

BARK RIVER HARRIS PUBLIC SCHOOLS

Audited Financial Statements and
Additional Supplemental Information

For the Year Ended
June 30, 2015

Bark River Harris Public Schools

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Bark River Harris Public Schools

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JOHNSON & RENNIE, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Rodney R. Johnson, CPA
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To the Board of Education
Bark River Harris Schools
Harris, Michigan

REPORT ON FINANCIAL STATEMENTS

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

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 of 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 judgement, including the assessment of the risks of material misstatement of the financial statements which, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes 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 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 financial position of Bark River Harris Public Schools as of June 30, 2015, and the changes in financial position and cash flows where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note F to the basic financial statements, the Bark River Harris Public School's implemented Governmental Accounting Standards Board Statement No. 68. Our opinion is not modified with respect to that matter. The GASB issued Statement No. 68 – *Items previously reported as Assets and Liabilities Accounting and Financial Reporting for Pensions*.

OTHER - MATTERS

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 39 and 40 and the Schedule of Bark River Harris Public School's Contributions and Proportionate Share of the Net Pension Liability on pages 41 and 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 response to my inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

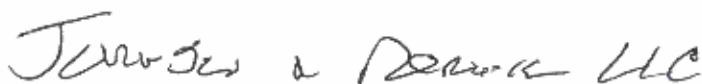
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bark River Harris Public School's, Harris, Michigan, basic financial statements. The non-major fund financial statements and other supplemental schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

OTHER REPORTING REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report letter dated September 14, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bark River Harris Public School's internal control over financial reporting and compliance.



Johnson & Rennie, LLC
Certified Public Accountants
September 14, 2015

Bark River Harris Public Schools

Management's Discussion and Analysis

Year Ended June 30, 2015

Management's Discussion and Analysis

This section of the Bark River Harris Public School's Districts annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2015. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2015.

District-wide Financial Statements

The District-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the School District as a whole. The statements prepared using the accrual basis of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the School District's assets and liabilities. All current year revenues and expenses are reported for in the statement of activities. The two statements report the Governmental activities of the School District that include all services performed by the School District including but not limited to instruction, support services, food services, athletics and debt service. These activities are funded mostly by State aid as determined by pupil counts, Federal and State grants and local property taxes.

The statement of net position as stated previously, shows the School District's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficits of the School District. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the School District; the greater the net asset figure, the healthier the School District generally is. This shows if the School District will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net position on a revenue less expenditure basis. It generally shows the operating results for a given year of the School District. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the School District.

Fund Financial Statements

The School District's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that is separately stated as a major fund is the General Fund which is the operating fund of the School District. All other funds of the School District are considered non-major and are reported as one column. Separate funds are often required to be set up and separately recorded due to State or Federal statues or by bond covenants or other contractual agreements. The School District may also choose to set up separate funds to better control and track certain monies. All of the School District's services are reported in Governmental types. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Management's Discussion and Analysis (continued)

The School District has the following non-major Governmental Funds. The School District operates the Food Service Fund which accounts for the breakfast and hot lunch programs and Debt Service Fund accounting for Bond Activities.

Fiduciary Funds are funds that account for certain activities in which the School District acts as a trustee or in an agent capacity. The agency fund accounts for various student and other activity groups who raise funds for specific purposes to be spent on whatever purpose the group wants. The school also maintains a student loan fund used to account for scholarship loans to eligible students and their subsequent repayments. These activities are not included in the District-wide financial statements as they represent resources that are not available for the School District's operations.

Governmental Funds are accounted for by using an accounting method called modified accrual accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The Governmental Fund financial statements show detail of operations for a given year according to this method of accounting. This is similar to how the School District reported their finances in the past. The individual fund statement helps determine what financial resources are available on a short-term basis to fund operations.

Since the District-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Management's Discussion and Analysis (continued)

District-wide Financial Statements - Condensed Financial Information

Statement of Net Position

During the year ended June 30, 2015, the School District implemented GASB 68 – Items previously reported as Assets and Liabilities Accounting and Financial Reporting for Pensions. This required Net Pension Liabilities be recorded in the Statement of Net Position. In Bark River Harris Public Schools, the pension liability was \$8,248,654. Recording this liability under GASB 68 resulted in a deficit in the Statement of Net Position of \$(3,616,550).

The following table shows the Governmental Activities condensed statement of net position with a detailed analysis of the statement below.

	Governmental Activities	
	June 30, 2015	June 30, 2014
Assets		
Current Assets:		
Cash and investments	\$ 2,219,206	\$ 2,098,172
Accounts receivable	1,065,537	985,217
Other current assets	84,664	74,578
Total Current Assets	3,369,407	3,157,967
Noncurrent Assets:		
Capital assets, net of accumulated depreciation and amortization of \$310,167	3,415,473	3,591,982
Total Noncurrent Assets	3,415,473	3,591,982
Total Assets	6,784,880	6,749,949
Deferred Outflow of Resources - Employee Retirement System	1,118,254	-
Total Assets and Deferred Outflow	\$ 7,903,134	\$ 6,749,949
Liabilities		
Accrued salaries and benefits	\$ 620,103	\$ 640,266
Other current liabilities	416,285	340,360
Total Current Liabilities	1,036,388	980,626
Long-Term Liabilities , net of current portion of \$160,000		
Bonds payable	875,000	1,035,000
Compensated absences	440,100	462,789
Net pension liability	8,248,654	-
Capital lease	-	67,076
Total Liabilities	9,563,754	1,564,865
Total Liabilities	10,600,142	2,545,491
Deferred Inflow of Resources		
Unearned revenue	7,650	42,739
Employee retirement system	911,892	-
Total Deferred Inflow of Resources	919,542	42,739
Total Noncurrent Liabilities		
Net Position		
Investment (deficit) in capital assets, net of related debt	2,305,476	2,261,185
Restricted	42,418	67,817
Unrestricted	(5,964,444)	1,832,717
Total Net Position	(3,616,550)	4,161,719
Total Liabilities, Deferred Inflow & Net Position	\$ 7,903,134	\$ 6,749,949

Management's Discussion and Analysis (continued)

District-wide Financial Statements - Condensed Financial Information (continued)

Statement of Net Assets (continued)

As mentioned the previous table shows the School District's net position in a deficit of \$3,616,550 at June 30, 2015. Capital assets net of related debt is reported as an investment of \$2,305,476. This figure is derived by taking the original costs of the School District's assets accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Most of the debt related to the capital assets will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net position of \$42,418 is restricted for Debt Retirement and Food Service. As previously mentioned, the Debt Retirement monies come from voter approved property taxes. The net position is restricted as they are not allowed to be used for daily School District operations.

The unrestricted net position is reported as a deficit of \$5,964,444 as of June 30, 2015. This is the net accumulated results of past years' operations. The deficit in the unrestricted net position shows that the School District does not have an ample amount of assets to fund liabilities at June 30, 2015. The general fund operating results impact the unrestricted net position on a yearly basis.

Statement of Activities

The results of operations for the School District as a whole are reported in the statement of activities (see condensed table below). This statement shows the changes in net position for the fiscal year ended June 30, 2015 and 2014 for the Governmental Activities. The current year results include implementation of GASB 68.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenue		
Program Revenue:		
Charges for services	\$ 173,419	\$ 188,904
Operating grants and entitlements	615,578	602,383
State categoricals	654,827	523,984
General Revenue:		
Property taxes	522,200	540,824
State aid	4,936,851	4,746,319
Other	40,806	32,659
Total Revenue	<u>6,943,681</u>	<u>6,635,073</u>
Functions/Program Expenses		
Instruction	4,132,246	4,253,081
Supporting services	1,607,229	1,645,438
Food	359,588	339,049
Athletics	100,441	93,668
Interest	25,259	27,929
Depreciation (unallocated)	309,186	229,202
Total Expenses	<u>6,533,949</u>	<u>6,588,367</u>
Increase in Net Position	<u>\$ 409,732</u>	<u>\$ 46,706</u>

Management's Discussion and Analysis (continued)

Statement of Activities (continued)

As reported in the Statement of Activities, the School District had an overall increase in net position of \$409,732. The School District reports a total net position deficit of \$3,616,550. The unrestricted net position shows a deficit of \$5,964,444.

The School District's total revenues totaled \$6,943,681. Of this amount, the State aid accounts for 72% of total revenues or \$4,936,851. Property taxes assessed to the residents of the School District not restricted for other purposes totaled \$349,197. This accounts for 5% of total revenue to be spent on general education and operating needs.

The School District's total cost to fund all Governmental activities was \$6,533,949. Approximately 22% or \$1,443,824 of these costs were financed by those who benefitted from the service or funded by grants from other Governmental agencies. This shows the importance of budgeting and determining what programs the School District will fund with unrestricted revenues on a yearly basis.

Fund Financial Statements

The Governmental Fund financial statements report the School District's finances under the modified account basis of accounting. Under this method revenues are recognized when available and expenditures when incurred. The fund balance reported a surplus of \$2,555,464 at June 30, 2015. It increased for all Governmental Funds by \$192,141 for the year. The General Fund reported an increase in the fund balance of \$224,169.

The debt retirement fund balance decreased by \$7,953. This decrease was a result of refinancing from the past rates ranging from 4.000% to 4.650%.

The food service fund had a \$24,075 decrease. This decrease resulted from higher food costs than budgeted in this fund.

Major Governmental Funds Budgeting and Operating Highlights

The School Districts budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, usually before the State of Michigan enacts its budget or most grants are awarded. Therefore, it is expected that there will be significant changes between the initial budget and subsequent budgets, as actual grant awards are known. The most significant fund budgeting is the General Fund. The budget is amended at least two times during the year. The budget includes estimated State revenues until the actual amount is determined. Since a major portion of the District is funded by these revenues, budget amendments are necessary to include these funds.

Management's Discussion and Analysis (continued)

General Fund

General Fund Revenue Budget vs. Actual History

<u>Fiscal Year</u>	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Rev. Var. Actual vs. Final Budget</u>
2011-2012	5,037,293	5,519,680	5,498,457	21,223
2012-2013	5,303,789	6,020,220	6,022,033	(1,813)
2013-2014	5,792,984	6,146,925	6,107,341	39,584
2014-2015	6,012,143	6,446,385	6,432,109	14,276

General Fund Expenditures Budget vs. Actual History

<u>Fiscal Year</u>	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Exp. Var. Actual vs. Final Budget</u>
2011-2012	5,627,312	5,552,832	5,485,290	(67,542)
2012-2013	5,610,177	5,934,801	5,831,128	(103,673)
2013-2014	5,765,511	6,665,825	6,688,393	22,568
2014-2015	6,193,400	6,252,442	6,141,972	(110,470)

Capital Assets

At June 30, 2015, the School District had \$3,410,571 invested in Capital Assets. This included a net decrease during the past fiscal year of \$175,528, consisting of additions of \$133,568 and depreciation charges of \$309,186.

Debt

The School District has \$1,542,176 of long-term debt, including \$247,080 due in the next fiscal year. This includes bonds issued for construction, capital leases on equipment purchases and employee related benefits such as early retirement incentives, health insurance and sick pay future expenses for accruals. The long-term debt increased by \$247,925 during the year. The State allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount. The notes to the financial statements provide detail of each long-term debt issue.

Future Considerations

With the outlook calling for no increase in State school aid funding, cuts in other categorical aid and the inability for the School District to obtain additional property tax revenues for operations due to State Statute, the School District is under increased pressure to adopt a budget that will include cost reducing measures. A modest increase in student enrollment and the stagnant local economy will also weigh heavily on the amount of expenditure cuts that need to be made. A thorough analysis of all areas of the School District will need to be made.

Contacting the School District

If you have any questions about this report or need additional information, contact the Superintendent's office at Bark River Harris Public Schools; Harris, Michigan.

Bark River Harris Public Schools
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,219,206
Due from other Governmental units	1,058,578
Accounts receivable	6,959
Inventories	1,245
Prepaid expense	83,419
Total Current Assets	3,369,407
Noncurrent Assets:	
Capital assets	7,888,913
Less: accumulated depreciation	(4,478,342)
Bond Discounts	7,845
Less: accumulated amortization	(2,943)
Total Noncurrent Assets	3,415,473
Deferred Outflow of Resources - Pension	1,118,254
Total Assets and Deferred Outflow	\$ 7,903,134
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 141,909
Accrued salaries and withholding	617,084
Accrued interest	3,019
Bonds payable, due within 1 year	160,000
Capital lease	67,076
Compensated absences and severance pay	47,300
Total Current Liabilities	1,036,388
Non-Current Liabilities	
Bonds payable	875,000
Compensated absences	440,100
Net pension liability	8,248,654
Total Non-Current Liabilities	9,563,754
Total Liabilities	10,600,142
Deferred Inflow of Resources	
Unearned revenue	7,650
Pension	911,892
Total Deferred Inflow of Resources	919,542
Net Position	
Invested in capital assets, net of related debt	2,305,476
Restricted for debt service	37,393
Restricted for hot lunch	5,025
Unrestricted	(5,964,444)
Total Net Position	(3,616,550)
Total Liabilities, Deferred Inflow of Resources & Net Position	\$ 7,903,134

Bark River Harris Public Schools
Statement of Activities
June 30, 2015

		Program Revenues		Activities
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
GOVERNMENTAL FUNCTIONS				
Current:				
Instruction	(4,132,246)	5,620	1,004,327	(3,122,299)
Supporting services	(1,607,229)	8,950	46,487	(1,551,792)
Food services	(359,588)	116,922	218,591	(24,075)
Athletics	(100,441)	41,927	1,000	(57,514)
Interest on long-term debt	(25,259)	-	-	(25,259)
Depreciation (unallocated)	(309,186)	-	-	(309,186)
Total Governmental Functions	(6,533,949)	173,419	1,270,405	(5,090,125)
GENERAL REVENUES				
Property taxes				
General purposes				349,197
Debt services				173,003
State aid not restricted for specific purpose				4,936,851
Interest and investment earnings				11,906
Other				28,900
Total General Revenues				5,499,857
Change in Net Position for the Year				409,732
Net Position July 1, 2014, as previously stated				4,161,719
Prior Period Adjustment - Implementation GASB 68				
Net Pension Liability				(8,775,214)
Deferred outflows - District's contributions made in prior year				587,213
Total Prior Period Adjustment				(8,188,001)
Net Position at July 1, 2014 as restated				(4,026,282)
Net Position June 30, 2015				\$ (3,616,550)

Bark River Harris Public Schools
 Balance Sheet
 Governmental Fund Types
 June 30, 2015

	General	Other Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 2,188,558	\$ 30,648	\$ 2,219,206
Due from other Governmental units	1,048,875	9,703	1,058,578
Accounts receivable	5,750	1,209	6,959
Inventory	-	1,245	1,245
Due from other funds	1,121	-	1,121
Prepaid expenses	78,773	4,646	83,419
Total Assets	\$ 3,323,077	\$ 47,451	\$ 3,370,528
 Liabilities, Deferred Inflow of Resources and Fund Equity			
Liabilities			
Due from other funds	\$ -	\$ 1,121	\$ 1,121
Accounts payable	140,992	917	141,909
Accrued payroll and benefits	664,384	-	664,384
Total Liabilities	805,376	2,038	807,414
 Deferred Inflow of Resources			
Unearned Revenue	4,655	2,995	7,650
 Fund Balances			
Non-spendable			
Inventory	-	1,245	1,245
Prepays	78,773	4,646	83,419
Restricted for:			
Debt retirement	-	37,393	37,393
Hot lunch	-	(866)	(866)
Committed to:			
Capital projects	800,000	-	800,000
Early retirement incentive	500,000	-	500,000
Unassigned	1,134,273	-	1,134,273
Total Fund Equity	2,513,046	42,418	2,555,464
 Total Liabilities, Deferred Inflow of Resources and Fund Equity			
	\$ 3,323,077	\$ 47,451	\$ 3,370,528

Bark River Harris Public Schools
 Reconciliation of Governmental Funds
 Balance Sheet With the Statement of Net Position
 June 30, 2015

Total Government Fund Balances		\$ 2,555,464
<i>Amounts Reported for Governmental Activities are in the Statement of Net Position Because:</i>		
Capital Assets used in Governmental Activities are not financial resources and are not reported in the funds		
The Cost of Capital Assets are:	7,888,913	
Accumulated Depreciation is:	<u>(4,478,342)</u>	3,410,571
Long-term debt refinancing is not included as an asset in the Debt Retirement Fund		
Bond Discount	7,845	
Amortization	<u>(2,943)</u>	4,902
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(1,035,000)
Capital Lease		(67,076)
Compensated Absences		(440,100)
Accrued interest is not included as a liability in Governmental Fund Types		(3,019)
Net Pension obligations are not due and payable in the current period and therefore, are not reported in the funds		
Net Pension Liability		(8,248,654)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows of resources related to pensions		1,118,254
Deferred inflows of resources related to pensions		<u>(911,892)</u>
Net Position of Governmental Activities		<u><u>\$ (3,616,550)</u></u>

Bark River Harris Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended
June 30, 2015

	General	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUE			
Local sources	\$ 468,705	\$ 289,981	\$ 758,686
State sources	5,591,371	14,898	5,606,269
Federal sources	350,640	203,693	554,333
Inter-district & other sources	21,393	-	21,393
Total Revenue	6,432,109	508,572	6,940,681
EXPENDITURES			
Current:			
Instruction	4,300,644	-	4,300,644
Supporting service	1,707,670	519,588	2,227,258
Debt Service:			
Principal retirement	-	21,012	21,012
Capital outlay	133,658	-	133,658
Total Expenditures	6,141,972	540,600	6,682,572
Excess of Revenues - (Expenditures)	290,137	(32,028)	258,109
OTHER FINANCING SOURCES (USES)			
Sale of School property	3,000	-	3,000
Payment on Capital lease	(68,968)	-	(68,968)
Total Other Financing Sources	(65,968)	-	(65,968)
Net Change in Fund Balance	224,169	(32,028)	192,141
Fund balance July 1	2,288,877	74,446	2,363,323
Fund Balance June 30	\$ 2,513,046	\$ 42,418	\$ 2,555,464

Bark River Harris Public Schools
 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 Changes in Fund Balances - Total Governmental Funds \$ 192,141

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental Funds report Capital Outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(309,186)	
Capital Outlay	<u>133,658</u>	(175,528)

Governmental Funds report a bond discount as an expenditure in the Statement of Activities. These costs are amortized over the life of the bonded debt

Amortization		(981)
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Accrued interest is recorded in the Statement of Activities when incurred and is not reported in Governmental Funds until paid 466

Repayment of bond principal is an expenditure in the Governmental Funds but not in the Statement of Activities (where it reduces long-term debt) 160,000

Repayment of Capital Lease is an expenditure in the Governmental Funds but not in the Statement of Activities (where it increase long-term debt) 65,236

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 pension expense.

Direct pension contributions 813,873

Cost of benefits earned net of employee contributions (668,164)

Decreases in compensated absences are reported as expenditures when financial resources are used in the Governmental Funds 22,689

Change in Net Position as Governmental Activities \$ 409,732

Bark River Harris Public Schools

**Statement of Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015**

	Private Purpose Trust	Agency Fund Student Activities	Total
ASSETS			
Cash	\$ 8,743	\$ 68,401	\$ 77,144
Accounts receivable	-	-	-
Total Assets	<u>\$ 8,743</u>	<u>\$ 68,401</u>	<u>\$ 77,144</u>
LIABILITIES			
Due to student groups	\$ -	\$ 68,401	\$ 68,401
NET POSITION			
Reserve for student loans	8,743	-	8,743
Total Liabilities and Net Position	<u>\$ 8,743</u>	<u>\$ 68,401</u>	<u>\$ 77,144</u>

**Statement of Changes in
Fiduciary Net Position - Private
Purpose Trust Fund**

REVENUES	
Interest	\$ 5
Total Revenues	<u>5</u>
EXPENDITURES	
Student loans	-
Total Expenditures	<u>-</u>
Excess Revenues Over (Under) Expenditures	5
Net Position	
Beginning Balance July 1	8,738
Ending Balance June 30	<u>\$ 8,743</u>

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bark River Harris Public Schools have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the School District's entity financial reporting purposes nor is the School District a component unit of another entity. The criteria established for determining the various governmental organizations to be included in the School District's financial statements include oversight responsibility, scope of public service and special financing relationships. Based upon the application of these criteria the financial statements of the School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District.

Basis of Presentation

District-Wide Financial Statements

The School District-wide financial statements (Statement of Net Position and statement of Activities) report information on all of the activities of the School District except for the fiduciary activities. All of the School District's activities are considered to be governmental activities. Interfund activity including operating transfers between activities and amounts due to and from governmental activities has been eliminated in the School District-wide statements.

Fund-Based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or non-major funds. The School District reports the following major governmental fund:

General Fund - is the general operating fund of the School District. The fund is used to account for all financial resources except those required to be accounted for in another fund.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
Basis of Presentation (continued)

All other governmental funds are considered to be non-major. They include:

Debt Service Fund - is used to account for the payment of principal and interest on the school building and site bonds payable.

Special Revenue Fund - is used by the School District to account for food services.

Fiduciary Funds

Private-Purpose Trust Fund - is used to account for assets held by the School District in a trustee capacity as administrator of scholarship and other funds under direct control of the School District.

Agency Fund - is used to account for assets held by the Schools District in its capacity as a receiving and paying agent for the several student body activity groups.

Basis of Accounting

District-Wide Financial Statements

The District-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

Fund-Based Financial Statements

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current period liabilities.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Accounting (continued)

Fund-Based Financial Statements (continued)

The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include certain compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Current property taxes are collected for the School District by the Townships of Bark River and Harris. School taxes are levied on July 1.

Delinquent real property taxes of the School District are purchased annually by the County of Delta.

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information regarding average pupil membership supplied by the districts. The funds received in July and August of 2015 are state appropriations for the year ended June 30, 2015, and, as such, are recorded as accounts receivable.

State Categorical Revenue

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts at local financial institutions.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association or credit union which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks and mutual funds composed of investments outlined above.

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund-based financial statements.

Restricted Assets

Restricted assets consist of cash and cash equivalents of the Debt Services Funds required to be set aside for future bond principal and interest payments.

Inventories and Prepaid Items

Inventories are stated at cost and consist principally of supplies, heating fuel and bus fuel. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles and are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of more than \$1,000 with an estimated useful life in excess of one year. Assets meeting these criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the District-Wide Statement of Activities and included as a direct expense of an identifiable function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method with a half month depreciation taken for assets purchased during the year over the following useful lives (land excluded as not depreciable):

Building and additions	20 - 40 years
Furniture, fixtures and other equipment	05 - 15 years
School buses and vehicles	05 - 10 years

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the District-wide statement of net assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheet 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Unemployment Insurance

The School District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the School District.

Long-Term Obligations

The School District reports long-term debt and other long-term obligations in the District-wide statement of net assets. Amounts are recorded at face value along with any accrued interest to June 30, 2015.

Investment in Capital Assets Net of Related Debt

This is a portion of the net assets of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Position

Net position not meeting either criteria above or considered unrestricted.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

In the fund-based financial statements the restricted fund balances represent the amount set aside for constraints placed on them by external creditors or laws of other Governments. The committed fund balances represent the internal reservations by the School District's Board.

The non-spendable balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date of the audit report.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The School District follows these procedures in establishing the budgetary data reflected in the financial statements for the General and Special Revenue Funds. The School District is not legally required to adopt budgets for the Debt Service Funds.

1. Prior to July 1, the School District Superintendent submits to the Board of Education, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. These budgets lapse at the end of each year.
6. Budgeted amounts presented in the financial statements are as originally adopted or as amended by the Board of Education prior to June 30, 2015.

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government (including School Districts) to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the School District's actual revenues will deviate from those budgeted or if the School District's expenditures will exceed the amount appropriated. During the year ended June 30, 2015, the School District monitored and amended its budget and was in substantial compliance with the Act.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Public Act 275 of 1980 Disclosure

There were no deficits in any of the School District's fund-based financial statements as of June 30, 2015.

NOTE C CASH AND INVESTMENTS

The carrying amount of various deposits presented on the statement of net assets as "Cash and Investments" were made in financial institutions whose deposits are covered by federal depository insurance or in a municipal investment fund. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2014, cash and investments on deposit in financial institutions totaled \$2,219,206, of which \$530,187 was covered by depository insurance and \$2,210,690 exceeded insurance limits. The School District places its deposits and investments with, what it believes to be, high quality financial institutions. Although such deposits and investments were in uninsured funds, they are, in the opinion of the School District, subject to minimal risk.

NOTE D CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Balance 7/1/14	Additions	Disposals and Adjustments	Balance 6/30/15
Assets not being Depr:				
Land	\$ 11,361	\$ -	\$ -	11,361
Capital Assets being Depr:				
Bldg & bldg improvement	6,005,794	59,997	-	6,065,791
Buses & other vehicles	818,689	-	51,619	767,070
Furniture & equipment	971,030	73,661	-	1,044,691
Total	<u>7,806,874</u>	<u>133,658</u>	<u>51,619</u>	<u>7,888,913</u>
Accumulated Depreciation:				
Bldg & bldg improvement	3,027,040	169,838	-	3,196,878
Buses & other vehicles	637,467	23,261	51,619	609,109
Furniture & equipment	556,268	116,087	-	672,355
Total	<u>4,220,775</u>	<u>309,186</u>	<u>51,619</u>	<u>4,478,342</u>
Net Capital Assets	<u>\$ 3,586,099</u>	<u>\$ (175,528)</u>	<u>\$ -</u>	<u>\$ 3,410,571</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE E LONG-TERM DEBT

Changes in Long-Term Debt are summarized as follows:

	Balance 7/1/14	Additions	Deductions	Balance 6/30/15
Notes payable for:				
Compensated absences	\$ 462,789	\$ -	\$ 22,689	\$ 440,100
School bldg & site bonds	1,195,000	-	160,000	1,035,000
Apple, Inc. capital lease	132,312	-	65,236	67,076
	<u>\$ 1,790,101</u>	<u>\$ -</u>	<u>\$ 247,925</u>	<u>\$ 1,542,176</u>

1992 School Building and Site Bonds

On June 1, 1992, the School District issued \$1,800,000 of 1992 School Building and Site Bonds for renovation of the School. On September 25, 2003 and January 19, 2015, the School District refinanced these funds. The bonds are unlimited tax general obligations of the School District and bear interest rates of 1.75%. A summary of annual principal and interest requirements to maturity with interest paid November 1 and interest and principal paid May 1 follows:

Maturity	Interest Rate	Principal	Interest Amount		Total
			1-Nov	1-May	
2016	1.750%	\$ 160,000	\$ 9,056	\$ 9,056	\$ 178,112
2017	1.750%	170,000	7,656	7,656	185,312
2018	1.750%	170,000	6,169	6,169	182,338
2019	1.750%	175,000	4,681	4,681	184,362
2020	1.750%	180,000	3,150	3,150	186,300
2021	1.750%	180,000	1,575	1,575	183,150
		<u>\$ 1,035,000</u>	<u>\$ 32,287</u>	<u>\$ 32,287</u>	<u>\$ 1,099,574</u>

Apple, Inc. Capital Lease

On July 11, 2015, the School District entered into a Master Purchase Lease Agreement of \$201,280 for the acquisition of computer hardware. This lease bears an interest rate of 2.82%. A summary of annual principal and interest requirements paid each August 11 is as follows:

	Principal	Interest	Total
2016	<u>\$ 67,076</u>	<u>\$ 1,892</u>	<u>\$ 68,968</u>

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE E LONG-TERM DEBT (continued)

Compensated Absences

Compensated absences consist of amounts due employees for unused accumulated sick leave upon termination of their employment. Support Service Employees can accumulate up to 120 days of sick leave and will be paid at their daily wage per day for unused sick leave upon termination. Teachers can accumulate up to 300 days and will be paid upon termination. The School administrators will be paid accumulated sick days up to a maximum of 160 days upon termination of employment.

Following is a summary of compensated absences due at June 30, 2015:

Teachers	\$	324,811
Administrators		101,722
Support staff		13,567
		\$ 440,100

The aggregate amounts due on long-term debt excluding employee benefits for the next five years are as follows:

<u>Year Ending June 30</u>		
2016	\$	247,080
2017	\$	185,312
2018	\$	182,338
2019	\$	184,362
2020	\$	186,300
2021	\$	183,150

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

**NOTE F – EMPLOYEE RETIREMENT SYSTEM
ORGANIZATION**

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

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

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

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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

Membership

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

Inactive plan members or their beneficiaries currently receiving benefits:

Regular benefits	181,489
Survivor Benefits	16,855
Disability benefits	6,168
Total	204,512

Inactive plan members entitles to but not yet receiving benefits:	16,979
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Active plan members:

Vested	108,934
Non-vested	101,843
Total	210,777
Total Plan Members	432,268

Benefits Provided

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

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

Member Contributions

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

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012 beginning on page 23. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

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

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

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

Reserves

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

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was \$1.5 billion. Reserve for Pension Plus Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$59.5 million.

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

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

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

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

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

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

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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

Reporting Entity

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

Benefit Protection

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

Fair Value of Investments

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

Investment Income

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

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
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%

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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

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Fair Value of Investments

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

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Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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

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

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

NET PENSION LIABILITY – NON-UNIVERSITY

Measurement of the MPSERS Net Pension Liability

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

MPSERS (Plan) Net Pension Liability—Non-University
As of September 30, 2014

Total Pension Liability	\$ 65,160,887,182
Plan Fiduciary Net Position	43,134,384,072
NET POSITION 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 Bark River Harris Public School's proportionate share between beginning net pension liability and ending net pension liability.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

MPSERS (Plan) Net Pension Liability—Non-University
As of October 1, 2013

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

Proportionate Share of Bark River Harris Net Pension Liability

At September 30, 2014, Bark River Harris Public School's reported a liability of \$ 8,248,654 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. Bark River Harris Public School's proportionate share 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, Bark River Harris Public School's proportionate share percent was 0.03745%.

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	28.0%	4.8%
% Alternative Investment Pools	18.0%	8.5%
International Equity	16.0%	6.1%
Fixed Income Pools	10.5%	1.5%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return pools	15.5%	6.3%
Short-Term Investment Pools	<u>2.0%</u>	-0.2%
TOTAL	<u><u>100.0%</u></u>	

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

Rate of Return

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

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Discount Rate

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

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

As required by GASB Statement No. 68, the following presents Bark River Harris Public School's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what Bark River Harris Public School'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)*	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)*	1% Increase (Non-Hybrid/Hybrid)*
<u>7.0% / 6.0%</u>	<u>8.0% / 7.0%</u>	<u>9.0% / 8.0%</u>
\$10,875,133	\$8,248,654	\$6,035,808

Timing of the Valuation

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

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

Actuarial Valuations and Assumptions

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

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

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Summary of Actuarial Assumptions

Actuarial Assumptions

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

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

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The 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 MPERS Comprehensive Annual Financial Report.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

PENSION, EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS – NON-UNIVERSITY

For the year ended June 30, 2015, Bark River Harris Public School's recognized total pension expense of \$668,164. At June 30, 2015, Bark River Harris Public School's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and experience	\$ -	\$ -
Changes of assumptions	304,358	-
Net difference between projected and actual earnings on pension plan investments	-	911,892
Changes in proportion and differences between Bark River Harris Schools contributions and proportionate share of contributions	23	-
Bark River Harris Public Schools contributions subsequent to the measurement date	813,873	-
	\$ 1,118,254	\$ 911,892

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Plan Year Ended September 30	Amount
2015	\$ 148,825
2016	\$ 148,825
2017	\$ 148,825
2018	\$ 161,036

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE G DEFERRED INFLOW OF RESOURCES

The School District's deferred inflow of resources at June 30, 2015, consisted of unspent monies as follows:

	Governmental Funds	District-wide Funds
General	\$ 2,995	\$ 2,995
Hot Lunch	\$ 4,655	\$ 4,655
Employee Retirement System	-	911,892
	\$ 7,650	\$ 919,542

The School District's deferred outflow of resources at June 30, 2015 consisted of:

	Governmental Funds	District-wide Funds
Employee Retirement System	\$ -	\$ 1,118,254
	\$ -	\$ 1,118,254

NOTE H INTERFUND RECEIVABLES AND PAYABLES - FUND BASED FINANCIAL STATEMENTS

The Interfund receivables or payables during the year ending June 30, 2015 were as follows:

	Due From Other Funds	Due To Other Funds
General	\$ 1,121	\$ -
Hot Lunch	-	1,121
	\$ 1,121	\$ 1,121

NOTE I INTERFUND TRANSFERS - FUND BASED FINANCIAL STATEMENTS

There were no Interfund transfers during the year ending June 30, 2015.

NOTE J RISK MANAGEMENT

The School District is exposed to various risks of losses to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has obtained coverage from commercial insurance companies. The School District has comprehensive general liability coverage of \$25,000 per occurrence and a \$1,000,000 aggregate limit with no deductible amount.

All risk management activities are accounted for in the General Fund and Special Revenue Funds of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create but for which none have been reported are considered.

Management estimates that the amount or potential claims against the School District as of June 30, 2015 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE K OPERATING LEASES

Operating leases consist of rental copy machines and a postal machine. The current year expenditure amounted to \$9,605. The following are the requirements for charges due with the remaining term of the contract:

2016	\$ 8,509
2017	\$ 7,607
2018	\$ 4,818
2019	\$ 3,769

NOTE L FUND BALANCES

Portions of the fund balances have been classified to include the District's current plans for accumulating funds for use in subsequent periods as follows:

<u>Non-Spendable</u>		
Inventory	\$	1,245
Prepays		84,319
	\$	<u>85,564</u>
<u>Committed</u>		
<i>General:</i>		
Early retirement incentive	\$	500,000
Capital outlay reserve		800,000
	\$	<u>1,300,000</u>
<u>Restricted</u>		
Debt service	\$	37,393
Hot lunch		(866)
	\$	<u>36,527</u>

NOTE M SHORT-TERM STATE AID ANTICIPATION NOTE PAYABLE

No short -term State Aid Anticipation note payable was taken out during the year.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2015

NOTE N RESTRICTED NET POSITION

At June 30, 2015, the School District's restricted net position consisted of \$42,418 of which \$37,393 is to be used to pay off bond obligations and \$5,025 for Food Service.

NOTE O NEW ACCOUNTING STANDARDS

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

The GASB issued Statement No. 68 – *Items previously reported as Assets and Liabilities Accounting and Financial Reporting for Pensions*.

Summary: Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that is recorded on the district-wide statements and have been computed differently than the past unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and requires supplementary information (RSI).

Net position as of the beginning of the year was restated to reflect the beginning net pension liability for the prior period.

Required Supplemental Information

Bark River Harris Public Schools
 Budgetary Comparison Schedule – General Fund
 For the Year Ended
 June 30, 2015

	Original Budget	Final Amended	Actual	Favorable (Unfavorable)
REVENUE				
Local sources	\$ 455,615	\$ 463,066	\$ 468,705	\$ 5,639
State sources	5,228,528	5,586,940	5,591,371	4,431
Federal sources	312,000	374,155	350,640	(23,515)
Inter-district & other sources	16,000	22,224	21,393	(831)
Total Revenue	<u>6,012,143</u>	<u>6,446,385</u>	<u>6,432,109</u>	<u>(14,276)</u>
EXPENDITURES				
Current:				
Instruction	4,406,206	4,361,255	4,300,644	(60,611)
Supporting services	1,717,226	1,836,689	1,707,670	(129,019)
Capital outlay	69,968	54,498	133,658	79,160
Total Expenditures	<u>6,193,400</u>	<u>6,252,442</u>	<u>6,141,972</u>	<u>(110,470)</u>
Excess of Revenues - (Expenditures)	<u>(181,257)</u>	<u>193,943</u>	<u>290,137</u>	<u>96,194</u>
OTHER FINANCING SOURCES (USES)				
Sale of School property	-	-	3,000	3,000
Payment of Capital Lease	-	-	(68,968)	(68,968)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(65,968)</u>	<u>(65,968)</u>
Excess of Revenues and Other Resources Over (Under) Expenditures & Other Uses	(181,257)	193,943	224,169	30,226
Fund Balance Beginning of Year	<u>2,788,877</u>	<u>2,288,877</u>	<u>2,288,877</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 2,607,620</u>	<u>\$ 2,482,820</u>	<u>\$ 2,513,046</u>	<u>\$ 30,226</u>

Bark River Harris Public Schools
Schedule of Bark River Harris Public School's Contributions
 Michigan Public School Employees Retirement Plan
 Last 10 Reporting Fiscal Years (Amounts determined as of 6/30 of each year)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required Contributions										\$ 813,873
Contributions in relation to Statutory required contributions *										<u>813,873</u>
Contribution deficiency (excess)										<u>\$ -</u>
Bark River Harris Public Schools covered employee payroll										<u>\$ 4,235,265</u>
Contributions as a percentage of covered employee payroll										19.22%

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPERS which may differ from the statutorily required contributions

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE September 30, 2014.

Bark River Harris Public Schools
Schedule of Bark River Harris Public School's Proportionate Share of the Net Pension Liability
 Michigan Public School Employees Retirement Plan
 Last 10 Reporting Fiscal Years (Amounts determined as of 9/30 of each year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Bark River's proportion of net pension liability (%)										.03745%
Bark River's proportionate share of net pension liability										\$ 8,248,654
Bark River's covered - employee payroll										\$ 3,190,771
Bark River's proportionate share of net pension liability as a percentage of its covered employee payroll (%)										38.68%
Plan fiduciary net position as a percentage of total pension liability										66.20%

*For K12 districts, ISD's, charter schools/PSA's, libraries and community colleges

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2015.

Other Supplemental Information

Bark River Harris Public Schools
Balance Sheet
Non-Major Governmental Funds
For the Year Ended
June 30, 2015

	Debt <u>Retirement</u>	<u>Hot Lunch</u>	<u>Total</u>
ASSETS			
Cash	\$ 30,187	\$ 461	\$ 30,648
Due from other Governmental units	7,206	2,497	9,703
Accounts receivable	-	1,209	1,209
Inventory	-	1,245	1,245
Prepaid expenditures	-	4,646	4,646
Total Assets	<u>\$ 37,393</u>	<u>\$ 10,058</u>	<u>\$ 47,451</u>
 LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ -	\$ 917	\$ 917
Due to other funds	-	1,121	1,121
Total Liabilities	<u>-</u>	<u>2,038</u>	<u>2,038</u>
 Deferred Inflow of Resources			
Unearned revenue	-	2,995	2,995
 Fund Balances			
Non-Spendable:			
Inventory	-	1,245	1,245
Prepaid	-	4,646	4,646
Restricted	37,393	(866)	36,527
Total Fund Balances	<u>37,393</u>	<u>5,025</u>	<u>42,418</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 37,393</u>	<u>\$ 10,058</u>	<u>\$ 47,451</u>

Bark River Harris Public Schools
Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended
June 30, 2015

	<u>Debt</u>		
	<u>Retirement</u>	<u>Hot Lunch</u>	<u>Total</u>
REVENUE			
Local sources	\$ 173,059	\$ 116,922	\$ 289,981
State sources	-	14,898	14,898
Federal sources	-	203,693	203,693
Total Revenue	<u>173,059</u>	<u>335,513</u>	<u>508,572</u>
EXPENDITURES			
Supporting service	160,000	359,588	519,588
Principal retirement	21,012	-	21,012
Total Expenditures	<u>181,012</u>	<u>359,588</u>	<u>540,600</u>
Excess of Revenue (Expenditures	(7,953)	(24,075)	(32,028)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues and other resources over (under) expenditures and other uses	(7,953)	(24,075)	(32,028)
Fund Balance July 1	<u>45,346</u>	<u>29,100</u>	<u>74,446</u>
Fund Balance June 30	<u>\$ 37,393</u>	<u>\$ 5,025</u>	<u>\$ 42,418</u>

Bark River Harris Public Schools
Schedule of General Fund Revenue
For the Year Ended
June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
LOCAL SOURCES			
General property tax levy		\$ 349,198	
Interest in investments		11,850	
Athletics		41,927	
Tuition		5,620	
Local grants		47,487	
Driver's ed fees		\$ 8,950	
Miscellaneous		3,673	
Total Local Sources	463,066	468,705	5,639
STATE SOURCES			
State school aid		4,936,851	
Headlee		18,251	
Student datat MPSRS cost		321,119	
At Risk		186,279	
Special education		113,617	
Other		15,254	
Total State Sources	5,586,940	5,591,371	4,431
FEDERAL SOURCES			
Title II		106,349	
Indian education		24,555	
Impact aid		189,166	
Title II teacher quality		16,140	
Title VI rural and low		13,599	
Medicaid		831	
Total Federal Sources	374,155	350,640	(23,515)
INTER-DISTRICT AND OTHER SOURCES			
School Distrcit - Various programs	22,224	21,393	(831)
Total General Fund Revenue	\$ 6,446,385	\$ 6,432,109	\$ (14,276)

Bark River Harris Public Schools

Schedule of General Fund Expenditures for the Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
INSTRUCTION - BASIC			
Elementary			
Salaries			
Teacher		\$ 940,443	
Teacher aides		132,624	
Teacher substitute		2,808	
Severance pay		13,085	
Temporary wages		2,615	
Employee insurance		308,798	
Employee retirement		389,477	
FICA		79,211	
Workers compensation		1,066	
Supplies and materials		23,123	
Rental copier		8,232	
Textbooks		4,640	
Employees benefits		26,302	
Instructional services		24,580	
Dues and fees		695	
Miscellaneous		1,100	
Total Elementary	<u>1,983,219</u>	<u>1,958,799</u>	<u>24,420</u>
Jr. High School			
Salaries			
Teacher		273,324	
Teacher substitute		196	
Severance pay		19,800	
Workers compensation		312	
Employee insurance		69,575	
Employee retirement		125,821	
FICA		21,101	
Supplies and materials		5,276	
Instructional services		2,152	
Rental copier		2,831	
Miscellaneous		258	
Total Junior High	<u>524,765</u>	<u>520,646</u>	<u>4,119</u>
High School			
Salaries			
Teacher		596,061	
Teacher substitute/tutor		896	
Severance pay		2,543	
Employee insurance		130,199	
Employee retirement		264,344	
FICA		43,435	
Virtual high school		2,120	
Employee benefits		4,752	
Tuition - dual enrollment		43,946	
Supplies and materials		14,243	
Miscellaneous		227	
Instructional services		6,716	
Rental copier		2,831	
Dues and fees		5,000	
Workers compensation		637	
Band/music		1,500	
Workshop and conferences		825	
Total High School	<u>1,134,275</u>	<u>1,120,275</u>	<u>14,000</u>
Total Basic Programs	<u>\$ 3,642,259</u>	<u>\$ 3,599,720</u>	<u>\$ 42,539</u>

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable (Unfavorable)</u>
INSTRUCTION - ADDED NEEDS			
Career and Technology			
Salaries			
Teacher		\$ 17,262	
Employee retirement		4,687	
Employee insurance		8,391	
FICA		1,243	
Workers compensation		40	
Instructional services		535	
Total Career and Technology	<u>32,389</u>	<u>32,158</u>	<u>231</u>
Guidance Services			
Salaries			
Counseling wages		67,794	
Employee retirement		17,409	
Employee insurance		17,867	
FICA		4,861	
Supplies		20	
Workers compensation		82	
Total Guidance Services	<u>108,703</u>	<u>108,033</u>	<u>670</u>
Special Education			
Salaries			
Teacher		139,352	
Teacher aide		23,268	
Teacher substitute/tutor		4,138	
Employee insurance		29,382	
Employee retirement		42,500	
FICA		13,425	
Workers compensation		398	
Instructional services		4,357	
Severance pay		11,872	
Supplies and materials		2,216	
Employee benefit		4,500	
Total Special Education	<u>278,879</u>	<u>275,408</u>	<u>3,471</u>
Speech Services			
Salaries		64,492	
Employee retirement		16,577	
Workers compensation		147	
Employee insurance		17,363	
Teaching supplies		350	
FICA		4,573	
Dues and fees		225	
Total Speech Services	<u>104,582</u>	<u>103,727</u>	<u>855</u>
Ed Media Services			
Teacher aid		627	
Employee retirement		161	
FICA		45	
Dues and fees		2,675	
Total ED Media Services	<u>2,675</u>	<u>3,508</u>	<u>(833)</u>

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
INSTRUCTION - ADDED NEEDS (CONTINUED)			
Improvement of Instruction			
Salaries			
Teacher substitute		1,500	
Employee retirement		378	
FICA		110	
Workers compensation		3	
Workshop and conferences		4,454	
Instructional services		233	
Total Improvement of Instruction	12,381	6,678	5,703
Driver Education			
Salaries			
Teachers		5,593	
Employee retirement		1,442	
FICA		402	
Fuel oil		487	
Workers compensation		10	
Bus repairs		1,103	
Total Driver Education	11,443	9,037	2,406
Preschool			
Salaries			
Teachers		1,644	
Employee retirement		422	
FICA		116	
Workers compensation		4	
Workshop and conferences		10	
Instructional service		17,067	
Dues and fees		(43)	
Total Preschool	19,659	19,220	439
Compensatory Education			
Salaries			
Teacher		50,261	
Teacher substitute		30	
Teacher aide		34,790	
Temporary wages		22	
Employee retirement		21,865	
Employee insurance		17,868	
Employee benefit		2,610	
Teacher supplies		880	
Instructional services		5,212	
FICA		6,296	
Workers compensation		369	
Miscellaneous		63	
Supplies and materials		2,889	
Total Title I	148,285	143,155	5,130
Total Added Needs	718,996	700,924	18,072
TOTAL INSTRUCTION	\$ 4,361,255	\$ 4,300,644	\$ 60,611

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
SUPPORTING SERVICES - GENERAL ADMINISTRATION			
Board of Education			
Audit		\$ 4,875	
Other professional contracts		11,878	
Dues and fees		2,802	
Advertising		17,834	
Workshop and conferences		105	
Legal expenses		8,213	
Miscellaneous		2,474	
Total Board of Education	59,827	48,181	11,646
Executive Administrative			
Salaries			
Superintendent		91,078	
Tuition		3,560	
Employee insurance		1,671	
Employee retirement		23,240	
FICA		7,371	
Workers compensation		78	
Employee benefit		8,000	
Workshop and conferences		270	
Office supplies		127	
Dues and fees		2,001	
Miscellaneous		275	
Total Executive Administrative	138,182	137,671	511
Other School Administrative			
Graduation expenses		1,956	
Total Other School Administrative	3,000	1,956	1,044
Fiscal Services			
Salaries			
Administrative assistant		78,719	
Employee insurance		13,805	
Employee retirement		20,086	
FICA		5,748	
Workers compensation		93	
Workshop and conferences		1,248	
Local travel		105	
Office supplies		1,150	
Rental copier		1,548	
Dues and fees		667	
Total General Administration	127,305	123,169	4,136

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
SUPPORTING SERVICES - OFFICE OF PRINCIPAL			
Salaries			
Principal		163,233	
Secretarial		54,748	
Temporary wages		1,180	
FICA		15,872	
Employee insurance		64,504	
Employee retirement		56,035	
Workers compensation		256	
Workshop and conferences		1,697	
Other professional contracts		1,166	
Rental copier		1,272	
Office supplies		1,332	
Dues and fees		993	
Total School Administration Services	368,926	362,288	6,638
SUPPORTING SERVICES - OPERATION AND MAINTENANCE			
Salaries			
Custodial		121,825	
Temporary wages		2,337	
Heating/gas		37,846	
Electrical		79,786	
Waste disposal		4,227	
Property liability insurance		14,906	
Repairs and maintenance bldg		26,618	
Telephone		2,526	
Postage		4,476	
Custodial supplies and materials		19,094	
Miscellaneous		1,216	
Employee benefit		14,494	
Employee insurance		23,516	
FICA		10,099	
Employee retirement		31,815	
Workers compensation		362	
Other repairs		4,121	
Total Operation and Maintenance	448,476	399,264	49,212
SUPPORTING SERVICES - ATHLETIC ACTIVITIES			
Salaries			
Coach		33,017	
Employee retirement		8,560	
FICA		2,449	
Workers compensation		44	
Pupil services		15,440	
Advertising		1,690	
Other supplies		23,882	
Dues and fees		6,458	
Workshop and conferences		621	
Athletic tournament		3,450	
Athletic awards		4,416	
Athletic driver meals		189	
Miscellaneous		225	
Total Athletic Activities	107,919	100,441	7,478

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable (Unfavorable)</u>
SUPPORTING SERVICES - PUPIL TRANSPORTATION			
Salaries			
Bus driver		118,588	
Bus driver mechanic		27,846	
Temporary wages		1,964	
Overtime salaries		4,257	
Bus contracted services		20,000	
Workshops and conferences		108	
Vehicle repairs and parts		19,158	
Dues and fees		1,368	
Other transport supplies		6	
Gasoline, oil and tires		52,850	
Fleet insurance		6,964	
Trans radio		3,943	
Employee benefit		13,290	
Employee insurance		37,582	
FICA		10,951	
Employee retirement		36,097	
Workers compensation		879	
Miscellaneous		130	
Total Pupil Transportation	<u>391,531</u>	<u>355,981</u>	<u>35,550</u>
SUPPORTING SERVICES - NON-INSTRUCTIONAL PROF DEVELOPMENT			
Workshops		2,755	
Total Non-Instructional Professional Development	<u>10,663</u>	<u>2,755</u>	<u>7,908</u>
SUPPORTING SERVICES - INTERMEDIATE SCHOOL SERVICES			
Alternative and vocational		16,675	
Special ed bill back		2,469	
General services		18,840	
Total Intermediate School Services	<u>38,515</u>	<u>37,984</u>	<u>531</u>
SUPPORTING SERVICES - INFORMATION			
Salaries			
Tech wages		20,780	
Technology		93,902	
Copyright fee & software license		13,748	
Data processing		4,250	
Health insurance		5,300	
Total Information	<u>142,345</u>	<u>137,980</u>	<u>4,365</u>
Total Supporting Services	<u>1,836,689</u>	<u>1,707,670</u>	<u>129,019</u>
CAPITAL OUTLAY			
Supporting Service			
Equipment		57,122	
Improvement athletics		76,536	
Total Capital Outlay	<u>54,498</u>	<u>133,658</u>	<u>(79,160)</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 6,252,442</u>	<u>\$ 6,141,972</u>	<u>\$ 110,470</u>

Bark River Harris - Public Schools
Harris, Michigan

Federal Award Supplemental Information

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Governmental activities, and the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Bark River Harris Public School's as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise Bark River Harris Public School's basic financial statements and have issued our report thereon dated September 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a significant deficiency.

Compliance and other Matters

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

School's Response to Findings

Bark River Harris Public School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Bark River Harris Public School's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended for the information and use of the Board of Education, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Johnson & Rennie, LLC
Certified Public Accountants
September 14, 2015

JOHNSON & RENNIE, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Rodney R. Johnson, CPA
Joel T. Rennie, CPA

Members
American Institute of CPA's
Michigan Association of CPA's
Wisconsin Institute of CPA's

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Bark River Harris Public Schools
Harris, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of Bark River Harris Public Schools with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct effect and material effect on each of Bark River Harris Public School's major federal programs for the year ended June 30, 2015. Bark River Harris School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Bark River Harris Public School's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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



Johnson & Rennie, LLC
Certified Public Accountants
September 14, 2015

Bark River Harris Public Schools
Schedule of Federal Financial Assistance
For the Year Ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 7/1/2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Yr. Receipts (Cash Basis)	Accrued (Deferred) Revenue 6/30/2015
U.S. Department of Education							
Direct Program							
Indian Education							
S600A140882	84.060	\$ 24,555	\$ -	\$ -	24,555	\$ 24,555	\$ -
Total					24,555	24,555	-
Impact Aid							
S041B - 2011-2406	84.041	1,505	-	-	1,505	1,505	-
S041B - 2012-2406	84.041	20,744	-	-	20,744	20,744	-
S041B - 2015-2406	84.041	166,917	-	-	166,917	166,917	-
Total					189,166	189,166	-
Total Direct Program					213,721	213,721	-
Passed Through MDE:							
Title I Part A							
1315301314	84.010	122,930	17,830	119,606	-	17,830	-
1415301415	84.010	115,125	-	-	106,349	84,060	22,289
Total			17,830	119,606	106,349	101,890	22,289
Title VI Part B							
1506601415	84.358	13,599	-	-	13,599	13,512	87
Total					13,599	13,512	87

Bark River Harris Public Schools
 Schedule of Federal Financial Assistance (continued)
 For the Year Ended June 30, 2015

Federal Grantor	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 7/1/2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Yr. Receipts (Cash Basis)	Accrued (Deferred) Revenue 6/30/2015
Pass Through Grantor Program Title Grant Number U.S. Department of Education Improving Teacher Quality 1305201314 1405201314	84.367	28,837	313	20,807	-	313	-
	84.367	31,711	-	-	16,140	14,138	2,002
			313	20,807	16,140	14,451	2,002
Total Passed Through MDE			18,143	140,413	136,088	129,853	24,378
Total U.S. Department of Education			18,143	140,413	349,809	343,574	24,378

Bark River Harris Public Schools
Schedule of Federal Financial Assistance (continued)
For the Year Ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 7/1/2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Yr Receipts (Cash Basis)	Accrued (Deferred) Revenue 6/30/2015
U.S. Department of Agriculture Passed Through MDE:							
141900 Section II Free & Reduced	10.555	16,437	-	-	16,437	16,437	-
141960 Section II Free & Reduced	10.555	118,558	-	-	118,558	118,558	-
151960 Free & Reduced	10.555	13,142	-	-	13,142	13,142	-
Total			-	-	148,137	148,137	-
141970 Breakfast	10.553	6,440	-	-	6,440	6,440	-
151970 Breakfast	10.553	49,116	-	-	49,116	49,116	-
Total			-	-	55,556	55,556	-
Total U.S. Department of Agriculture			-	-	203,693	203,693	-
U.S. Department of Health & Human Services Passed Through ISD:							
Medicaid Outreach	93.778	830	-	-	831	831	-
Total			-	-	831	831	-
Total Federal Financial Assistance			\$ 18,143	\$ 140,413	\$ 554,333	\$ 548,098	\$ 24,378

Notes:

1. Significant accounting policies, see financial statement footnotes.
2. The amounts reported on the R7120 Grant Section Auditors Report, reconcile with this schedule.

Bark River Harris Public Schools

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

- NOTE 1** The Accompanying schedule of expenditures of federal awards includes the federal grant activity of Bark River Harris Public School's and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
- NOTE 2** The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. The School District qualifies as a low risk auditee.
- NOTE 3** Federal revenues and expenditures reported in the School District's basic financial statements agree with recognized revenues and expenditures per the Schedule of Expenditures of Federal Awards.
- NOTE 4** The amounts reported on the R7120 Grants Section Auditors Report, and the Cash Management System (CMS), Grant Auditors Report, reconcile with this Schedule.

Bark River Harris Public Schools

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

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion of the financial statements of Bark River Harris Public Schools.
2. There was one significant deficiency disclosed during the audit of the financial statements reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Bark River Harris Public Schools were disclosed during the audit.
4. There were no significant deficiencies during the audit of the major federal award program reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Bark River Harris Public Schools expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award program for Bark River Harris Public Schools.
7. The programs tested as major programs was the National Food Cluster of CFDA #10555 and #10553.
8. The threshold for distinguishing Type A programs was \$300,000.
9. Bark River Harris Public Schools was determined to be a low-risk auditee.

Bark River Harris Public Schools

Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2015

B. Findings - Financial Statement Audit
Significant Deficiencies

#2015-001 - Ability to Prepare Financial Statements and Related Note Disclosures

Criteria: Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition: Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

Cause: The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

Recommendation: The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Response: The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

C. Findings and Questioned Costs - Major Federal Award Program Audit

Noncompliance

None

Bark River Harris Public Schools

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2015

No corrective action plan is required for the year ended June 30, 2015 since there were no findings or questioned costs.

Bark River Harris Public Schools
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015

Findings and Questioned Costs for Federal Awards

None