Food service	580,242	158,831	427,338	5,927
Athletics	254,230	61,164	0	(193,066)
Interest	94,021	0	0	(94,021)
Depreciation (unallocated)	225,596	0	0	(225,596)
	<u>\$ 13,625,868</u>	<u>\$ 228,570</u>	<u>\$ 3,163,656</u>	<u>(10,233,642)</u>
Total governmental activities				
General revenues:				
Taxes:				
Property taxes, levied for general purposes				751,458
Property taxes, levied for debt services				557,492
State aid				9,067,166
Interest and investment earnings				650
Other				80,392
				<u>10,457,158</u>
Total general revenues				
Change in net position				<u>223,516</u>
Net position - beginning of year as previously stated				3,014,696
Change in accounting principle				<u>(16,330,129)</u>
Net position - beginning of year, restated				<u>(13,315,433)</u>
Net position - end of year				<u>\$ (13,091,917)</u>

See accompanying notes to financial statements.

VASSAR PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2015

	General	Other Nonmajor Governmental Funds	Total
<u>Assets</u>			
Cash and investments	\$ 1,191,375	\$ 431,736	\$ 1,623,111
Receivables - net:			
Accounts receivable	25,450	1,941	27,391
Due from other funds	4,552	63,788	68,340
Due from other governmental units	2,236,747	6,849	2,243,596
Inventories	4,060	14,058	18,118
Total assets	\$ 3,462,184	\$ 518,372	\$ 3,980,556
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 357,805	\$ 13,545	\$ 371,350
Due to other funds	63,788	0	63,788
State aid anticipation notes	1,146,141	0	1,146,141
Accrued payroll and other liabilities	1,052,775	667	1,053,442
Unearned revenue	9,548	0	9,548
	2,630,057	14,212	2,644,269
<u>Fund Balance</u>			
Nonspendable - inventories	4,060	14,058	18,118
Restricted for debt service	0	392,228	392,228
Restricted for food service	0	97,874	97,874
Committed for board approved capital outlay	81,616	0	81,616
Unassigned	746,451	0	746,451
Total fund balance	832,127	504,160	1,336,287
Total liabilities and fund balance	\$ 3,462,184	\$ 518,372	\$ 3,980,556

See accompanying notes to financial statements.

VASSAR PUBLIC SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

Total fund balance - governmental funds	\$ 1,336,287
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	11,828,030
Accumulated depreciation	(6,947,285)
Other assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Related to pensions	1,269,205
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(2,325,000)
Compensated absences	(233,569)
Net pension liability	(16,215,240)
Accrued interest payable is included as a liability in governmental activities	(11,665)
Other liabilities used in governmental activities are not payable from current resources and therefore are not reported in governmental funds:	
Related to pensions	<u>(1,792,680)</u>
Total net position - governmental activities	<u><u>\$ (13,091,917)</u></u>

See accompanying notes to financial statements.

VASSAR PUBLIC SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2015

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Revenues</u>			
Local sources:			
Property taxes	\$ 751,458	\$ 557,492	\$ 1,308,950
Other local sources	170,761	161,273	332,034
State sources	10,605,634	23,945	10,629,579
Federal sources	1,067,859	407,001	1,474,860
Interdistrict and other sources	98,109	0	98,109
Total revenues	<u>12,693,821</u>	<u>1,149,711</u>	<u>13,843,532</u>
<u>Expenditures</u>			
Current:			
Instruction	8,588,008	0	8,588,008
Support services	3,849,279	0	3,849,279
Community services	31,159	0	31,159
Food services	0	580,242	580,242
Debt service:			
Principal	0	450,000	450,000
Interest and other	0	101,316	101,316
Total expenditures	<u>12,468,446</u>	<u>1,131,558</u>	<u>13,600,004</u>
Excess (deficiency) of revenues over expenditures	<u>225,375</u>	<u>18,153</u>	<u>243,528</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	0	30,092	30,092
Operating transfers out	<u>(30,092)</u>	<u>0</u>	<u>(30,092)</u>
Total other financing sources (uses)	<u>(30,092)</u>	<u>30,092</u>	<u>0</u>
Net change in fund balance	195,283	48,245	243,528
Fund balance - beginning of year	<u>636,844</u>	<u>455,915</u>	<u>1,092,759</u>
Fund balance - end of year	<u>\$ 832,127</u>	<u>\$ 504,160</u>	<u>\$ 1,336,287</u>

See accompanying notes to financial statements.

VASSAR PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balance - total governmental funds	\$ 243,528
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>	
<p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p>	
Depreciation expense	(225,596)
Capital outlay	116,800
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the Statement of Activities</p>	
	450,000
<p>Decreases in compensated absences are reported as a reduction in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6</p>	
	40,075
<p>Decreases in accrued interest are reported as a reduction in expenditures on the Statement of Activities</p>	
	7,295
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds</p>	
Pension related items	<u>(408,586)</u>
Change in net position of governmental activities	<u><u>\$ 223,516</u></u>

See accompanying notes to financial statements.

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

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
<u>Assets</u>		
Cash and investments	\$ <u>151,473</u>	\$ <u>58,050</u>
<u>Liabilities</u>		
Due to other funds	\$ 4,552	0
Due to student groups	<u>146,921</u>	<u>0</u>
Total liabilities	<u>\$ 151,473</u>	<u>0</u>
<u>Net Position</u>		
Held in trust for scholarships		<u>\$ 58,050</u>

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

<u>Additions</u>	
Contributions and investment income	\$ 160
<u>Deductions</u>	
Scholarships	<u>4,000</u>
Change in net position	(3,840)
Net position - beginning of year	<u>61,890</u>
Net position - end of year	<u>\$ 58,050</u>

See accompanying notes to financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

District-wide and Fund Financial Statements

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

The School District reports the following major governmental fund:

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

Assets, Liabilities, and Net Position or Equity

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

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

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

Buildings and improvements	50 years
Buses and other vehicles	10 years
Furniture and equipment	5-20 years

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Deferred Outflows and Inflows of Resources

Deferred outflows - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District only has one item that qualifies for reporting in this category. It is the pension contributions reported in the government-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plans measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

State Aid - For the fiscal year ended June 30, 2015, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2015, the foundation allowance was based on the average pupil membership counts taken in September 2014 and February 2015.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2014 - August 2015. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2015 relating to state aid is \$1,897,684.

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

Events Occurring After Reporting Date

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

NOTE 2 - BUDGETS

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

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

NOTE 2 - BUDGETS (CONTINUED)

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

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

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

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

NOTE 3 - CASH AND INVESTMENTS

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

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and Investments	\$ 1,623,111	\$ 209,523	\$ 1,832,634

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

Deposits (checking and savings accounts, certificates of deposit)	\$ 1,505,397
Investments	327,237
Total	\$ 1,832,634

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2015, \$1,529,498 of the School District's bank balance of \$1,779,498 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The School District's investment policy does not identify interest rate risk and concentration credit risk.

Credit Risk - Investments

Investments and depositories are restricted to United States Government Securities, United States Government Agencies, federal instrumentalities, certificates of deposit, repurchase agreements, commercial paper, bankers' acceptances, registered investment companies, and investment pools.

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2014	Additions	Disposals and Adjustments	Balance June 30, 2015
Capital assets being depreciated:				
Buildings and improvements	\$ 10,083,622	\$ 0	\$ 0	\$ 10,083,622
Buses and other vehicles	693,865	0	0	693,865
Furniture and equipment	<u>985,639</u>	<u>116,800</u>	<u>(51,896)</u>	<u>1,050,543</u>
Subtotal	<u>11,763,126</u>	<u>116,800</u>	<u>(51,896)</u>	<u>11,828,030</u>
Accumulated depreciation:				
Buildings and improvements	5,265,875	177,132	0	5,443,007
Buses and other vehicles	676,302	7,698	0	684,000
Furniture and equipment	<u>831,408</u>	<u>40,766</u>	<u>(51,896)</u>	<u>820,278</u>
Subtotal	<u>6,773,585</u>	<u>225,596</u>	<u>(51,896)</u>	<u>6,947,285</u>
Net capital assets being depreciated	<u>4,989,541</u>	<u>(108,796)</u>	<u>0</u>	<u>4,880,745</u>
Net capital assets	<u>\$ 4,989,541</u>	<u>\$ (108,796)</u>	<u>\$ 0</u>	<u>\$ 4,880,745</u>

Depreciation expense for fiscal year ended June 30, 2015 was \$225,596. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions. Asset historical or estimated historical values relating to land have been determined not to exceed \$5,000, thus these values are not included in the above summary.

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

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2015 are as follows:

		Payables		
		General	Student Activity	Total
Receivables	Food Service	\$ 3,333	\$ 0	\$ 3,333
	2009 Debt Fund	60,455	0	60,455
	General	0	4,552	4,552
			\$ 63,788	\$ 4,552

A summary of interfund transfers made during the year ended June 30, 2015 are as follows:

		<u>Transfers Out</u>
		General
Transfers In	QZAB Debt Fund	\$ 30,092

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Transfers are used to provide for debt service reserves.

NOTE 6 - RECEIVABLES

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

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

State aid and grants	\$ 1,897,684
Federal grants	236,136
ISD	109,776
	\$ 2,243,596

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$9,548.

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

NOTE 8 - SHORT-TERM DEBT

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

<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
\$ 782,050	\$ 2,350,000	\$ 1,985,909	\$ 1,146,141

NOTE 9 - LONG-TERM DEBT

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

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2015</u>	<u>Amount Due Within One Year</u>
Bonds	\$ 2,775,000	\$ 0	\$ 450,000	\$ 2,325,000	\$ 460,000
Compensated absences	273,644	0	40,075	233,569	0
Total	\$ 3,048,644	\$ 0	\$ 490,075	\$ 2,558,569	\$ 460,000

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

\$4,105,000, 2009 refunding bonds due in annual installments of \$390,000 to \$460,000 through May 1, 2019, interest at 4.00% to 5.00%.	\$ 1,825,000
\$500,000 Qualified Zone Academy bonds due in 2020; interest at 0%.	<u>500,000</u>
Total Bonded Debt	<u>\$ 2,325,000</u>

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

	<u>As of June 30, 2015 the amount of debt considered defeased</u>
Serial bond issue, 1994	\$ 2,755,000
Serial bond issue, 1999	<u>2,270,000</u>
	<u>\$ 5,025,000</u>

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

NOTE 9 - LONG-TERM DEBT (CONTINUED)

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 460,000	\$ 78,726	\$ 538,726
2017	460,000	55,726	515,726
2018	455,000	37,326	492,326
2019	450,000	19,126	469,126
2020	500,000	0	500,000
	<u>\$ 2,325,000</u>	<u>\$ 190,904</u>	<u>\$ 2,515,904</u>

Under the terms of the present contracts between the Board of Education of Vassar Public Schools and the various employee associations, the School District is contingently liable for unused sick days. Each employee may accumulate various numbers of sick days and must be paid for them upon termination of employment. At June 30, 2015, the amount of \$233,569 has been reflected in the district-wide financial statements.

NOTE 10 - RISK MANAGEMENT

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Regular Retirement (no reduction factor for age)

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

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

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

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

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

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

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

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

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

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

Member Contributions

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

Employer Contributions

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

The School District's pension contributions for the year ended June 30, 2015 were equal to the required contribution total. Pension contributions were approximately \$2,048,990, with \$1,195,575 specifically for the Defined Benefit Plan. These amounts include Section 147 contributions also.

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

Pension Liabilities

At June 30, 2015, the School District reported a liability of \$16,215,240 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the School District's proportion was 0.07362 percent.

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

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

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

For the year ended June 30, 2015, the School District recognized pension expense of \$1,195,575. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 0	\$ 79
Net difference between projected and actual earnings on pension plan investments	0	1,792,601
Reporting Unit contributions subsequent to the measurement date	1,269,205	0
Total	\$ 1,269,205	\$ 1,792,680

\$1,269,205, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year Ended June 30	Amount
2015	\$ 448,171
2016	448,171
2017	448,171
2018	448,167
	\$ 1,792,680

Actuarial Assumptions

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

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

Inflation - 2.5%

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

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

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

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

The long-term expected rate of return on pension plan investments - The rate was 8% (7% Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Investment Category	Target Allocation*	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	4.8%
Alternate Investment Pools	18.0%	8.5%
International Equity	16.0%	6.1%
Fixed Income Pools	10.5%	1.5%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	15.5%	6.3%
Short Term Investment Pools	2.0%	(0/2) %
Total	100.0%	

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

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

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

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

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Lower (7.0%)	Discount Rate (8.0%)	1% Higher (9.0%)
Reporting Unit's proportionate share of the net pension liability	\$21,378,382	\$16,215,240	\$11,865,217

Pension Plan Fiduciary Net Position

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

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

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

Benefit Provisions - Other Postemployment

Introduction

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

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

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The School District postemployment healthcare contributions to MPSERS for the year ended June 30, 2015 were approximately \$259,885.

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

NOTE 12 - GRANTS

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

NOTE 13 - ECONOMIC DEPENDENCY

The School District received approximately 84% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 14 - NEW ACCOUNTING STANDARDS

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

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

Summary:

GASB statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

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

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

NOTE 14 - NEW ACCOUNTING STANDARDS (CONTINUED)

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

	Governmental activities
Net position (deficit) as previously stated, July 1, 2014	\$ <u>3,014,696</u>
Deferred outflows related to pensions	1,099,952
Net pension liability	<u>(17,430,081)</u>
	<u>(16,330,129)</u>
Net position as restated, July 1, 2014	\$ <u><u>(13,315,433)</u></u>

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued by the GASB in June 2015 and will be effective for the School District's 2018 fiscal year. The Statement requires governments that participate in other postemployment benefit plans (OPEB) to report in their statement of net position an OPEB liability. The OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense. The School District is in the process of evaluating the financial statement impact of this statement and believes the impact of this statement could be significant.

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

NOTE 16 - SUBSEQUENT EVENT

The School District contracted with a third party provider to operate its Regional Center Seat Time Waiver and Online Service Agreement Program. The students attending this program were included in the School District's total pupil membership count for purposes of state aid. The School District underwent a special pupil membership audit of this program. This audit was conducted by the State of Michigan focusing on the Seat Time Waiver Section of the Michigan Department of Education Pupil Membership Manual. The School District received the audit results in September 2015, which indicate the third party provider did not meet the documentation requirements under MDE Pupil Accounting Manual Section 5-0-B on Seat Time Waiver. As a result, the State of Michigan has assessed the School District a liability of approximately \$955,000 for overpayment of state aid. The State of Michigan has recovered approximately \$208,000 by means of a reduction of the School District's state aid through August 2015. The School District disagrees with the findings of the State of Michigan and is in the process of appealing the results and exploring other options. The outcome is not known at this time.

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

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources:				
Property taxes	\$ 746,700	\$ 746,700	\$ 751,458	\$ 4,758
Other local sources	158,360	145,000	170,761	25,761
State sources	9,239,295	9,725,081	10,605,634	880,553
Federal sources	1,006,934	1,118,567	1,067,859	(50,708)
Interdistrict and other sources	211,442	101,442	98,109	(3,333)
Total revenues	<u>11,362,731</u>	<u>11,836,790</u>	<u>12,693,821</u>	<u>857,031</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	5,428,161	5,694,276	6,650,604	(956,328)
Added needs	1,908,280	1,974,868	1,937,404	37,464
Support services:				
Pupil	328,629	329,460	332,171	(2,711)
Instructional staff	198,268	345,855	310,189	35,666
General administrative	335,344	338,905	318,288	20,617
School administrative	920,429	795,762	779,097	16,665
Business services	118,540	134,751	135,705	(954)
Operations and maintenance	1,014,267	956,658	955,348	1,310
Transportation	523,422	540,138	470,838	69,300
Facilities improvements	100,000	160,177	104,517	55,660
Other	160,595	181,504	188,896	(7,392)
Athletics	259,740	262,308	254,230	8,078
Community services	22,125	27,273	31,159	(3,886)
Total expenditures	<u>11,317,800</u>	<u>11,741,935</u>	<u>12,468,446</u>	<u>(726,511)</u>
Excess (deficiency) of revenues over expenditures	44,931	94,855	225,375	130,520
<u>Other Financing Sources (Uses)</u>				
Operating transfers out	<u>(30,092)</u>	<u>(30,092)</u>	<u>(30,092)</u>	<u>0</u>
Net change in fund balance	14,839	64,763	195,283	130,520
Fund balance - beginning of year	<u>636,844</u>	<u>636,844</u>	<u>636,844</u>	<u>0</u>
Fund balance - end of year	<u>\$ 651,683</u>	<u>\$ 701,607</u>	<u>\$ 832,127</u>	<u>\$ 130,520</u>

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

		<u>2014</u>
Reporting unit's proportion of net pension liability (%)		0.07362 %
Reporting unit's proportionate share of net pension liability	\$	16,215,240
Reporting unit's covered-employee payroll	\$	5,373,891
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll		0.33141 %
Plan fiduciary net position as a percentage of total pension liability		66.15000 %

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

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

		<u>2015</u>
Statutorily required contributions	\$	1,195,575
Contributions in relation to statutorily required contributions*		<u>1,195,575</u>
Contribution deficiency (excess)	\$	<u><u>0</u></u>
Reporting unit's covered-employee payroll	\$	5,373,891
Contributions as a percentage of covered-employee payroll		0.22 %

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

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

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

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

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

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

	<u>Special</u> <u>Revenue Fund</u>	<u>Debt Service Funds</u>		<u>Total</u>
	<u>Food Service</u>	<u>2009 Issue</u>	<u>2005 QZAB</u>	
<u>Assets</u>				
Cash and investments	\$ 99,963	\$ 4,535	\$ 327,238	\$ 431,736
Receivables - net:				
Accounts receivable	1,941	0	0	1,941
Due from other funds	3,333	60,455	0	63,788
Due from other governmental units	6,849	0	0	6,849
Inventories	14,058	0	0	14,058
Total assets	<u>\$ 126,144</u>	<u>\$ 64,990</u>	<u>\$ 327,238</u>	<u>\$ 518,372</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 13,545	\$ 0	\$ 0	\$ 13,545
Accrued other liabilities	667	0	0	667
	<u>14,212</u>	<u>0</u>	<u>0</u>	<u>14,212</u>
<u>Fund Balance</u>				
Non-spendable - inventories	14,058	0	0	14,058
Restricted for debt service	0	64,990	327,238	392,228
Restricted for food service	97,874	0	0	97,874
Total fund balance	<u>111,932</u>	<u>64,990</u>	<u>327,238</u>	<u>504,160</u>
	<u>\$ 126,144</u>	<u>\$ 64,990</u>	<u>\$ 327,238</u>	<u>\$ 518,372</u>

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

	Special Revenue Fund	Debt Service Funds		
	Food Service	2009 Issue	2005 QZAB	Total
<u>Revenues</u>				
Local sources				
Property taxes	\$ 0	\$ 557,492	\$ 0	\$ 557,492
Other local sources	155,266	54	5,953	161,273
State sources	23,945	0	0	23,945
Federal sources	407,001	0	0	407,001
Total revenues	<u>586,212</u>	<u>557,546</u>	<u>5,953</u>	<u>1,149,711</u>
<u>Expenditures</u>				
Current:				
Food services	580,242	0	0	580,242
Debt service:				
Principal	0	450,000	0	450,000
Interest and other	0	101,316	0	101,316
Total expenditures	<u>580,242</u>	<u>551,316</u>	<u>0</u>	<u>1,131,558</u>
Excess (deficiency) of revenues over expenditures	5,970	6,230	5,953	18,153
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	0	0	30,092	30,092
Net change in fund balance	5,970	6,230	36,045	48,245
Fund balance - beginning of year	105,962	58,760	291,193	455,915
Fund balance - end of year	<u>\$ 111,932</u>	<u>\$ 64,990</u>	<u>\$ 327,238</u>	<u>\$ 504,160</u>

VASSAR PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - QZAB
For the Year Ended June 30, 2015

<u>PURPOSE</u>	The bonds were issued for the purpose of improvement to existing school facilities.		
<u>DATE OF ISSUE</u>	April 1, 2005		
<u>AMOUNT OF ISSUE</u>		\$	500,000
<u>AMOUNT REDEEMED</u>			
	During prior years	\$	0
	During current year	<u>0</u>	<u>0</u>
<u>BALANCE OUTSTANDING - June 30, 2015</u>			<u><u>\$ 500,000</u></u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	0.00%	<u>\$ 500,000</u>	<u>\$ 0</u>	<u>\$ 500,000</u>

VASSAR PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2009 Issue
For the Year Ended June 30, 2015

PURPOSE

The 2009 refunding bonds were issued for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, refurbishing, acquiring and installing educational technology, and developing and improving the sites.

DATE OF ISSUE

September 25, 2009

AMOUNT OF ISSUE

\$ 4,105,000

AMOUNT OF REDEEMED

During prior years	\$ 1,830,000	
During current years	<u>450,000</u>	<u>2,280,000</u>

BALANCE OUTSTANDING - June 30, 2015

\$ 1,825,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	5.00%	\$ 460,000	\$ 78,726	\$ 538,726
2017	4.00%	460,000	55,726	515,726
2018	4.00%	455,000	37,326	492,326
2019	4.25%	<u>450,000</u>	<u>19,126</u>	<u>469,126</u>
		<u>\$ 1,825,000</u>	<u>\$ 190,904</u>	<u>\$ 2,015,904</u>



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

October 21, 2015

Board of Education
Vassar Public Schools
Vassar, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Vassar Public Schools (School District), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Vassar Public Schools' basic financial statements and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2015-003.



Board of Education
Vassar Public Schools
October 21, 2015

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2015-001 and 2015-002.

Compliance and Other Matters

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

Purpose of this Report

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

Weinlander Fitzhugh



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

Independent Auditor's Report

October 21, 2015

Board of Education
Vassar Public Schools
Vassar, Michigan

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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



Board of Education
Vassar Public Schools
October 21, 2015

Report on Internal Control Over Compliance

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

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

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

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

Weinlander Fitzhugh

VASSAR PUBLIC SCHOOLS
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal Control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Part A
84.027A	IDEA Flowthrough

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

Auditee qualified as low-risk auditee? YES NO

VASSAR PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION II - Financial Statement Findings

2015-001 (Repeat Finding)

Criteria or Specific Requirement

Establishment and maintenance of internal control over the financial reporting process.

Condition

Due to the complexity of the required government-wide financial statements and related note disclosures in accordance with GASB, the School District does not maintain personnel who can report in accordance with U.S. generally accepted accounting principles without auditor involvement.

Context

The finding is a result of observation and inquiry with the School District administration.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the School District's internal control over financial reporting.

Cause

The cause is the result of the complexity of the financial reporting process in accordance with U.S. generally accepted accounting principles and GASB pronouncements.

Recommendation

The School District should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Views of the Responsible Officials and Planned Corrective Action

We will continue to send key individuals to workshops and conferences to increase skills on state and federal reporting guidelines during the ensuing fiscal year. This will be monitored by the Superintendent and Business Manager.

VASSAR PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

2015-002

Criteria or Specific Requirement

The State of Michigan requires Michigan School Districts to maintain appropriate controls over expenditures so that disbursements do not exceed budgeted amounts.

Condition

The School District incurred a significant budget variance in the Basic Programs section of the General Fund budget. This was a result of budgeting third party payments as a contra to state aid, instead of budgeting these expenditures as purchased services.

Context

The finding is a result of the reconciliation of reported state aid to amounts recorded.

Effect

The effect of this approach did not affect the projected net change in fund balance, but does not provide the proper reporting of revenues and expenditures expected to be received/incurred during the fiscal year.

Cause

The cause is a result of administration's misinterpretation of budgeting and recording procedures for expenditures in accordance with the Michigan School Accounting Manual.

Recommendation

We recommend the School District comply with the Michigan School Accounting Manual regarding budgeting and recording for vendor payments and modify its budget process accordingly.

Views of the Responsible Officials and Planned Corrective Action

Vassar Public Schools will comply with the Michigan School Accounting Manual regarding budgeting and recording for vendor payments and modify its budget process accordingly.

VASSAR PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

2015-003

Criteria or Specific Requirement

The State of Michigan requires Michigan School Districts to maintain appropriate controls over its pupil membership counts to ensure accuracy and compliance with state guidelines.

Condition

The School District contracted with a third party provider to operate its Regional Center Seat Time Waiver and Online Service Agreement program. The students attending this program were included in the School District's total pupil count for purposes of state aid.

Context

The School District underwent a special pupil membership audit of this program. The audit was conducted by the State of Michigan focusing on the Seat Time Waiver Section of the Michigan Department of Education Pupil Membership Manual. The School District received the audit results in September 2015, which indicate a third party provider did not meet the documentation requirements under MDE Pupil Accounting Manual Section 5-0-B on Seat Time Waiver.

Effect

As a result, the State of Michigan has assessed the School District a liability of approximately \$955,000 for overpayment of state aid. The State of Michigan has recovered approximately \$208,000 by a means of a reduction of the School District's state aid through August 2015.

Cause

The cause is due to a lack of appropriate monitoring procedures over third party providers contracted to perform educational services.

Recommendation

We recommend the School District modify its policies and procedures to maintain appropriate controls over documentation requirements of third party providers that have a direct and material effect on the pupil membership count process. In addition, we recommend that third party contracts be approved by the School District's attorney before commencement of each agreement to ensure the School District's interests are properly represented.

Views of the Responsible Officials and Planned Corrective Action

Vassar Public Schools will modify its policies and procedures to maintain appropriate controls over documentation requirements of third party providers that have a direct and material effect on the pupil membership count process. All appropriate board policies that are currently in place will be followed in regards to third party contractors.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

VASSAR PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
June 30, 2015

Federal Cluster Pass Through Grantor <u>Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue July 1, 2014</u>	<u>Adjustments and Transfers</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2015</u>
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
E.C.I.A. Title I Part A								
Project 141530-1314	84.010	\$ 346,596	\$ 323,156	\$ 55,351	\$ 0	\$ 55,351	\$ 0	\$ 0
Project 151530-1415		351,042	0	0	0	279,740	342,282	62,542
			<u>323,156</u>	<u>55,351</u>	<u>0</u>	<u>335,091</u>	<u>342,282</u>	<u>62,542</u>
E.C.I.A. Title I Part D								
Project 141700-1314	84.013	302,804	300,377	92,176	554	92,730	0	0
Project 151700-1415		279,997	0	0	0	178,849	258,636	79,787
			<u>300,377</u>	<u>92,176</u>	<u>554</u>	<u>271,579</u>	<u>258,636</u>	<u>79,787</u>
Title II Part A								
Project 140520-1314	84.367	109,574	47,469	26,433	0	26,433	0	0
Project 150520-1415		138,696	0	0	0	37,080	126,287	89,207
			<u>47,469</u>	<u>26,433</u>	<u>0</u>	<u>63,513</u>	<u>126,287</u>	<u>89,207</u>
Title VI Part B								
Project 150660-1415	84.358	23,718	0	0	0	21,607	22,600	993
IDEA Flowthrough								
	84.027A	318,054	0	0	0	318,054	318,054	0
Total U. S. Department of Education			<u>671,002</u>	<u>173,960</u>	<u>554</u>	<u>1,009,844</u>	<u>1,067,859</u>	<u>232,529</u>

See accompanying notes to schedule of expenditures of federal awards.

VASSAR PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
June 30, 2015

Federal Cluster Pass Through Grantor <u>Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue July 1, 2014</u>	<u>Adjustments and Transfers</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2015</u>
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
National School Food Programs								
Lunch								
2014-2015	10.555	\$ 259,324	\$ 0	\$ 0	\$ 0	\$ 245,275	\$ 245,275	\$ 0
NSLP - Afterschool snacks		1,098	0	0	0	2,274	2,274	0
Noncash - commodities								
Entitlement		30,790	0	0	0	30,790	30,790	0
Summer Food	10.559	3,974	0	912	0	6,272	8,967	3,607
Breakfast	10.553	110,401	<u>0</u>	<u>0</u>	<u>0</u>	<u>119,695</u>	<u>119,695</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>0</u>	<u>912</u>	<u>0</u>	<u>404,306</u>	<u>407,001</u>	<u>3,607</u>
			<u>\$ 671,002</u>	<u>\$ 174,872</u>	<u>\$ 554</u>	<u>\$ 1,414,150</u>	<u>\$ 1,474,860</u>	<u>\$ 236,136</u>

See accompanying notes to schedule of expenditures of federal awards.

VASSAR PUBLIC SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Vassar Public Schools under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Vassar Public Schools, it is not intended to and does not present the financial position or changes in net position of Vassar Public Schools.

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

NOTE 2 - OTHER DISCLOSURES

Management has utilized the Cash Management System Grant Auditor Report in preparing the Schedule.