Alma Public Schools
Alma, Michigan

Financial Statements

June 30, 2015

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Alma Public Schools
Members of the Board of Education and Administration
June 30, 2015

YEO & YEO
CPAs & BUSINESS CONSULTANTS

7810 N. Alger Road
Alma, MI 48801
Phone (989) 463-6108
Fax (989) 463-8560

Independent Auditors' Report

Management and the Board of Education
Alma Public Schools

Report on the Financial Statement

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Adoption of New Accounting Standards

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

Other Matters:

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alma Public Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Alma Public Schools' basic financial statements as of and for the year ended June 30, 2014, which are not presented with the accompanying basic financial statements. In our report dated September 26, 2014, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Alma Public Schools' basic financial statements as a whole. The 2014 information in the comparative supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 information in the comparative supplementary schedule is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015 on our consideration of Alma Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alma Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, MI
October 19, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Alma Public School District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund – the General Fund with all other funds presented in one column as non-major funds. The remaining statements, the internal service fund, accounts for the activities of the district's partially self-insured health plan and the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

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

Basic Financial Statements

District-wide Financial Statements   *Fund Financial Statements*

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for General Fund
Proportionate Share of the Net Pension Liability
School District's Contributions

Other Supplementary Information

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

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the School District's net position and how it has changed. Net position – the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the statement of net position – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (the Food Service Fund for example) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

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

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

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

The School District as a Whole

Net Position

The district's combined net position is reflected in Table 1. Effective for the year ended June 30, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This new accounting standard requires school district employers to report their portion of the long term obligation of pension benefits as a liability. This liability has been recorded along with deferred outflows and inflows of resources associated with this pension liability. The amounts necessary to restate the assets and liabilities for 2014 were not available for comparative reporting. The change in total net position is discussed in conjunction with Table 2.

TABLE 1

	2015	2014
Assets and Deferred Outflows of Resources		
Current and other assets	$ 6,369,000	$ 6,118,000
Property and equipment	37,457,000	38,610,000
Deferred outflows of resources - pension	3,161,000	-0-
Deferred outflows of resources – debt	951,000	1,004,000
Total assets and deferred outflows of resources	47,938,000	45,732,000
Liabilities and Deferred Inflows of Resources		
Current liabilities	6,594,000	6,203,000
Long-term liabilities	26,111,000	27,872,000
Net pension liability	27,471,000	-0-
Deferred inflows of resources - pension	3,037,000	-0-
Total liabilities and deferred inflows of resources	63,213,000	34,075,000
Net Position		
Net investment in capital assets	11,627,000	10,990,000
Restricted	82,000	120,000
Unrestricted (deficit)	(26,984,000)	547,000
Total net position (deficit)	($15,275,000)	$11,657,000

The School District's net position was a deficit of ($15,275,000) at June 30, 2015. This deficit is the result of recording our proportionate share of the State's overall unfunded pension liability. Without this change, our net position would have actually increased by $415,000 to $12,072,000. Net investment in capital assets of $11,627,000 compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from donors or enabling legislation that limit the School District's ability to use those assets for day-to-day operations. The remaining amount of net position, a ($26,984,000) deficit, was unrestricted.

The ($26,984,000) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. Our portion of the unfunded pension liability will be paid off over a number of years similar to a mortgage through elevated plan contributions from district revenues. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

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

TABLE 2

	2015	2014
Revenue		
Program revenue:		
Charges for services	$963,000	$600,000
Operating grants and contributions	6,267,000	5,952,000
Capital grants and contributions	-0-	-0-
General revenue:		
Property taxes	4,261,000	4,198,000
State foundation allowance	13,605,000	12,996,000
Other	24,000	10,000
Total revenue	25,120,000	23,756,000
Functions/Professional Expenses		
Instruction	14,325,000	13,187,000
Support services	7,802,000	7,640,000
Food services	962,000	965,000
Community services	118,000	111,000
Interest on long-term debt	1,098,000	1,303,000
Total expenses	24,305,000	23,206,000
Increase in Net Position	$815,000	$550,000

Revenues for the district's governmental activities increased 5.7 % while total expenses increased 4.7 %

The School District experienced an increase in net position for the year of $815,000. This was in contrast to a prior year increase of $550,000. The significant reason for this change was an increase in operating grants.

Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of $1,913,000, which was a decrease of $92,000 from last year.

In the General Fund, our principal operating fund, the fund balance decreased $70,000 to $1,846,000. The unassigned portion of the fund balance decreased $10,000 to $1,626,000, or approximately 7.5% of budgeted expenses.

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

Our Special Revenue Fund, fund balance, decreased by $5,000 for the year. This decrease resulted from a declining participation in breakfast and lunch programs due to new nutrition standards.

The Debt Service Funds fund balance decreased $18,000 to an amount of $64,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund balances are restricted since they can only be used to pay debt service obligations. Millage rates were set at 7.0 mills for 2015 to fund debt service on the 2014 and 2012 Refunding Bonds and the 2010 Qualified School Construction Bonds.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. (A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements).

Changes to the General Fund original budget were as follows:

Budgeted revenues increased $562,000 which is a 2.7% increase compared to the original budget. The net increase was mostly due to additional Federal and State grant revenue ($154,000) approved during the year, vocational millage start up revenue ($252,000), an increase in expected pupil enrollment generating more state aid ($44,000), and additional state funding to cover the unfunded pension liability ($123,000).
Budgeted expenditures increased $1,001,000 which is a 4.8% increase compared to the original budget. The net increase was due to additional Federal and State grant expenditures approved during the year, new program vocational start-up costs, employee contract adjustments, retiring employee severance payouts, and retirement rate increases.

Actual revenues were $66,000 less than the final budgeted amounts, which is a 0.3% decrease over the final budgeted amount. This decrease was mostly from federal grants not spent which are carried forward to 2015-16. The overall difference was not significant.

Actual expenditures were $219,000 less than the final budgeted amounts, which is a 1.0% decrease over the final budgeted amount. This decrease was attributable to federal grants budgeted but not spent and an effort to control expenditures during the school year in all departments. The overall difference was not significant.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the School District had $37,457,000 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately $1,153,000, or 3.0%, from last year.

	2015	2014
Assets not being depreciated – Land	$723,000	$723,000
Building and building improvements	52,445,000	52,407,000
Furniture and equipment	7,787,000	7,715,000
Buses and other vehicles	1,419,000	1,339,000
Total capital assets	62,374,000	62,184,000
Less accumulated depreciation	(24,917,000)	(23,574,000)
Net capital assets	$37,457,000	$38,610,000

This year's additions of $233,000 included a new bus, a maintenance tractor, and athletic field improvements. The other additions included equipment, technology, furniture and renovations funded from general revenues.

Debt

At the end of this year the School District's General Obligation Bonds outstanding decreased $1,735,000 due to scheduled principal payments.

	2015	2014
2000 Energy Bonds	$-0-	$120,000
2014 Refunding Bonds	7,620,000	7,675,000
2010 Qualified School Construction Bonds	7,660,000	8,295,000
2012 Refunding Bonds	8,965,000	9,890,000
	$24,245,000	$25,980,000

Other obligations include capital leases, other bonds and contracts payable as well as accrued compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is 90 percent and 10 percent of the October 2015 and February 2016 student counts, respectively. The 2016 budget was adopted in June 2015, based on an estimate of students that will be enrolled in October 2015. Approximately 67 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2016 school year, we anticipate that the fall student count will be slightly lower than the estimates used in creating the 2016 budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues to adjust current year appropriations and to set future years budgets.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department at 1500 North Pine Avenue, Alma, Michigan 48801.

BASIC FINANCIAL STATEMENTS

Alma Public Schools
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	$ 1,830,224
Accounts receivable	8,409
Due from other governmental units	3,294,575
Inventory	40,424
Investments	1,075,578
Prepaid items	120,131
Capital assets not being depreciated	723,068
Capital assets - net of accumulated depreciation	36,733,872
Total assets	43,826,281
Deferred Outflows of Resources	
Deferred amount of pension expense related to net pension liability	3,161,499
Deferred amount on debt refunding	950,590
Total deferred outflows of resources	4,112,089
Total assets and deferred outflows of resources	47,938,370

Alma Public Schools
Statement of Net Position
June 30, 2015

	Governmental Activities
Liabilities	
Accounts payable	$ 299,501
State aid anticipation note payable	2,000,000
Due to other governmental units	119,467
Payroll deductions and withholdings	5,884
Accrued expenditures	1,423,768
Incurred but not reported claims (IBNR)	90,000
Accrued salaries payable	1,060,174
Unearned revenue	4,735
Noncurrent liabilities	
Net pension liability	27,470,796
Debt due within one year	1,590,879
Debt due in more than one year	26,110,752
Total liabilities	60,175,956
Deferred Inflows of Resources	
Deferred amount on net pension liability	3,036,908
Total liabilities and deferred inflows of resources	63,212,864
Net Position	
Net investment in capital assets	11,627,440
Restricted for	
Food service	2,894
Special purposes	79,185
Unrestricted (deficit)	(26,984,013)
Total net position	$ (15,274,494)

See Accompanying Notes to the Financial Statements

Alma Public Schools
Statement of Activities
For the Year Ended June 30, 2015

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
Instruction	$ 14,324,839	$ 638,061	$ 4,980,921	$ -	$ (8,705,857)
Supporting services	7,802,270	146,403	478,690	-	(7,177,177)
Food services	961,582	154,415	782,544	-	(24,623)
Community services	117,838	24,437	25,037	-	(68,364)
Interest on long-term debt	1,098,394	-	-	-	(1,098,394)
Total governmental activities	$ 24,304,924	$ 963,316	$ 6,267,192	$ -	(17,074,416)
General revenues					
Property taxes, levied for general purposes					1,973,995
Property taxes, levied for debt service					2,286,471
State aid - unrestricted					13,605,320
Interest and investment earnings					3,083
Gain on sale of capital assets					5,057
Other					15,961
Total general revenues					17,889,887
Change in net position					815,471
Net position - beginning, as restated					(16,089,965)
Net position - ending					$ (15,274,494)

See Accompanying Notes to the Financial Statements

Alma Public Schools
Governmental Funds
Balance Sheet
June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 1,414,183	$ 66,591	$ 1,480,774
Accounts receivable	8,301	108	8,409
Due from other funds	-	1,329	1,329
Due from other governmental units	3,294,575	-	3,294,575
Inventory	23,506	16,918	40,424
Investments	1,075,578	-	1,075,578
Prepaid items	117,278	2,853	120,131
Total assets	$ 5,933,421	$ 87,799	$ 6,021,220
Liabilities			
Accounts payable	$ 116,673	$ 10,370	$ 127,043
State aid anticipation note payable	2,000,000	-	2,000,000
Due to other funds	212,843	5,777	218,620
Due to other governmental units	119,467	-	119,467
Payroll deductions and withholdings	5,884	-	5,884
Accrued expenditures	567,283	-	567,283
Accrued salaries payable	1,060,174	-	1,060,174
Unearned revenue	-	4,735	4,735
Total liabilities	4,082,324	20,882	4,103,206
Deferred Inflows of Resources			
Unavailable			
Grants received	5,223	-	5,223

See Accompanying Notes to the Financial Statements

Alma Public Schools
Governmental Funds
Balance Sheet
June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance			
Non-spendable			
Inventory	$ 23,506	$ 16,918	$ 40,424
Prepaid items	117,278	2,853	120,131
Restricted for			
Debt service	-	64,023	64,023
Special purposes	79,185	-	79,185
Unassigned (deficit)	1,625,905	(16,877)	1,609,028
Total fund balance	1,845,874	66,917	1,912,791
Total liabilities, deferred inflows of resources and fund balances	$ 5,933,421	$ 87,799	$ 6,021,220

See Accompanying Notes to the Financial Statements

Alma Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015

Total fund balances for governmental funds	$ 1,912,791
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Grants	5,223
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	723,068
Capital assets - net of accumulated depreciation	36,733,872
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	950,590
Deferred inflows of resources resulting from net pension liability	(3,036,908)
Deferred outflow of resources from subsequent pension expense from measurement date	3,161,499
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(638,382)
Compensated absences	(921,541)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(25,287,509)
School bond loan payable	(1,440,179)
Other loans payable and liabilities	(52,402)
Net pension liability	(27,470,796)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	86,180
Net position of governmental activities	$ (15,274,494)

See Accompanying Notes to the Financial Statements

Alma Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	$ 2,253,085	$ 2,441,584	$ 4,694,669
State sources	16,508,203	56,706	16,564,909
Federal sources	751,307	1,055,920	1,807,227
Interdistrict sources	2,043,310	-	2,043,310
Total revenues	21,555,905	3,554,210	25,110,115
Expenditures			
Current			
Education			
Instruction	13,307,773	-	13,307,773
Supporting services	7,637,290	-	7,637,290
Food services	-	963,530	963,530
Community services	114,401	-	114,401
Intergovernmental payments	2,568	-	2,568
Capital outlay	377,443	169	377,612
Debt service			
Principal	145,250	1,615,000	1,760,250
Interest and other expenditures	23,829	1,020,200	1,044,029
Total expenditures	21,608,554	3,598,899	25,207,453
Deficiency of revenues over expenditures	(52,649)	(44,689)	(97,338)

See Accompanying Notes to the Financial Statements

Alma Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	$ 5,057	$ -	$ 5,057
Transfers in	-	22,000	22,000
Transfers out	(22,000)	-	(22,000)
Total other financing sources (uses)	(16,943)	22,000	5,057
Net change in fund balance	(69,592)	(22,689)	(92,281)
Fund balance - beginning	1,915,466	89,606	2,005,072
Fund balance - ending	$ 1,845,874	$ 66,917	$ 1,912,791

See Accompanying Notes to the Financial Statements

Alma Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances - Total governmental funds	$ (92,281)
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	5,223
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,385,648)
Capital outlay	232,932
Expenses are recorded when incurred in the statement of activities.	
Interest	(83,737)
Compensated absences	86,980
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	1,753,362
Net change in the deferred inflow of resources related to the net pension liability	(3,036,908)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	1,684,217
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	1,760,250
Amortization of premiums	85,604
Amortization of deferred amount on debt refunding	(53,633)
Amortization of bond discount	(2,599)
Internal Service Fund revenues and expenses are included in governmental activities in the statement of activities	(138,291)
Change in net position of governmental activities	$ 815,471

See Accompanying Notes to the Financial Statements

Alma Public Schools
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2015

Assets	
Cash and cash equivalents	$ 349,450
Due from other funds	217,291
Total assets	566,741
Liabilities	
Current liabilities	
Accounts payable	172,458
Accrued expenditures	218,103
Incurred but not reported claims (IBNR)	90,000
Total current liabilities	480,561
Total unrestricted net position	**$ 86,180**

Alma Public Schools
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2015

Operating revenues	
Charges to other funds	$ 1,606,860
Employee contributions	333,131
Insurance recoveries and rebates	19,109
Total revenues	1,959,100
Operating expenses	
Medical	1,211,541
Prescriptions	356,616
Stop loss insurance	313,653
Management fees	112,299
HSA funding	56,117
Other charges	48,087
Total operating expenses	2,098,313
Operating loss	(139,213)
Nonoperating revenues	
Interest income	922
Net change in net position	(138,291)
Net position - beginning of year	224,471
Net position - end of year	$ 86,180

See Accompanying Notes to the Financial Statements

Alma Public Schools
Proprietary Fund
Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash flows from operating activities	
Receipts from General Fund	$ 1,610,220
Employee contributions	333,131
Insurance recoveries and rebates	19,109
Claims paid	(1,562,686)
Stop loss insurance premiums paid	(313,653)
Management fees paid	(112,299)
HSA funding	(56,117)
Other charges	(48,087)
Net cash used by operating activities	(130,382)
Cash flows from investing activities	
Interest received	922
Net change in cash and cash equivalents	(129,460)
Cash and cash equivalents - beginning of year	478,910
Cash and cash equivalents - end of year	$ 349,450
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	$ (139,213)
Adjustments to reconcile operating loss to net cash used by operating activities - changes in assets and liabilities	
Decrease in due from other funds	3,360
Increase in accounts payable	43,519
Increase in accrued expenditures	(2,548)
Decrease in incurred but not reported claims (IBNR)	(35,500)
Net cash used by operating activities	$ (130,382)

See Accompanying Notes to the Financial Statements

Alma Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2015

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	$ 21,737	$ 221,501
Liabilities		
Due to agency fund activities	-	$ 221,501
Net Position		
Assets held for scholarships and loans	$ 21,737	

See Accompanying Notes to the Financial Statements

Alma Public Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

	Private Purpose Trust Funds
Additions	
Local sources	$ 600
Interest and investment earnings	101
Total additions	701
Deductions	
Scholarships	600
Change in net position	101
Net position - beginning	21,636
Net position - ending	$ 21,737

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

Proprietary fund and fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. The only proprietary fund maintained is an Internal Service Fund that is used to account for the financing of risk management services provided to other funds on a cost-reimbursement basis. The Internal Service Fund maintained by the School District is the Self-Insurance Fund, which includes transactions related to the School District's risk management programs for medical claims.

The School District reports the following major governmental fund:

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

Additionally, the School District reports the following fund types:

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

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

Internal Service Fund - The School District's Proprietary Fund is the Internal Service Fund. The purpose of the fund is to finance services provided to other funds of the School District on a cost-reimbursement basis. The Internal Service Fund maintained by the School District accounts for medical coverage. It is funded through transfers primarily from the General Fund in amounts equal to normal estimated risk management claims.

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

Assets, Liabilities and Net Position or Equity

Cash – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

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

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

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

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	
Homestead and Nonhomestead	7.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

Property taxes are assessed as of December 31 and attach as an enforceable lien on July 1 of the following year. School property taxes are levied on December 1 and July 1 and are due on or before March 1 and October 31, respectively. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Gratiot and remitted to the School District before the fiscal year end.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

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

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of $5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

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

Compensated Absences – Sick days are earned by most employees at the rate of one day per school month (10 days per year). A maximum of 60 sick days may be accumulated by an employee. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category.

Employees who are not teachers are awarded vacation days based on years of service, up to a maximum of 20 days. Retiring employees are paid for vacation days up to the maximum number of days accumulated.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave and vacation balances. The sick leave liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination, are included. The liability for vacation is calculated based on days earned and the current rate. The amount reported is salary related and includes fringe benefits.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

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

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

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

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

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

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

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

Contributions were received that are restricted for use by either a particular building or programmatic purpose. At the end of the fiscal year, restricted amounts were as follows:

Building		
Hillcrest Elementary	$	7,086
Luce Road Elementary		5,605
Pine Avenue Elementary		1,618
Donald L. Pavlik Middle School		2,105
High School		5,371
Program		
After school program		39,705
Athletics		16,449
Other		1,246
	$	79,185

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

The Governmental Accounting Standards Board has issued *Statement 68, Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability is recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. Statement 68 and 71 are effective for the year ending June 30, 2015.

Upcoming Accounting and Reporting Changes

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

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

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the functional level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil	$ 1,273,259	$ 1,274,731	$ 1,472
Operations and maintenance	2,277,782	2,325,802	48,020
Pupil transportation services	649,546	692,706	43,160
Athletic activities	510,475	524,923	14,448
Community services	111,856	114,401	2,545
Debt - interest and fiscal charges	20,780	23,829	3,049

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of $26,984,013 as of June 30, 2015.

Fund Deficit

The food services fund has deficit unassigned fund balance of $16,877 which will be eliminated by either the consumption of inventory or future transfers from the general fund.

Note 3 - Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 1,830,224	$ 243,238	$ 2,073,462
Investments	1,075,578	-	1,075,578
	$ 2,905,802	$ 243,238	$ 3,149,040

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 2,072,912
Investments in securities, mutual funds, and similar vehicles	1,075,578
Petty cash and cash on hand	550
Total	$ 3,149,040

As of year end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
MILAF + MAX Class	$ 1,075,578	6 months	AAAm	Standard and Poor's

Interest rate risk – The School District has a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, $1,558,922 of the School District's bank balance of $2,140,932 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the district's investments were exposed to custodial credit risk.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 723,068	$ -	$ -	$ 723,068
Capital assets being depreciated				
Buildings and additions	45,969,251	32,690	-	46,001,941
Site improvements	6,437,500	45,532	40,000	6,443,032
Equipment and furniture	7,714,839	74,002	2,076	7,786,765
Buses and other vehicles	1,338,615	80,708	-	1,419,323
Total capital assets being depreciated	61,460,205	232,932	42,076	61,651,061
Less accumulated depreciation for				
Buildings and additions	13,680,556	877,338	-	14,557,894
Site improvements	1,911,491	309,493	40,000	2,180,984
Equipment and furniture	6,899,182	125,845	2,076	7,022,951
Buses and other vehicles	1,082,388	72,972	-	1,155,360
Total accumulated depreciation	23,573,617	1,385,648	42,076	24,917,189
Net capital assets being depreciated	37,886,588	(1,152,716)	-	36,733,872
Net capital assets	$ 38,609,656	$ (1,152,716)	$ -	$ 37,456,940

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

Governmental activities	
Instruction	$ 1,194,704
Support services	183,565
Food services	7,379
Total governmental activities	$ 1,385,648

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

	Due To			
Due From	General Fund	Non Major Governmental Funds	Activity Fund	Total
Non Major Governmental Funds	$ -	$ 1,329	$ -	$ 1,329
Internal Service Fund	212,843	4,448	-	217,291
Total	$ 212,843	$ 5,777	$ -	$ 218,620

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

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

Interfund transfers were made during the year between the General Fund and the Food Service Fund totaling $22,000. These transfers were made to cover the costs of the School's District's programs that were in excess of revenues generated from those activities.

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue consisted of student deposits on hand for the purchase of meals in the following fiscal year.

Note 7 - Leases

Operating Leases

The School District leases two copiers under noncancelable operating leases. Total costs for such leases were $22,784 for the year. Future minimum lease payments for these leases include a final payment of $22,784 for the fiscal year ending June 30, 2016.

Note 8 - State Aid Anticipation Note

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 1,500,000	$ 2,000,000	$ 1,500,000	$ 2,000,000

Note 9 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	$ 25,980,000	$ -	$ 1,735,000	$ 24,245,000	$ 1,565,000
School Bond Loan	1,440,179	-	-	1,440,179	-
Compensated absences	1,008,521	-	86,980	921,541	-
Contracts payable	77,652	-	25,250	52,402	25,879
Premium on bonds	1,159,298	-	85,604	1,073,694	-
Discount on bonds	(33,784)	-	(2,599)	(31,185)	-
Total	$ 29,631,866	$ -	$ 1,930,235	$ 27,701,631	$ 1,590,879

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

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

2012 Refunding Bonds due in annual installments of $30,000 to $915,000 through May 1, 2026, interest at 2.00% to 5.00%	$ 8,965,000
2014 Refunding Bonds due in annual installments of $15,000 to $960,000 through May 1, 2033, interest at 2.00% to 4.00%	7,620,000
2010 Building and Site Bonds due in annual installments of $635,000 to $640,000 through May 1, 2027, interest at 2.95% to 5.25%	7,660,000
Total general obligation bonded debt	$ 24,245,000

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

	Principal	Interest	Total
Year Ending June 30,			
2016	$ 1,565,000	$ 1,013,309	$ 2,578,309
2017	1,550,000	975,976	2,525,976
2018	1,555,000	908,836	2,463,836
2019	1,560,000	837,636	2,397,636
2020	1,540,000	790,121	2,330,121
2021-2025	7,725,000	2,841,455	10,566,455
2026-2030	5,990,000	1,169,207	7,159,207
2031-2033	2,760,000	206,350	2,966,350
Total	$ 24,245,000	$ 8,742,890	$ 32,987,890

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of $64,023 to pay this debt. Future debt and interest will be payable from future tax levies.

Contracts payable consist of the following:

2012 bus installment contract due in annual installments of $25,879 to $26,523 through March 20, 2017, interest rate of 2.49%	$ 52,402

Future principal and interest requirements for the contracts payable are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2016	$ 25,879	$ 1,305	$ 27,184
2017	26,523	660	27,183
Total	$ 52,402	$ 1,965	$ 54,367

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. The School District has issued various bonds to renovate School District facilities. The bond elections, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond voted millage of 7 mills. Since the monies generated by the 7 mills are presently not enough to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of $1,440,179 to meet debt service requirements. Management of the School District anticipates that as bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District did not borrow any additional amounts and had an outstanding balance at year end of $1,440,179, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences at year end, consist of $57,382 of vacation hours earned and vested and $864,159 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Deferred Amount on Refunding

The School District issued bonds in 2014 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $466,529. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2033. The balance at June 30, 2015 is $463,186.

The School District issued bonds in 2012 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $589,071. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2026. The balance at June 30, 2015 is $487,404.

Note 10 - Risk Management

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

In addition to risks described above, the School District is subject to risk of loss as a result of employee injuries (worker's compensation). To minimize such risk of loss, the School District participates in a public entity risk pool through the School Employers Group. The School District's contribution to the pool during the fiscal year net of prior year rebates amounted to $61,339. The possibility of additional liabilities in excess of current year contributions exists, however, these amounts are indeterminable and believed to be immaterial, and as such no contingent liabilities have been recognized on the School District's financial statements for the year ended June 30, 2015.
The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had unemployment compensation expense of $2,215 for the year ended June 30, 2015. No provision has been made for possible future claims.

The School District is partially self-insured for health benefits paid on behalf of 75% of the employees eligible to receive health benefits. Payments are made to the insurance administrator each month based on actual claims and administration fees. The plan provides a stop-loss provision of $55,000 per employee and $1,883,244 aggregate. For governmental activities, the liability for health benefits is primarily liquidated by the General Fund.

Change in estimated liabilities for claims for health benefits for the year is as follows:

	2015	2014
Estimated liability at the beginning of the year	$ 125,500	$ 162,226
Estimated claims incurred including changes in estimates	1,568,157	1,279,611
Claim payments	(1,603,657)	(1,316,337)
Estimated liability end of year	$ 90,000	$ 125,500

Note 11 - Pension Plans and Post-Employment Benefits

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

- Two active classroom teachers or other certified school personnel.
- One active member or retiree from a non-certified support position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contributions and Funding Status

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

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

Pension Contribution Rates

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

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

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

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

Net Pension Liability

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

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

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

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

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

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

Proportionate Share of Reporting Unit's Net Pension Liability – At September 30, 2014, the School District reported a liability of $27,470,796 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2014, the School District's proportionate share percent was 0.12472 percent which is unchanged since the prior measurement date.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	4.8%
Alternative Investment Pools	18.00%	8.5%
International Equity	16.00%	6.1%
Fixed Income Pools	10.50%	1.5%
Real Estate and Infrastructure Pools	10.00%	5.3%
Absolute Return Pools	15.50%	6.3%
Short Term Investment Pools	2.00%	-0.2%
	100.00%	

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

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

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

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

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
$ 36,217,853	$ 27,470,796	$ 20,101,272

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

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

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

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

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

Additional information as of the latest actuarial valuation follows:

Actuarial Assumptions:

- Wage inflation rate: 3.5%
- Investment Rate of returns:
  - MIP and Basic Plans (Non-Hybrid): 8.0%
  - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 8.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

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

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

For the year ended June 30, 2015, the School District recognized total pension expense of $2,225,253. At June 30, 2015, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 1,013,614	$ -
Net difference between projected and actual earnings on pension plan investments	-	3,036,908
Changes in proportion and differences between employer contributions and proportionate share of contributions	162	-
Employer contributions subsequent to the measurement date	2,147,723	-
	$ 3,161,499	$ 3,036,908

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

Deferred (Inflows) and Deferred Outflows of Resources by Year

Plan Year Ending September 30	Total
2015	$ 1,652,109
2016	(495,614)
2017	(495,614)
2018	(536,290)
	$ 124,591

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

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

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

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

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

The School District's actual contributions match the required contributions for the years ended June 30, 2015, 2014, and 2013 and were approximately $377,000, $755,800, and $893,400, respectively.

Unfunded Accrued Liability
During the year ending June 30, 2015, the School District had contributions in the amount of $910,103 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 7.63% for the year.

Note 12 - Contingent Liabilities

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

Note 13 - Prior Period Adjustment

As indicated in Note 1, the School District has adopted Governmental Accounting Standards Board Statements 68 and 71. These statements require the School District to record their proportionate share of the net pension liability and pension expense. Previously these amounts were not recorded on the School District's statements. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2014, by $27,746,876, restating it from $11,656,911 to ($16,089,965).

Note 14 - Subsequent Event

Subsequent to June 30, 2015, the School District has paid the balance of $2,000,000 and accrued interest on the short-term state aid anticipation note borrowed in August of 2014 and has subsequently borrowed $2,400,000 in short-term state aid anticipation notes with annual interest of 0.94%. Proceeds from the borrowing were distributed to the School District in August of 2015.

REQUIRED SUPPLEMENTARY INFORMATION

Alma Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 2,142,230	$ 2,184,667	$ 2,253,085	$ 68,418
State sources	16,427,356	16,527,609	16,508,203	(19,406)
Federal sources	681,847	858,917	751,307	(107,610)
Interdistrict sources	1,808,000	2,050,283	2,043,310	(6,973)
Total revenues	21,059,433	21,621,476	21,555,905	(65,571)
Expenditures				
Instruction				
Basic programs	9,408,038	9,631,793	9,439,387	(192,406)
Added needs	3,459,215	3,872,524	3,868,386	(4,138)
Adult and continuing education	24,528	-	-	-
Supporting services				
Pupil	1,208,520	1,273,259	1,274,731	1,472
Instructional staff	399,293	478,416	419,103	(59,313)
General administration	282,220	283,947	282,370	(1,577)
School administration	1,291,020	1,348,568	1,318,803	(29,765)
Business	496,600	491,346	478,306	(13,040)
Operations and maintenance	2,247,822	2,277,782	2,325,802	48,020
Pupil transportation services	633,258	649,546	692,706	43,160
Central	314,660	326,012	320,138	(5,874)
Bookstore activities	1,170	1,171	408	(763)
Athletic activities	479,377	510,475	524,923	14,448
Community services	119,136	111,856	114,401	2,545
Intergovernmental payments	-	2,568	2,568	-
Capital outlay	295,510	402,083	377,443	(24,640)
Debt service				
Principal	145,250	145,250	145,250	-
Interest and fiscal charges	20,780	20,780	23,829	3,049
Total expenditures	20,826,397	21,827,376	21,608,554	(218,822)
Excess (deficiency) of revenues over expenditures	233,036	(205,900)	(52,649)	153,251

Alma Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ 3,000	$ 3,000	$ 5,057	$ 2,057
Transfers out	(27,000)	(33,000)	(22,000)	11,000
Total other financing sources (uses)	(24,000)	(30,000)	(16,943)	13,057
Net change in fund balance	209,036	(235,900)	(69,592)	166,308
Fund balance - beginning	1,915,466	1,915,466	1,915,466	-
Fund balance - ending	$ 2,124,502	$ 1,679,566	$ 1,845,874	$ 166,308

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

	June 30, 2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A. Reporting unit's proportion of net pension liability (%)	0.12%									
B. Reporting unit's proportionate share of net pension liability	$ 27,470,796									
C. Reporting unit's covered-employee payroll	$ 10,732,581									
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	255.96%									
E. Plan fiduciary net position as a percentage of total pension liability	66.20%									

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

		For the Years Ended June 30,									
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A.	Statutorily required contributions	$ 2,607,326									
B.	Contributions in relation to statutorily required contributions	2,607,326									
C.	Contribution deficiency (excess)	$ -									
D.	Reporting unit's covered-employee payroll	10,911,799									
E.	Contributions as a percentage of covered-employee payroll	23.89%									

OTHER SUPPLEMENTARY INFORMATION

Alma Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue Funds	Debt Service Funds			Total Nonmajor Governmental Funds
	Food Services	2012 Debt Service	2014 Debt Service	2010 Debt Service	
Assets					
Cash	$ 2,568	$ 31,720	$ 13,172	$ 19,131	$ 66,591
Accounts receivable	108	-	-	-	108
Due from other funds	-	-	1,329	-	1,329
Inventory	16,918	-	-	-	16,918
Prepaid items	2,853	-	-	-	2,853
Total assets	$ 22,447	$ 31,720	$ 14,501	$ 19,131	$ 87,799
Liabilities					
Accounts payable	$ 10,370	$ -	$ -	$ -	$ 10,370
Due to other funds	4,448	575	-	754	5,777
Unearned revenue	4,735	-	-	-	4,735
Total liabilities	19,553	575	-	754	20,882
Fund Balance					
Non-spendable					
Inventory	16,918	-	-	-	16,918
Prepaid items	2,853	-	-	-	2,853
Restricted for					
Debt service	-	31,145	14,501	18,377	64,023
Unassigned (deficit)	(16,877)	-	-	-	(16,877)
Total fund balance	2,894	31,145	14,501	18,377	66,917
Total liabilities and fund balances	$ 22,447	$ 31,720	$ 14,501	$ 19,131	$ 87,799

Alma Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	Special Revenue Funds	Debt Service Fund			Total Nonmajor Governmental Funds
	Food Services	2012 Debt Service	2014 Debt Service	2010 Debt Service	
Revenues					
Local sources	$ 154,434	$ 1,306,435	$ 295,379	$ 685,336	$ 2,441,584
State sources	56,706	-	-	-	56,706
Federal sources	725,838	-	-	330,082	1,055,920
Total revenues	936,978	1,306,435	295,379	1,015,418	3,554,210
Expenditures					
Current					
Food services	963,530	-	-	-	963,530
Capital outlay	169	-	-	-	169
Debt service					
Principal	-	925,000	55,000	635,000	1,615,000
Interest and other expenditures	-	396,801	255,790	367,609	1,020,200
Total expenditures	963,699	1,321,801	310,790	1,002,609	3,598,899
Excess (deficiency) of revenues over expenditures	(26,721)	(15,366)	(15,411)	12,809	(44,689)
Other Financing Sources					
Transfers in	22,000	-	-	-	22,000
Net change in fund balance	(4,721)	(15,366)	(15,411)	12,809	(22,689)
Fund balance - beginning	7,615	46,511	29,912	5,568	89,606
Fund balance - ending	$ 2,894	$ 31,145	$ 14,501	$ 18,377	$ 66,917

Alma Public Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2015

	2015	2014
Assets		
Cash	$ 1,414,183	$ 1,559,521
Accounts receivable	8,301	5,809
Due from other funds	-	26,448
Due from other governmental units	3,294,575	3,544,360
Inventory	23,506	46,742
Investments	1,075,578	240,492
Prepaid items	117,278	120,329
Total assets	$ 5,933,421	$ 5,543,701
Liabilities		
Accounts payable	$ 116,673	$ 124,874
State aid anticipation note payable	2,000,000	1,500,000
Due to other funds	212,843	220,995
Due to other governmental units	119,467	59,370
Payroll deductions and withholdings	5,884	10,264
Accrued expenditures	567,283	507,483
Accrued salaries payable	1,060,174	1,061,295
Unearned revenue	-	143,954
Total liabilities	4,082,324	3,628,235
Deferred Inflows of Resources		
Unavailable		
Grants received	5,223	-
Fund Balance		
Non-spendable		
Inventory	23,506	46,742
Prepaid items	117,278	120,329
Restricted for special purposes	79,185	111,997
Unassigned	1,625,905	1,636,398
Total fund balance	1,845,874	1,915,466
Total liabilities, deferred inflows of resources and fund balance	$ 5,933,421	$ 5,543,701

Alma Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2015

Year Ending June 30,	2014 Refunding Bonds	2012 Refunding Bonds	2010 Building and Site Bonds	Total
2016	$ 15,000	$ 915,000	$ 635,000	$ 1,565,000
2017	20,000	895,000	635,000	1,550,000
2018	20,000	900,000	635,000	1,555,000
2019	20,000	905,000	635,000	1,560,000
2020	15,000	885,000	640,000	1,540,000
2021	15,000	890,000	640,000	1,545,000
2022	15,000	890,000	640,000	1,545,000
2023	20,000	895,000	640,000	1,555,000
2024	20,000	885,000	640,000	1,545,000
2025	20,000	875,000	640,000	1,535,000
2026	875,000	30,000	640,000	1,545,000
2027	945,000	-	640,000	1,585,000
2028	960,000	-	-	960,000
2029	955,000	-	-	955,000
2030	945,000	-	-	945,000
2031	930,000	-	-	930,000
2032	920,000	-	-	920,000
2033	910,000	-	-	910,000
Total	$ 7,620,000	$ 8,965,000	$ 7,660,000	$ 24,245,000
Principal payments due on	May 1st	May 1st	May	
Interest payments due on	May 1st and November 1st	May 1st and November 1st	May 1st and November 1st	
Interest rate	2.00% - 4.00%	2.00 - 5.00%	1.45% - 5.25%	
Original issue	$ 7,675,000	$ 10,835,000	$ 9,715,000	