MESICK CONSOLIDATED SCHOOLS

REPORT ON FINANCIAL STATEMENTS

JUNE 30, 2015

Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

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October 19, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mesick Consolidated Schools
Mesick, 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 Mesick Consolidated Schools, Mesick, Michigan as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 3 - H to the financial statements, effective July 1, 2014, Mesick Consolidated Schools adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages iv through xi and 39-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mesick Consolidated Schools' basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements 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 auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015, on our consideration of Mesick Consolidated Schools' 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 Mesick Consolidated Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

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

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements.

Financial Highlights Section

Government-Wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $1,901,461 creating a deficit net position amount.

- The government's total net position increased by $638,661.

Fund Level

- As the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $1,417,933, a decrease of $170,265 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $453,969.

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, food service activities, athletic activities, community services, interest and other transactions.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Mesick Consolidated Schools, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30. The 2014 column has not been restated to include the new GASB No. 68 Standards–*Accounting and Financial Reporting for Pensions*:

	2015	2014
Assets		
Current Assets	$ 2,133,655	$ 2,303,555
Non Current Assets		
Capital Assets	12,102,638	12,146,178
Less Accumulated Depreciation	(4,882,883)	(4,627,548)
Total Non Current Assets	7,219,755	7,518,630
Total Assets	9,353,410	9,822,185
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pensions	809,136	0
Total Assets and Deferred Outflows of Resources	10,162,546	9,822,185
Liabilities		
Current Liabilities	1,367,154	1,363,851
Non Current Liabilities	9,843,373	2,785,605
Total Liabilities	11,210,527	4,149,456
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	853,480	0
Net Position		
Net Investment in Capital Assets	4,644,074	4,305,809
Restricted for Food Service	22,957	36,455
Restricted for Debt Service	53,643	56,742
Unrestricted	(6,622,135)	1,273,723
Total Net Position (Deficit)	$ (1,901,461)	$ 5,672,729

D. Analysis of Financial Position

During the fiscal year ended June 30, 2015, the District's net position increased by $638,661. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2015, $307,067 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2015, $8,192 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, the current year's depreciation and current year disposal of capital assets is a decrease to capital assets in the amount of $298,875 for the fiscal year ended June 30, 2015. A decrease to net capital assets is a reduction in net position.

3. Pension Expense

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2015, the District reported an increase in net position related to GASB 68, which indicates that the District's proportionate share of the net pension liability decreased.

E. Results of Operations

The following schedule summarizes the results of operations, on a district-wide basis, for the year ended June 30. The 2014 column has not been restated to include the new GASB No. 68 Standards–*Accounting and Financial Reporting for Pensions*:

	2015	2014
General Revenues		
Property Taxes	$ 1,800,029	$ 1,742,508
Investment Earnings	2,308	2,633
State Sources	3,449,302	3,625,415
Gain on Sale of Capital Assets	1,501	1,425
Other	67,383	97,395
Total General Revenues	5,320,523	5,469,376
Program Revenues		
Charges for Services	125,269	131,731
Operating Grants and Contributions	1,605,724	1,459,137
Total Program Revenues	1,730,993	1,590,868
Total Revenues	7,051,516	7,060,244
Expenses		
Instruction	3,567,673	3,762,593
Supporting Services	2,089,745	2,063,826
Community Activities	2,411	3,096
Food Service	373,819	368,437
Interest on Long-Term Debt	63,542	150,329
Other Transactions	8,598	47,234
Unallocated Depreciation	307,067	310,354
Total Expenses	6,412,855	6,705,869
Change in Net Position	$ 638,661	$ 354,375

F. Financial Analysis of the District's Funds

The financial performance if the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2015	2014	Increase (Decrease)
Major Funds			
General Fund	$ 805,797	$ 982,237	$ (176,440)
Capital Projects Fund	521,029	492,490	28,539
Nonmajor Funds			
Food Service	34,683	52,428	(17,745)
2014 Debt Retirement Fund	56,424	61,043	(4,619)
Total Governmental Funds	$ 1,417,933	$ 1,588,198	$ (170,265)

In 2014-2015, the General Fund had a decrease in its fund balance primarily due to the increase in expenditures while revenues were stagnant, when compared to the prior year.

The Capital Projects Fund increased due to payments received from the harvest of timber on the District's property.

The Food Service Fund balance decreased primarily due to a decrease in food sales.

The 2014 Debt Retirement Fund decreased its fund balance due to the debt service payments being in excess of the millage levied.

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES AND OTHER SOURCES	$ 5,885,680	$ 6,109,146	$ 6,061,678
EXPENDITURES			
Instruction	$ 3,866,196	$ 3,886,675	$ 3,852,970
Supporting Services	2,096,493	2,276,071	2,262,778
Community Activities	3,000	3,000	2,411
Debt Service	119,959	119,959	119,959
Total Expenditures	$ 6,085,648	$ 6,285,705	$ 6,238,118

The change between original budget and final budget revenues resulted from an anticipated increase in federal and state grants. Actual revenues were lower than final budgeted revenues due to receiving less in federal grants and in early childhood rent.

The variance between original budget and final budget expenditures was primarily due to anticipated spending in School Administration and Central Services. The total expenditure variance is due to some staffing costs being lower than anticipated and individuals being frugal with their budgets and not completely spending them. The minimal variances will not have a significant effect on future services or the liquidity of the District.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2015, the District has $7,219,755 (net of depreciation) in a broad range of capital assets, including school buildings and facilities and various types of equipment. This represents a net decrease of $298,875 over the prior fiscal year. Depreciation expense for the year amounted to $307,067, bringing the accumulated depreciation to $4,882,883 as of June 30, 2015.

The addition to capital assets included:

- Smart Online UPS purchased in the amount of $8,192.

2. Long-Term Debt

At June 30, 2015, the District had $2,575,681 in bonded debt outstanding. This represents a decrease of $637,140 from the amount outstanding at the close of the prior fiscal year. Other long-term debt includes compensated absences of $189,864 and net pension liability of $7,719,968.

Additional information on the District's long-term debt can be found in the notes to this report.

I. Factors Bearing on the District's Future

Due to decreasing enrollments, the District is able to take advantage of using a 3 year blended count for determining their state aid. In 2015-2016, the year that drops out of the blend is larger than the remaining ones. This loss alone will result in a decrease of 10 students. In addition, the district is expecting enrollment to continue to decline. The district is planning on a total decrease of 22 students for 15/16. At an anticipated foundation allowance of $7,391, this is a potential decrease in revenue of $162,602.

Retirement costs continue to be a concern for the district. In 2015/2016, the district anticipates spending $1,023,990 for employee retirement costs. This is approximately 17% of their total budget.

The cost of health care also continues to be a concern for the district. The staff recently changed to a less costly plan. However, the district still anticipates health insurance to cost approximately $703,435 for 15/16. This is approximately 12% of the total budget.

For 2015-2016, the pupil count day has reverted to February of the prior year and October of the current year. This is helpful because it will allow the district to know their funding earlier than last year.

Mesick Consolidated Schools is striving to meet the challenges facing them while remaining a school of excellence.

J. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Wexford-Missaukee Intermediate School District, 9907 East 13th Street, Cadillac, Michigan 49601.

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MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 1,272,946
Investments	11
Accounts Receivable	10,357
Due from Other Governmental Units	848,334
Inventories	2,007
Total Current Assets	2,133,655
NON CURRENT ASSETS	
Capital Assets	12,102,638
Less Accumulated Depreciation	(4,882,883)
Total Non Current Assets	7,219,755
Total Assets	9,353,410
DEFERRED OUTFLOWS OF RESOURCES	
Changes of Pension Assumptions	284,850
District Pension Contributions Subsequent to the Measurement Date	524,286
Total Deferred Outflows of Resources	809,136
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	17,819
Salaries and Benefits Payable	565,505
Accrued Interest Payable	9,292
Due to Other Governmental Units	910
State Aid Anticipation Note Payable	110,299
Unearned Revenue	21,189
Current Portion of Non Current Liabilities	642,140
Total Current Liabilities	1,367,154
NON CURRENT LIABILITIES	
Bonds Payable	2,575,681
Compensated Absences	189,864
Net Pension Liability	7,719,968
Less Current Portion of Non Current Liabilities	(642,140)
Total Non Current Liabilities	9,843,373
Total Liabilities	11,210,527
DEFERRED INFLOWS OF RESOURCES	
Changes in Proportion and Differences Between District Pension Contributions and Proportionate Share of Contributions	34
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	853,446
Total Deferred Inflows of Resources	853,480
NET POSITION	
Net Investment in Capital Assets	4,644,074
Restricted for Food Service	22,957
Restricted for Debt Service	53,643
Unrestricted (Deficit)	(6,622,135)
TOTAL NET POSITION (Deficit)	$ (1,901,461)

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS & CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 3,567,673	$ 22,331	$ 1,085,544	$ 0	$ (2,459,798)
Supporting Services	2,089,745	29,542	177,422	0	(1,882,781)
Community Activities	2,411	0	2,411	0	0
Food Service	373,819	73,396	301,117	0	694
Interest on Long-Term Debt	63,542	0	39,230	0	(24,312)
Other Transactions	8,598	0	0	0	(8,598)
Unallocated Depreciation	307,067	0	0	0	(307,067)
TOTAL GOVERNMENTAL ACTIVITIES	$ 6,412,855	$ 125,269	$ 1,605,724	$ 0	(4,681,862)
GENERAL REVENUES					
Property Taxes - General Purposes					1,219,874
Property Taxes - Debt Service					580,155
Investment Earnings					2,308
State Sources					3,449,302
Gain on Sale of Capital Assets					1,501
Other					67,383
Total General Revenues					5,320,523
Change in Net Position					638,661
NET POSITION - Beginning of Year (Deficit) (As Restated)					(2,540,122)
NET POSITION - End of Year (Deficit)					$ (1,901,461)

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	$ 659,705	$ 521,029	$ 92,212	$ 1,272,946
Investments	11	0	0	11
Accounts Receivable	10,357	0	0	10,357
Due from Other Funds	0	0	6,344	6,344
Due from Other Governmental Units	846,367	0	1,967	848,334
Inventories	0	0	2,007	2,007
TOTAL ASSETS	$ 1,516,440	$ 521,029	$ 102,530	$ 2,139,999
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 17,819	$ 0	$ 0	$ 17,819
Salaries and Benefits Payable	555,759	0	9,746	565,505
Due to Other Funds	6,344	0	0	6,344
Due to Other Governmental Units	910	0	0	910
State Aid Anticipation Note Payable	110,299	0	0	110,299
Unearned Revenue	19,512	0	1,677	21,189
Total Liabilities	710,643	0	11,423	722,066
FUND BALANCES				
Nonspendable, Inventory	0	0	2,007	2,007
Restricted for Food Service	0	0	32,676	32,676
Restricted for Debt Service	0	0	56,424	56,424
Committed for Compensated Absences	176,565	0	0	176,565
Committed for Capital Projects	0	521,029	0	521,029
Assigned for Subsequent Year Budget Shortfall	175,263	0	0	175,263
Unassigned	453,969	0	0	453,969
Total Fund Balances	805,797	521,029	91,107	1,417,933
TOTAL LIABILITIES AND FUND BALANCES	$ 1,516,440	$ 521,029	$ 102,530	$ 2,139,999

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total Governmental Fund Balances		$ 1,417,933
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		
The cost of the capital assets is	$ 12,102,638	
Accumulated depreciation is	(4,882,883)	7,219,755
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(2,575,681)
Compensated Absences		(189,864)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability		(7,719,968)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Changes in Pension Assumptions		284,850
Changes in Proportionate and Differences Between District Pension Contributions and Proportionate Share of Contributions		(34)
District Pension Contributions Subsequent to the Measurement Date		524,286
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		(853,446)
Accrued interest on bonds is not included as a liability in government funds, it is recorded when paid		(9,292)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (1,901,461)

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	$ 1,284,493	$ 34,873	$ 653,848	$ 1,973,214
State Sources	4,223,076	0	14,451	4,237,527
Federal Sources	384,339	0	286,666	671,005
Other Transactions	168,269	0	0	168,269
Total Revenues	6,060,177	34,873	954,965	7,050,015
EXPENDITURES				
Instruction				
Basic Programs	3,001,638	0	0	3,001,638
Added Needs	851,332	0	0	851,332
Supporting Services				
Pupil	183,930	0	0	183,930
Instructional Staff	44,253	0	0	44,253
General Administration	271,644	0	0	271,644
School Administration	267,853	0	0	267,853
Business	70,582	0	0	70,582
Operation and Maintenance	626,011	0	0	626,011
Pupil Transportation Services	376,279	0	0	376,279
Central Services	242,283	0	0	242,283
Athletic Activities	179,943	0	0	179,943
Community Activities				
Community Activities	2,411	0	0	2,411
Food Service	0	0	392,280	392,280
Debt Service				
Principal	77,140	0	560,000	637,140
Interest	42,819	0	22,785	65,604
Other Transactions	0	6,334	2,264	8,598
Total Expenditures	6,238,118	6,334	977,329	7,221,781
Excess (Deficiency) of Revenues Over Expenditures	(177,941)	28,539	(22,364)	(171,766)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	1,501	0	0	1,501
Net Change in Fund Balance	(176,440)	28,539	(22,364)	(170,265)
FUND BALANCE - Beginning of Year	982,237	492,490	113,471	1,588,198
FUND BALANCE - End of Year	$ 805,797	$ 521,029	$ 91,107	$ 1,417,933

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances Total Governmental Funds	$ (170,265)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(307,067)
Capital Outlay	8,192
Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued Interest Payable - Beginning of Year	11,354
Accrued Interest Payable - End of Year	(9,292)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities)	637,140
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense	
Net Pension Liability - Beginning of the Year	8,212,851
Net Pension Liability - End of the Year	(7,719,968)
Change in Changes of Pension Assumptions	284,850
Change in Proportion and Differences Between District Pension Contributions Proportionate Share of Contributions	(34)
Change in District Pension Contributions Subsequent to Measurement Date	524,286
Change in Net Difference Between Projected and Actual Earnings on Pension Plan Investments	(853,446)
Employees Early Retirement and Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Compensated Absences - Beginning of Year	209,924
Compensated Absences - End of Year	(189,864)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 638,661

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2015

	AGENCY FUND
ASSETS	
Cash and Cash Equivalents	$ 110,898
LIABILITIES	
Due to Groups and Organizations	110,898
NET POSITION	$ 0

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Mesick Consolidated Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District (the "District") is located in Wexford and Manistee Counties with its administrative offices located in Mesick, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a signification extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the acquisition of fixed assets or construction of major capital projects.

Other Non-Major Funds:

The *special revenue (School Service) fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *2014 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, value outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.

b) A public hearing is conducted during June to obtain taxpayer comments.

c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.

e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

g) Budgeted amounts are as originally adopted on April 28, 2014, or as amended by the School Board of Education throughout the year.

2. Excess of Expenditures Over Appropriations

General Fund:
Supporting Services:

a) General Administration expenditures of $271,644 exceeded appropriations of $270,696.

b) School Administration expenditures of $267,853 exceeded appropriations of $266,703.

c) Operation and Maintenance expenditures of $626,011 exceeded appropriations of $614,524.

d) Athletic Activities expenditures of $179,943 exceeded appropriations of $178,802.

Food Service Fund expenditures of $392,280 exceeded appropriations of $385,325.

These overages were funded available fund balance.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

(a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.

(b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.

(c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

(d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

(e) United States government or federal agency obligation repurchase agreements.

(f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.

(g) Mutual funds composed entirely investment vehicles that are legal for direct investment by a school district.

(h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The District's deposits and investments are held separately by several of the District's funds.

2. Inventory and Prepaid Items

Inventory is valued at cost. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

3. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	25 - 50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding $5,000.

4. *Pension*

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 System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote 3 - F.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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 District has two items that qualify for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote 3 - F.

6. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Compensated* Absences

It is the District's policy to permit employees to accumulate certain earned but unused benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the superintendent to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America 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.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide 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 pupil membership counts taken in February 2015 and October of 2014, and blended with the two prior years counts. For fiscal year ended June 30, 2015, the per pupil foundation allowance was $7,126 for Mesick Consolidated Schools.

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 and is funded through payments from October 2014 to August 2015. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The 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 governmental 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 unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2015, the District levied the following amounts per $1,000 of taxable valuation:

Fund	Mills
General Fund – Non-Principal Residence Exemption (PRE)	18.0000
General Fund – Commercial Personal Property	6.0000
2014 Debt Retirement – PRE, Non-PRE, Commercial Personal Property	3.7000

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2015.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2015, the District's bank balance was $1,574,123 and $748,070 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. Since the District utilizes pooled checking accounts, the concentration of this risk is spread amongst all funds. Of the uninsured funds, the entire amount is in governmental funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Foreign Currency Risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial Credit Risk –Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year-end all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:	
Investment Trust Funds	$ 11

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2015, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	$ 1,272,946	$ 0	$ 110,898	$ 1,383,844
Investments	0	11	0	11
TOTAL	$ 1,272,946	$ 11	$ 110,898	$ 1,383,855

B. Receivables/Unearned Revenue

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

	General	Non-Major	Total
Receivables:			
Accounts	$ 10,357	$ 0	$ 10,357
Due from Other Governmental Units	846,367	1,967	848,334
TOTAL	$ 856,724	$ 1,967	$ 858,691

Amounts due from other governments include amounts due from federal, state and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, The District reported unearned revenue of $21,189, which is made up of grant receipts and other revenue that has been received, but not yet earned.

C. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Assets Not Being Depreciated				
Land	$ 200,631	$ 0	$ 0	$ 200,631
Other Capital Assets:				
Land Improvements	410,960	0	0	410,960
Buildings and Additions	9,719,782	0	0	9,719,782
Machinery and Equipment	709,634	8,192	0	717,826
Textbooks and Library Books	127,850	0	0	127,850
Transportation Equipment	977,321	0	51,732	925,589
Subtotal	11,945,547	8,192	51,732	11,902,007
Accumulated Depreciation				
Other Capital Assets:				
Land Improvements	350,504	15,261	0	365,765
Buildings and Additions	2,969,527	212,283	0	3,181,810
Machinery and Equipment	604,521	20,120	0	624,641
Textbooks and Library Books	127,850	0	0	127,850
Transportation Equipment	575,146	59,403	51,732	582,817
	4,627,548	307,067	51,732	4,882,883
Net Capital Assets Being	7,317,999	(298,875)	0	7,019,124
Net Capital Assets	$ 7,518,630	$ (298,875)	$ 0	$ 7,219,755

Depreciation for the fiscal year ended June 30, 2015, amounted to $307,067. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Post-Retirement Benefits

Plan Description - The District participates in the statewide Michigan Public School Employees' Retirement System (MPSERS) which is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the

provisions of the System. Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2013 Comprehensive Annual Financial Report, available here:
http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html.

Benefit Provisions – Pension

Introduction

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

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence of 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.

Option 1 – members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members: 4% contribution

- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 – members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future services as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their *total* years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a Defined Contribution (DC) plan that provides 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012 and is shown below:

Option 1: FAC x total years of service x 1.5%

Option 2: FAC x 30 years of service x 1.5% + FAC x years of service beyond 30 x 1.25%

Option 3: FAC x years of service as of transition date x 1.5% + FAC x years of service after transition date x 1.25%

Option 4: FAC as of transition date x years of service as of transition date x 1.5%

A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member who became a member of MPSERS after June 30, 2010 may retire at age 60 with 10 or more years of credited service.

A Basic Plan member may retire at:

- age 55 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service.

There is no mandatory retirement age.

Early Retirement

A member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension, but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc).

Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

Straight Life Pension – The Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of a retiree's death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

Survivor Options – Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount ("pop-up" provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree's death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree's death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree's death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan – The Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor Pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree's pension to decrease at age 62 by approximately the same amount as that person's Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated, or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of the death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

Contributions

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

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

Pension Contribution Rates

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

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

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

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 20,046 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.3 years for 2014. The short-term receivable was $35.2 million and the discounted long-term receivable was $102.6 million at September 30, 2014.

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

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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 subside 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.

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they choose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the healthcare funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.

2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.

- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be $2,000 for participants who are at least 60 years of age at termination or $1,000 for participants who are less than 60 years of age at termination.

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

Other Information

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree healthcare trust as MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus member. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

E. Net Pension Liabilities

Measurement of the MPSERS Net Pension Liability

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

MPSERS (Plan) Net Pension Liability

As of September 30, 2014

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

Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

As of October 1, 2013

Total Pension Liability	$ 62,859,499,994
Plan Fiduciary Net Pension	39,427,686,072
Net Pension Liability	$ 23,431,813,922
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.72%

Proportionate Share of District's Net Pension Liability

At September 30, 2014, the District reported a liability of $7,719,968 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportion of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the District's proportionate share percent was 0.03505 percent.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	28.00%	4.80%
Alternative Investment Pools	18.00%	8.50%
International Equity	16.00%	6.10%
Fixed Income Pools	10.50%	1.50%
Real Estate & Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	15.50%	6.30%
Short-Term Investment Pools	2.00%	-0.20%
	100%	

*Long-term rate does not include 2.5% inflation.

Rate of Return

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

Discount Rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 8.0 percent (7% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
$ 10,178,105	$ 7,719,968	$ 5,648,951

Timing of the Valuation

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

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

Actuarial Valuations and Assumptions

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

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions	
Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% year 12
Mortality:	RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457.

- Recognition period for assets in years is 5.0000.

- Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

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

For the year ended June 30, 2015, the District recognized pension expense of $625,330. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 0
Changes of assumptions	284,850	0
Net difference between projected and actual earnings on pension plan investments	0	853,446
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	0	34
Reporting Unit contributions subsequent to the measurement date	524,286	0
Total	$ 809,136	$ 853,480

$524,286 reported as deferred outflows of resources related to pensions resulting from District 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 September 30,		Amount
2016	$	(139,301)
2017		(139,301)
2018		(139,301)
2019		(150,727)
	$	(568,630)

G. Payables to the Pension Plan

As of June 30, 2015, the District had payables in the amount of $131,820 to the pension plan. $86,411 of this amount represents the amount the District is legally required to contribute on behalf of its employees. The balance, $45,409, represents the amount the District is required to remit to the pension plan as required by Public Act 196 of 2014.

H. Accounting Change/Prior Period Adjustment

Effective July 1, 2014 the District adopted GASB Statement 68 Accounting and Financial Reporting for Pensions. This Statement amends GASB Statement 27 and GASB Statement 50 and is designed to improve accounting and financial reporting by state and local governments for pensions. It is also designed to provide decision-useful information, support assessments of accountability and interperiod equity, and create additional transparency. Accordingly, the District's financial statements have been restated to appropriately account for this change. The restatement of the net position as of June 30, 2014 is summarized in the table below:

Net Position - Governmental Activities - As Previously Reported as of June 30, 2014	$	5,672,729
Net Pension Liability - Restated to Conform with GASB 68		(8,212,851)
Net Position - Governmental Activities - Restated as of June 30, 2014	$	(2,540,122)

I. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2015 or any of the prior three years

J. Long-Term Liabilities

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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

	COMPENSATED ABSENCES AND SEVERANCE PLAN	BONDS	NET PENSION LIABILITY	TOTAL
Balance, July 1, 2014	$ 209,924	$ 3,212,821	$ 8,212,851	$ 11,635,596
Additions	22,543	0	663,279	685,822
Deletions	(42,603)	(637,140)	(1,156,162)	(1,835,905)
Balance, June 30, 2015	189,864	2,575,681	7,719,968	10,485,513
Less current portion	0	(642,140)	0	(642,140)
Total due after one year	$ 189,864	$ 1,933,541	$ 7,719,968	$ 9,843,373

The District's liability obligations at June 30, 2015, are comprised of the following issues:

General Obligation Serial Bonds	
2014 refunding bonds due in annual installments of $530,000 of $565,000 through May 1, 2018, interest at 0.75% to 1.35%.	$ 1,650,000
2012 Energy Conservation Improvement QZAB Bond	
Energy Improvement Bonds, due in monthly installments of $77,140 to $77,141 through May 1, 2027, interest at 4.22%.	925,681
Compensated Absences Payable	
Accumulated Sick Pay and Vacation Pay	189,864
Net Pension Liability	
Proportionate Share of State of MI Pension Liability	7,719,968
TOTAL LONG-TERM DEBT	$ 10,485,513

Annual debt service requirements to maturity for the above obligations except for compensated absences and net pension liability.

The annual requirements to amortize all long-term liability outstanding as of June 30, 2015, including interest payments of $290,270 are as follows:

Year ending June 30,	Principal	Interest	Amounts Payable
2016	$ 642,140	$ 55,749	$ 697,889
2017	627,140	48,256	675,396
2018	612,140	39,775	651,915
2019	77,140	29,298	106,438
2020	77,140	26,042	103,182
2021-2025	385,700	81,384	467,084
2026-2027	154,281	9,766	164,047
	$ 2,575,681	$ 290,270	$ 2,865,951

Interest on the 2012 Energy Conservation Improvement QZAB Bond is expected to be offset nearly entirely by a federal interest subsidy.

The annual requirements to amortize the accrued compensated absences and net pension liability are uncertain because it is unknown when the employees will use the benefit. Compensated absences and net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

K. Short-Term Debt

On August 20, 2014, the District issued a State Aid Note in the amount of $550,000. The note matures on July 20, 2015 with interest at 0.420%. The District pledged its State Aid revenue for payment of this liability at maturity and has made required payments to an irrevocable set-aside account in the amount of $439,701 to cover a portion of the principal amount plus interest. At year-end, these payments are considered defeased debt and are not included in the year-end balance. The balance, $110,299 will be deducted from the District’s July state aid payment. The purpose of the note was to provide for cash flow needs at the beginning of the school year. Interest expense for the year was $1,766.

The following is a summary of the Short-Term Debt transactions for the School District for the year ended June 30, 2015:

Short-Term Debt at July 1, 2014	$ 133,383
New Debt Issued	550,000
Debt Retired and Paid	(573,084)
Short-Term Debt at June 30, 2015	$ 110,299

L. Interfund Receivables and Payables

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	$ 0	$ 6,344
Debt Service Fund - 2014 Debt Retirement	6,344	0
	$ 6,344	$ 6,344

The outstanding balances between funds result mainly 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. All Interfund balances outstanding at June 30, 2015 are expected to be repaid within one year.

M. Lease Information

The School District leases copy various office equipment. The total rental expense for the fiscal years ended June 30, 2015, and June 30, 2014, was $5,808 and $6,336 respectively. The future minimum payments are summarized below:

YEAR-ENDING	AMOUNTS
2016	$ 6,336
2017	6,336
2018	4,224
	$ 16,896

N. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

2. Single Audit

Current federal guidelines require entities with federal expenditures exceeding $500,000 to have a "single audit" of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

3. Subsequent Events

In July 2015, the District approved purchasing a school bus in the amount of $79,252.

In August 2015, the District approved selling timber for $90,295 and resurfacing the track for $33,500. Also, the District borrowed $250,000 of short-term debt for cash flow.

No adjustments were made to the financial statements for the year ended June 30, 2015, related to these subsequent events.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Local Sources	$ 1,214,921	$ 1,291,239	$ 1,284,493
State Sources	4,190,259	4,245,118	4,223,076
Federal Sources	330,261	402,485	384,339
Other Transactions	148,738	168,803	168,269
Total Revenues	5,884,179	6,107,645	6,060,177
EXPENDITURES			
Instruction			
Basic Programs	2,992,071	3,017,652	3,001,638
Added Needs	874,125	869,023	851,332
Supporting Services			
Pupil	182,689	183,955	183,930
Instructional Staff	50,777	50,623	44,253
General Administration	261,806	270,696	271,644
School Administration	212,565	266,703	267,853
Business	70,597	70,952	70,582
Operation and Maintenance	586,225	614,524	626,011
Pupil Transportation Services	370,966	385,518	376,279
Central Services	200,283	254,298	242,283
Athletic Activities	160,585	178,802	179,943
Community Activities			
Community Activities	3,000	3,000	2,411
Debt Service			
Principal	77,140	77,140	77,140
Interest	42,819	42,819	42,819
Total Expenditures	6,085,648	6,285,705	6,238,118
Excess (Deficiency) of Revenues Over Expenditures	(201,469)	(178,060)	(177,941)
OTHER FINANCING SOURCES (USES)			
Proceeds from the Sale of Capital Assets	1,501	1,501	1,501
Net Change in Fund Balance	(199,968)	(176,559)	(176,440)
FUND BALANCE - Beginning of Year	888,374	982,237	982,237
FUND BALANCE - End of Year	$ 688,406	$ 805,678	$ 805,797

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2015

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)										0.03505%
District's proportionate share of net pension liability										$ 7,719,968
District's covered-employee payroll										2,990,431
District's proportionate share of net pension liability as a percentage of its covered-employee payroll										258.16%
Plan fiduciary net position as a percentage of total pension liability										66.20%

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2015

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions										$ 663,279
Contributions in relation to statutorily required contributions *										663,279
Contribution deficiency (excess)										$ 0
Covered-Employee Payroll										$ 2,931,473
Contributions as a percentage of covered-employee payroll										22.63%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2015

A. Changes of Benefit Terms:

There were no changes of benefit terms in 2015.

B. Changes of Assumptions:

There were no changes of benefit assumptions in 2015.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2015

	FOOD SERVICE FUND	2014 DEBT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	$ 42,132	$ 50,080	$ 92,212
Due From Other Funds	0	6,344	6,344
Due From Other Governmental Units	1,967	0	1,967
Inventories	2,007	0	2,007
TOTAL ASSETS	$ 46,106	$ 56,424	$ 102,530
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Salaries and Benefits Payable	$ 9,746	$ 0	$ 9,746
Unearned Revenue	1,677	0	1,677
Total Liabilities	11,423	0	11,423
FUND BALANCE			
Nonspendable, Inventory	2,007	0	2,007
Restricted for Food Service	32,676	0	32,676
Restricted for Debt Service	0	56,424	56,424
Total Fund Balances	34,683	56,424	91,107
TOTAL LIABILITIES AND FUND BALANCES	$ 46,106	$ 56,424	$ 102,530

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2015

	FOOD SERVICE FUND	2014 DEBT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Local Sources	$ 73,418	$ 580,430	$ 653,848
State Sources	14,451	0	14,451
Federal Sources	286,666	0	286,666
Total Revenues	374,535	580,430	954,965
EXPENDITURES			
Food Service	392,280	0	392,280
Debt Service			
Principal	0	560,000	560,000
Interest	0	22,785	22,785
Other Transactions	0	2,264	2,264
Total Expenditures	392,280	585,049	977,329
Net Change in Fund Balance	(17,745)	(4,619)	(22,364)
FUND BALANCE - Beginning of Year	52,428	61,043	113,471
FUND BALANCE - End of Year	$ 34,683	$ 56,424	$ 91,107