ST. LOUIS PUBLIC SCHOOL DISTRICT
St. Louis, Michigan

Financial Statements
With Supplemental Information
June 30, 2015

RPC
Roslund Prestage & Company
Certified Public Accountants

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Saint Louis Public School District
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June 30, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
St. Louis Public Schools

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in the notes to the financial statements, during the year the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.* As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and prospective 10-year trend information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
October 22, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL INFORMATION

St. Louis Public Schools currently operates two elementary schools, one middle school, one high school, one alternative education program, and a Community Education Program. The school district's 2014-15 October enrollment was 1,122.63. St. Louis Public Schools employs a staff of 68 teachers, 8 administrators, and 55 support personnel.

The Board of Education consists of seven members who are elected at large for four-year overlapping terms. The Board annually elects a President, Vice-President, Treasurer and Secretary. The Board is responsible for the selection and appointment of the Superintendent of Schools. The Board meets as a single body to set or amend policy, develop long-range educational goals and act upon recommendations of the Superintendent of Schools. The Board is also responsible for adopting and periodically amending the operating budget and evaluating school programs in accordance with governing laws.

USING THIS ANNUAL REPORT

The discussion and analysis of St. Louis Public Schools' financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2015. The intent of this report is to provide a look at the performance of the district as a whole, and includes financial statements, notes to the financial statements, and budgetary information. In addition, this analysis will show comparative data from the prior 2013-14 school year.

OVERVIEW OF THE FINANCIAL STATEMENTS

District-wide Financial Statements

The district-wide financial statements are full accrual basis statements and provide information about the district's overall financial status. They are used to help determine the condition of the district as the result of the year's activities. The *Statement of Net Position* reports all of the district's assets and liabilities, both short-term and long-term, regardless of their availability. Capital assets and long-term obligations of the district are reported in this statement. 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. The two district-wide statements report the district's net position and how they have changed. Net position (the difference between the district's assets and liabilities) are one way to measure the district's financial condition. Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating, respectively. However, it is important to note that to assess the district's overall position; you need to consider additional non-financial factors such as changes in the district's property base, the quality of education provided, and the condition of the district's buildings.

In the district-wide statements, the district's activities are classified as *governmental activities*. This includes most of the district's basic services such as regular and special education, food service, athletics, transportation, and administration. These activities are financed mostly by state aid, federal aid, and property taxes.

Fund Financial Statements

The district's fund financial statements provide detailed information about the most significant funds, and are comparable to prior year financial statements. The fund level statements are reported on a modified accrual basis, which means that only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they are expected to be paid with current financial resources. The fund statements are formatted to meet the requirements of the Michigan Department of Education's "Accounting Manual". Major instructional and instructional support activities are reported in the General Fund. Other activities are reported in their relevant funds including; Special Revenue Funds for Food Service and Athletics, Debt Service, Capital Projects, and Fiduciary Funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The net position of the district at June 30, 2015 was ($7,578,345) and is shown in the following *Statement of Net Position.* The reason for this large decrease was due to the restatement of our beginning net position. Legislation came out on June 25, 2012 effective for our fiscal year ending 6/30/2015 known as GASB 68. GASB 68 is an accounting standard that requires us to recognize and report a proportionate share of the state's pension plan liability (MPSERS) and pension expense within the restatement of our net position as of July 1, 2014. This was done and we have restated our beginning net position.

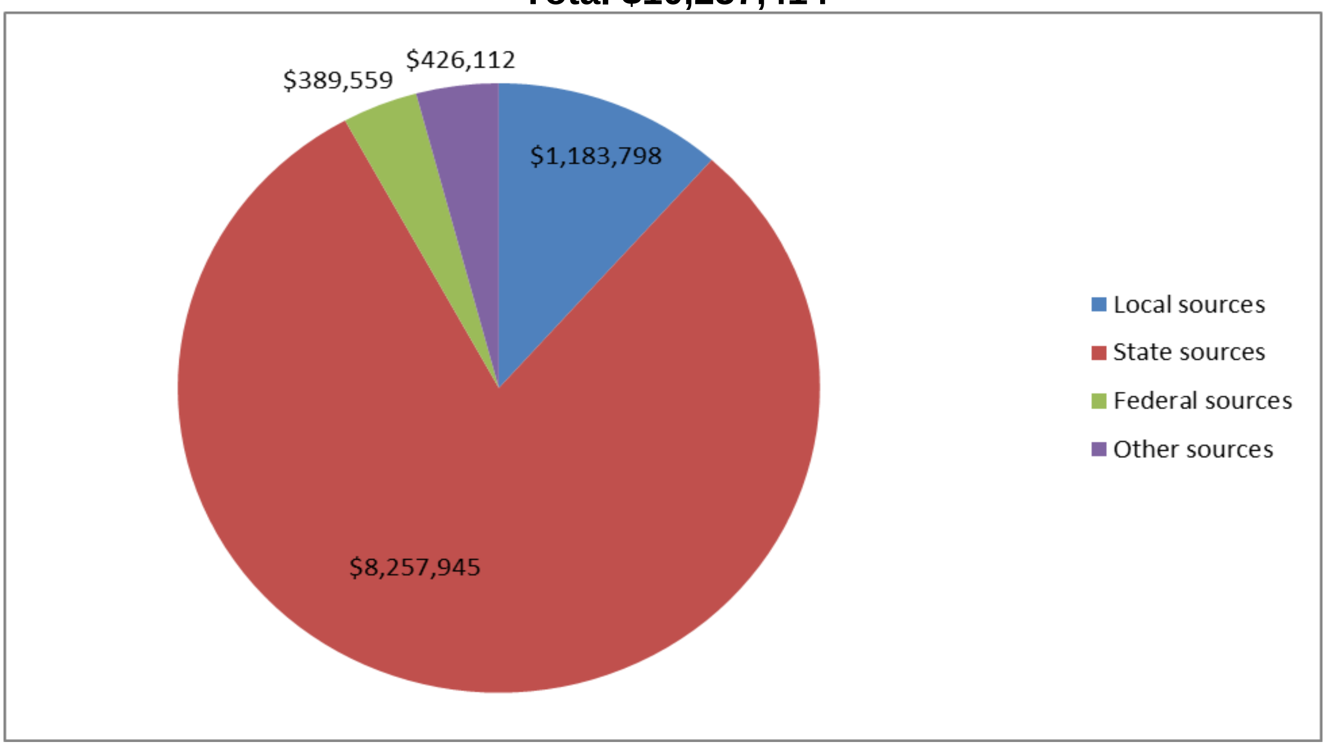
The results of this year's operations for the District as a whole are reported in the following *Statement of Activities,* which shows the changes in net position for fiscal year 2015. The district experienced a substantial decrease in net position, going from $4,677,774 to ($7,578,345) for a decrease of $12,256,119 or -262% due in large part to the restatement of beginning year net position with the pension liability, as required by GASB 68. There were other changes that came about as a result of GASB 68 but this had the largest impact on our net position.

A substantial portion of the district's revenues is received from State sources, $8,257,945 or 81%. This number proportionately stayed consistent year over year comparing to our previous fiscal year. This means that the financial stability of the district rests primarily with the economic health of the State of Michigan. However, Federal resources *decreased* by 2% and local resources *increased* by 3% and while overall dollars in these categories are not significant overall, it does show a trend in districts having to utilize other avenues of resources to create revenues on a local level. For our district we were able to rent out room space in an existing building, not otherwise occupied by the district, to the local ISD.

Figure 1 depicts the breakdown of the sources of revenue for the district for fiscal year 2014-15.

Figure 1

2014-15 General Fund Revenues
Total $10,257,414

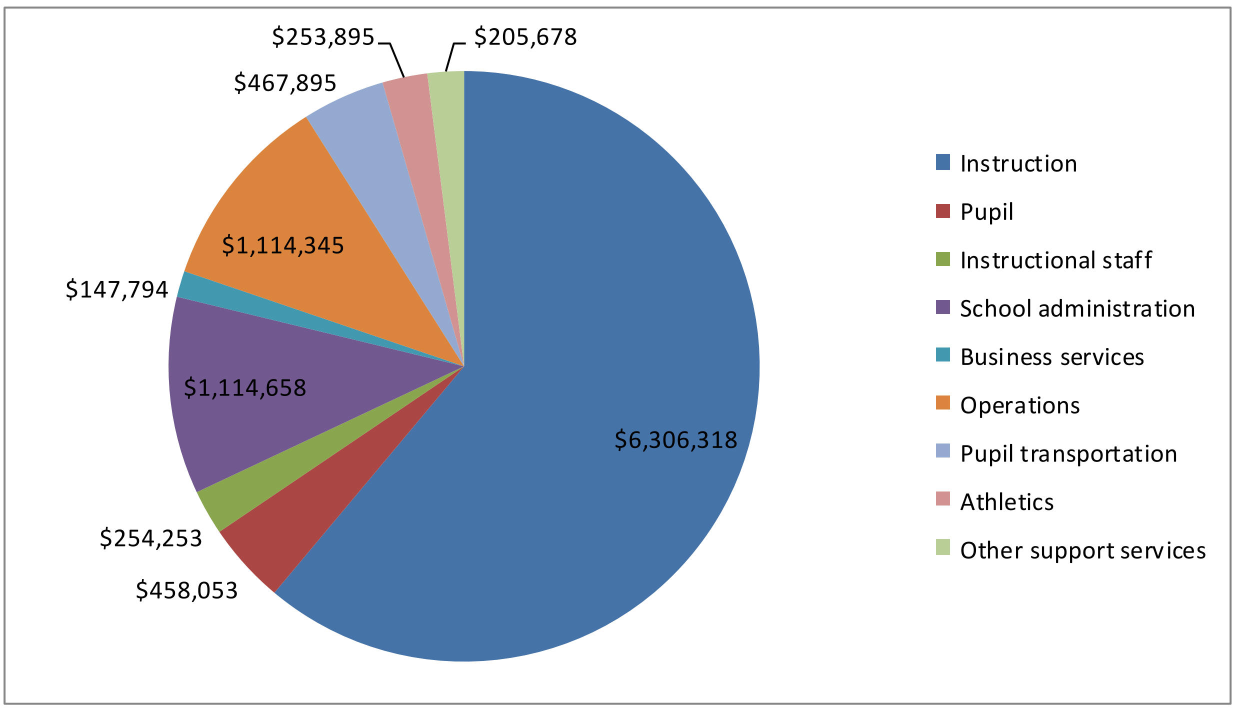


Instructional services comprised $6,306,318 or 61% of the district's expenditures which is a *decrease* from last year of 1%. School Administration and Business Services dollars spent is $1,262,452 or 13% and is a *decrease* of 2% over last year. Operations and maintenance came in at $1,114,345 or 11% and is 1% *increase* over last year and includes utilities and custodial services. The final $1,639,774 or 15% was spent on other support services and is an *increase* of 1% over last year dollars spent.

Figure 2 depicts how the district's resources were spent in 2014-15.

Figure 2

2014-15 General Fund Expenditures
Total $10,322,889



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the district as a whole is reflected in its governmental funds as well. The combined governmental funds equity decreased during the 2014-15 school year. The primary reasons for this change are as follows:

General Fund

The biggest factor impacting our General Fund this year was our decreasing student count. In the beginning of the fiscal year our State Aid Membership count was 1,149.70 and the August 2015 State Aid Status Report showed a Membership count of 1,112.3 for a decrease of 37.39. This overall impact to our budget was a decrease in revenues of approximately $271,115. Since we experienced a large part of this decrease during the second half of our fiscal year we were unable to make staff changes. As a result, fund balance for the General Fund now stands at $1,056,539 or 10.35% a decrease of $71,465 or 1.21% of total operating expenditures.

Capital Projects

Projects began from our 2014 School Building and Site Bonds of $7,625,000 that was passed by the voters in this fiscal year. Specific bond language included that funds would be used for the purpose of remodeling, furnishing and refurnishing and equipping and re-equipping school buildings, including the installing of security measures and energy conservation improvements; erecting, furnishing and equipping an addition to the high school building; acquiring and installing educational technology and educational technology equipment for school buildings; purchasing of school buses; erecting, furnishing and equipping a new bus maintenance facility and two new storage facilities; and developing and improving playgrounds, athletic fields and facilities; and sites. We've spent $2,523,950 of our bond proceeds, or approximately 32% as of 6/30. Some of the projects that we were able to complete in this fiscal year were: purchase of 3 buses, the abatement of all asbestos from our district campus, purchase of 480 Chrome-books, new wireless technology associated with connectivity was purchased and put into our buildings, surveying of our track and parking lot upgrades were completed.

Debt Service

New debt service was taken on this year with the passing of our 2014 School Building and Site Bonds. Purchase price of the new bonds was $7,928,439.10 representing the par amount of the 2014 Bonds of $7,625,000, plus the original issue premium of $363,420.80, less the original issue discount of $$14,231.70, less the underwriter's discount of $45,750. Total bond deposit of $7,928,439.10 represented the 2014 Capital Project Fund amount of $7,867,249.76 and the bond issuance costs of $61,189.34. The maximum bon interest rate is 4% with a maturity date of May 1, 2045.

On February 24, 2015 we also refinanced our 2005 Debt Service of $3,695,000 and purchased the 2015 Refunding Bonds service for $2,895,000. Principal of $3,295,000 and interest of $74,643.75 on the prior bond was paid along with an additional payment from the prior bond debt retirement fund of $200,000. Par amount of the new bonds sold was $2,895,000 with $346,761.50 in premium. An underwriter's discount of $20,265 was taken as well as issuance costs of $51,912.50. Refinancing took place in this fiscal year to reduce the overall burden to our taxpayers by approximately $495,000.

Special Revenue

We went out for bid this fiscal year for our food service management. Chartwells came in with the lowest bid and so we have renewed their contract. We had revenues exceeding expenditures for our Food Service program in the amount of $13,939. Better management of the program and in the physical location of our kids in the morning when they first come into school and offering a second breakfast in our middle helped to increase student participation in our program. Fund balance is now $19,995, an increase of 231% over last year.

GENERAL FUND BUDGETGARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Education adopt an original budget for the upcoming fiscal year by July 1st. As a matter of practice, the district amends its budget at least twice during the fiscal year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the significant changes in the budget during the year.

Changes in Revenues

In the General Fund, local revenues increased due to the renting out of building space to Gratiot Isabella RESD. State Revenues increased due to the district qualifying for Performance funding in the amount of $77,680 and because of the increase in categorical 147 MPSERS funding that we received in the amount of $257,931. The state passed funds through to the district designated strictly for the purpose of offsetting our retirement expenditures for the year. Overall, the state foundation amount increased per student between 2013-14 and 2014-15 by $100, going from $7,151 to $7,251. Unfortunately our district saw a decrease of 37.39 in student membership. This overall impact was offset by the amounts mentioned above. Federal sources saw a small decrease due to the not having as much carryover funds and because we were unable to spend all of our Title II dollars in this fiscal year. Those dollars should carry over into the 2015-16 fiscal year. In school lunch federal reimbursements increased due to increased participation of our existing students. A secondary breakfast is now offered at our Middle School. Debt revenues decreased increased slightly due to higher property values.

Changes in Expenditures

In the General Fund instructional costs increased year over year by $264,121 or 4.4%. Teachers received a full step and those not affected by the step increase monetarily were given 1% off schedule. Support services increased by $313,864 or 8.5% year over year. All Support Service categories including Pupil, Instructional Staff, General and School Administration, Operations and Maintenance, Central and Athletics had an increase in costs. Business services and Pupil transportation had decreases in costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, St. Louis Public Schools had $16,358,190 (net of depreciation) invested in a broad range of capital assets, including land, buildings and improvements, equipment, and vehicles. As mentioned above we acquired 3 buses during this fiscal year with bond funds.

Debt

At June 30, 2015, St. Louis Public Schools had $17,780,980 in long-term debt. The debt consisted of the following:

Compensated Absences	$ 139,485
2010 Bonds	$ 5,250,000
2012 Bonds	$ 1,900,000
2014 Bonds	$ 7,570,000
2015 Bonds	$ 2,895,000
2015 Bus Loan #	$ 26,495
Total	$17,780,980

STATE ECONOMIC AND LOCAL FACTORS

One of the most significant factors facing St. Louis Public Schools continues to be, the economic condition of the State of Michigan. With state funding the primary source of revenue, the district monitors the state's periodic revenue-estimating conference in order to project revenue for the upcoming fiscal year's budget. In addition, local student enrollment is another revenue producing factor that the district monitors. The state foundation is based on a blended student count. This count is taken in October and February of each fiscal year. The blended count consists of 90% of October's count in the current fiscal year and 10% of the February count from the previous fiscal year. In addition to the state required count days, the district conducts monthly enrollment updates in order to monitor this important revenue source. For budgeting purposes, an estimated student count is used, based on the district's enrollment history.

The budget prepared for the 2014-15 school year was based on a decrease in state funding, and a decline in student enrollment.

REQUEST FOR INFORMATION

This financial report is designed to provide our stakeholders with a general overview of the district's finances and to show the district's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to St. Louis Public Schools, Central Office, 113 E. Saginaw St., St. Louis, MI 48880

DISTRICT-WIDE
FINANCIAL STATEMENTS

St. Louis Public School District
Statement of Net Position - Governmental Activities
June 30, 2015

Assets	
Current assets	
Cash and investments	$ 8,986,391
Accounts receivable	13,947
Due from other governmental units	1,670,884
Inventory	23,893
Prepaids	121,926
Total current assets	10,817,041
Noncurrent assets	
Capital assets less accumulated depreciation	16,358,190
Discount on bonds sold, net of amortization	12,750
Total noncurrent assets	16,370,940
Total assets	27,187,981
Deferred Outflows of Resources	
Deferred charge on refunding - 2010 Refunding Bonds	138,214
Deferred outflow - retirement contributions	1,384,212
Total deferred outflows of resources	1,522,426
Liabilities	
Current liabilities	
Accounts payable	1,208,903
Accrued payroll liabilities	89,873
Accrued expenses	670,525
State aid note payable	1,900,000
Accrued interest on long-term debt	108,580
Compensated absences due within one year	20,923
Long-term obligations due within one year	1,256,495
Total current liabilities	5,255,299
Noncurrent liabilities	
Long-term obligations due beyond one year	16,385,000
Compensated absences due beyond one year	118,562
Premium on bonds sold, net of amortization	585,148
Net pension liability	12,988,168
Total noncurrent liabilities	30,076,878
Deferred Inflows of Resources	
Deferred inflow - MPSERS plan activity, net of amortization	956,575
Net Position	
Net investment in capital assets	4,122,506
Restricted for:	
Food service	19,995
Debt service	465,395
Unrestricted	(12,186,241)
Total net position	$ (7,578,345)

See accompanying notes to the financial statements.

St. Louis Public School District
Statement of Activities
For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Total
Governmental activities:				
Instruction	$ 3,822,111	$ 538,084	$ 389,559	$ (2,894,468)
Support Services	4,352,094	-	-	(4,352,094)
Athletics	253,895	86,263	-	(167,632)
Community Services	181	-	-	(181)
Facilities Construction	1,908,984	-	-	(1,908,984)
Food service	458,644	76,110	375,441	(7,093)
Interest and fees	532,314	-	-	(532,314)
Other	25,368	-	-	(25,368)
Depreciation - unallocated	754,141	-	-	(754,141)
Total governmental activities	$ 12,107,732	$ 700,457	$ 765,000	(10,642,275)
General revenues:				
Property taxes				2,655,837
State aid not restricted to specific purposes				8,323,487
Unrestricted interest and investment earnings				1,656
Restricted interest and investment earnings				3,280
Miscellaneous				46,301
Total general revenues				11,030,561
Change in net position				388,286
Net position - beginning, as restated for net pension liability				(7,966,631)
Net position - ending				$ (7,578,345)

FUND FINANCIAL STATEMENTS

St. Louis Public School District
Balance Sheet - Governmental Funds
June 30, 2015

	Major Funds				
	General	Food Service	Debt Service	Capital Projects	Total
Assets					
Cash and investments	$ 2,002,838	$ 9,242	$ 416,380	$ 6,557,931	$ 8,986,391
Accounts receivable	13,947	-	-	-	13,947
Due from other funds	-	-	47,785	14,067	61,852
Due from other governmental units	1,658,252	11,402	1,230	-	1,670,884
Inventory	-	23,893	-	-	23,893
Prepaids	121,926	-	-	-	121,926
Total assets	$ 3,796,963	$ 44,537	$ 465,395	$ 6,571,998	$ 10,878,893
Liabilities					
Accounts payable	$ 30,204	$ 12,512	$ -	$ 1,166,187	$ 1,208,903
Accrued payroll liabilities	89,873	-	-	-	89,873
Accrued expenses	670,525	-	-	-	670,525
Due to other funds	49,822	12,030	-	-	61,852
Short-term State aid note payable	1,900,000	-	-	-	1,900,000
Total liabilities	2,740,424	24,542	-	1,166,187	3,931,153
Fund balance					
Nonspendable	121,926	23,893	-	-	145,819
Restricted	-	-	465,395	5,405,811	5,871,206
Unassigned	934,613	(3,898)	-	-	930,715
Total fund balance	1,056,539	19,995	465,395	5,405,811	6,947,740
Total liabilities and fund balance	$ 3,796,963	$ 44,537	$ 465,395	$ 6,571,998	$ 10,878,893

See accompanying notes to the financial statements.

St. Louis Public School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
To Net Position of Governmental Activities on the Statement of Net Position
June 30, 2015

Total fund balance - governmental funds			$ 6,947,740
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Add:	Cost of capital assets	$ 33,771,150	
Deduct:	Accumulated depreciation	(17,412,960)	
			16,358,190
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. These liabilities consist of:			
Deduct:	Bonds payable - 2005	-	
Deduct:	Bonds payable - 2010	(5,250,000)	
Deduct:	Bonds payable - 2012	(1,900,000)	
Deduct:	Bonds payable - 2014	(7,570,000)	
Deduct:	Bonds payable - 2015	(2,895,000)	
Deduct:	2013 Bus loan payable	-	
Deduct:	2015 Bus loan payable #1	(26,495)	
Deduct:	2015 Bus loan payable #2	-	
Add:	Deferred charge on 2010 refunding bonds	138,214	
Add:	Bonds payable - 2012 discount (net of amortization)	12,750	
Deduct:	Bonds payable - 2014 premium (net of amortization)	(291,301)	
Deduct:	Bonds payable - 2015 premium (net of amortization)	(293,847)	
			(18,075,679)
Long-term liabilities (and corresponding deferrals) are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:			
Add:	Deferred outflow - retirement contributions	1,384,212	
Deduct:	Net pension liability	(12,988,168)	
Deduct:	Deferred inflow - MPSERS plan activity (net of amortization)	(956,575)	
Deduct:	Accrued interest on long-term liabilities	(108,580)	
Deduct:	Compensated absences payable	(139,485)	
			(12,808,596)
Total net position - governmental activities			$ (7,578,345)

St. Louis Public School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds				
	General	Food Service	Debt Service	Capital Projects	Total
Revenues					
Local sources	$ 1,183,798	$ 76,478	$ 1,719,821	$ 1,322	$ 2,981,419
State sources	8,257,945	14,674	50,867	-	8,323,486
Federal sources	389,559	375,441	-	-	765,000
Other sources	426,112	-	-	-	426,112
Total revenues	10,257,414	466,593	1,770,688	1,322	12,496,017
Expenditures					
Instruction					
Basic programs	5,042,165	-	-	-	5,042,165
Added needs	1,264,153	-	-	-	1,264,153
Total instruction	6,306,318	-	-	-	6,306,318
Support services					
Pupil	458,053	-	-	-	458,053
Instructional staff	254,253	-	-	-	254,253
General administration	351,855	-	-	-	351,855
School administration	762,803	-	-	-	762,803
Business services	147,794	-	-	221,681	369,475
Operation and maintenance	1,114,345	-	-	6,849	1,121,194
Pupil transportation	467,895	-	-	265,081	732,976
Central	180,130	-	-	121,355	301,485
Athletics	253,895	-	-	-	253,895
Total support services	3,991,023	-	-	614,966	4,605,989
Community Services	181	-	-	-	181
Facilities Construction and Improvements	-	-	-	1,908,984	1,908,984
Food service	-	458,644	-	-	458,644
Debt service					
Principal payments - long-term debt	-	-	4,525,000	-	4,525,000
Interest, fees and other	-	-	641,511	-	641,511
Other	25,367	-	-	-	25,367
Total expenditures	10,322,889	458,644	5,166,511	2,523,950	18,471,994
Revenues over (under) expenditures	(65,475)	7,949	(3,395,823)	(2,522,628)	(5,975,977)
Other financing sources (uses)					
Transfers in	-	5,990	-	-	5,990
Transfers out	(5,990)	-	-	-	(5,990)
Proceeds from issuance of bonds	-	-	3,221,497	7,928,439	11,149,936
Revenues and other sources over (under) expenditures and other uses	(71,465)	13,939	(174,326)	5,405,811	5,173,959
Fund balance - beginning	1,128,004	6,056	639,721	-	1,773,781
Fund balance - ending	$ 1,056,539	$ 19,995	$ 465,395	$ 5,405,811	$ 6,947,740

See accompanying notes to the financial statements.

St. Louis Public School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds		$ 5,173,959
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Add:	Capital outlay	2,482,328
Deduct:	Depreciation expense	(754,141)
Long term debt proceeds are reported as other financing sources in governmental funds, thereby increasing fund balances. In the statement of net position, however, issuing long term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Add:	Payment of principal on bonds payable - 2005	3,695,000
Add:	Payment of principal on bonds payable - 2010	470,000
Add:	Payment of principal on bonds payable - 2012	305,000
Add:	Payment of principal on bonds payable - 2014	55,000
Add:	Payment of principal on bonds payable - 2015	-
Add:	Payment of principal on 2013 bus loan payable	29,439
Add:	Payment of principal on 2015 bus loan payable #1	25,879
Add:	Payment of principal on 2015 bus loan payable #2	26,998
Deduct:	Proceeds from issuance of bonds payable - 2014	(7,928,439)
Deduct:	Proceeds from issuance of bonds payable - 2015	(3,221,497)
Deduct:	Amortization of 2012 debt discount	(2,550)
Add:	Amortization of 2014 debt premium	12,138
Add:	Amortization of 2015 debt premium	32,650
Deduct:	Deferred charge on 2010 refunding	(15,357)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		
Add:	Change in deferred outflow - retirement contributions	220,175
Add:	Decrease in net pension liability	820,276
Deduct:	Change in deferred inflow - MPSERS plan activity (net of amortization)	(956,575)
Deduct:	Increase in accrued interest on long term debt	(52,686)
Deduct:	Increase in accrual for compensated absences	(29,311)
Change in net position - governmental activities		$ 388,286

St. Louis Public School District
Statement of Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	Agency Fund
Assets	
Cash and investments	$ 200,245
Liabilities	
Due to student and other groups	200,245
Net position	
Restricted	$ -

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the St. Louis Public School District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District.

Reporting Entity

The District is governed by a seven member Board of Education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

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 District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, including taxes and intergovernmental payments, not properly included among program revenues, are reported instead as general revenues.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Fund Financial Statements **-** The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. 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 severance pay, are recorded only when payment is due.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

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

- The debt service fund is used to record tax revenue, interest revenue, other revenue for payment of principal and other expenditures on the bond issues.

- The capital projects fund accounts for financial resources used for the acquisition, construction, and improvement of major capital facilities other than those financed by proprietary funds. These resources are derived from contributions from bond proceeds and the general fund.

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The school service fund maintained by the District is the food service fund.

Additionally, the District reports the following fund types:

- Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary fund net position and results of operations are not included in the District-wide statements. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a student activity fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Budgetary Data

Budgets are adopted by the District for the general and special revenue funds. The budgets are adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level and control is exercised at the activity level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District's deposits are in accordance with statutory authority.

Receivables
Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the State of Michigan.

Property Tax Revenue
Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, are due upon receipt of the billing by the taxpayer, and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and interest and penalties may be assessed by the collecting entity.

The District levied 18.0 mills for school general operations. The District also levied an additional 8.0 mills on all property in the District for the purpose of debt service.

State Aid Revenue
The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

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

Inventory
Inventories are valued at cost, on a first in, first out (FIFO) basis. Fund balance is reserved for the amount of inventories on hand as of June 30.

USDA donated commodities are recorded as a unearned revenue and inventory when received based on their fair market value as determined by the U.S. Department of Agriculture. Revenues and expenditures are then recognized when the commodities are used.

Capital Assets
Capital assets, which include property, plant and equipment, are reported in the governmental column in the District-wide financial statements. Capital assets are defined by the District as individual assets with an initial cost equal to or more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The District does not have infrastructure-type assets. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the District-wide financial statements.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land and Improvements	Not Depreciated
Buildings and Additions	20 – 50
Machinery and Equipment	5 – 20
Vehicles	5 – 10

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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated Absences
The school board's policy does not allow teachers or support staff to accumulate vacation days and carry the accumulation forward to future years.

Sick days can be accumulated up to seventy days (70) days for teachers and one hundred (120) days for other employees. Amounts accumulated are to be paid to employees and recognized as an expense when sick leave is taken.

After 15 years of continuous service to the District, a teacher, retirement, resignation, or termination, shall be paid for accumulated sick leave at a rate of $70 per day to a maximum of $3,150. Upon retirement, resignation, or death, sick leave is paid to support staff at a rate of $35 per day. The sick leave liability as of June 30th is $139,485.

Unearned Revenue
Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and District-wide financial statements, and revenue is recognized.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category which relates to the retirement contributions paid to MPSERS after MPSERS' year-end of September 30.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualifies for reporting in this category:

- First is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- The District has one item that qualifies for reporting in this category which relates to the changes in MPSERS plan activity, net of amortization.

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

Net Position and Fund Balances

Restricted net position shown in the District-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental funds financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the District-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Fund Balances - Reserves and Designations

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

- Restricted fund balance—amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Capital Projects and Debt Service fund balances are considered restricted.

- The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position – Restrictions

Net position in the District-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Unemployment Compensation

The 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 District must reimburse the Employment Commission for all benefits charged against the District for the year. No provision has been made for possible future claims.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Of Expenditures Over Appropriations

Budgets are adopted at the functional level and on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in governmental funds.

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

- Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.

- The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2015. The District does not consider these amendments to be significant.

During the current year the District incurred expenditures in excess of the amounts budgeted as indicated in the budget comparison schedules as unfavorable variances.

NOTE 3 - CASH AND INVESTMENTS
At June 30th, the carrying amount of the District's cash, deposits and investments was as follows:

Cash and Investments	Amount
Petty Cash	1,094
Checking, Savings, and Money Market Accounts	3,483,975
Investments - Michigan School District Liquid Asset Fund (Investment Pool)	5,501,322
Total	8,986,391

At year-end, the bank balance was $3,500,078. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining balance was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments
The District had $5,501,322 invested in the MILAF External Investment Pool. Additional investment information regarding the investment pool is as follows:

Investment Type	Fair Value	Weighted Average Maturity (years)	Standard & Poor's Rating	%
MILAF External Investment pool-MIMAX	5,001,287	0.1269	AAAm	91%
MILAF External Investment pool-Cash Mgmt Class	500,035	0.1269	AAAm	9%

Total	5,501,322			
Portfolio weighted average maturity		0.1269		
1 day maturity equals 0.0027, one year equals 1.00				

The District voluntarily invests certain excess funds in external pooled investment funds which includes money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated or is it registered with the SEC. MILAF reports as of June 30, 2015, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. See above for amount of deposits held by the District that are exposed to custodial credit risk because it is uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, it is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Due From	Amount
General Fund:	
State of Michigan – State Aid	1,486,479
State of Michigan – Title I	112,046
State of Michigan – Title II	25,653
State of Michigan – Title VI	21,390
Vocational Education Transportation	7,620
Other government units	5,064
Food Service Fund:	
State of Michigan – State Aid	2,690
National School Breakfast & Lunch Program	8,712

Debt Fund:	
Other government units	1,230
Total	1,670,884

NOTE 5 - PREPAIDS

Prepaid expenses represent payments for the following expenses that will benefit future periods:

Prepaid	Amount
Insurance	10,000
Chartwells – Food Services	43,000
RefPay	5,000
Blue Cross Blue Shield	63,926
Total	121,926

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30th, interfund receivables and payables are comprised of the following amounts:

Due from	Amount	Due to	Amount
General Fund	-	General Fund	49,822
Food Service Fund	-	Food Service Fund	12,030
Debt Service Fund	47,785	Debt Service Fund	-
Capital Projects Funds	14,067	Capital Projects Funds	-
Total	61,852	Total	61,852

NOTE 7 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Land	160,785	-	-	160,785
Buildings and Additions	29,372,321	-	-	29,372,321
Equipment	1,085,694	-	-	1,085,694
Vehicles	670,022	239,839	-	909,861
Construction in Progress	-	2,242,489	-	2,242,489
Total Capital Assets	31,288,821	2,482,328	-	33,771,150
Accumulated Depreciation				
Buildings and Additions	(15,475,426)	(615,623)	-	(16,091,049)
Equipment	(875,625)	(47,054)	-	(922,679)
Vehicles	(307,767)	(91,465)	-	(399,232)
Total Accumulated Depreciation	(16,658,818)	(754,141)	-	(17,412,960)
Net Capital Assets	14,630,003	1,728,187	-	16,358,190

Depreciation for the year ended June 30, 2015 totaled $754,141. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 8 - DUE TO OTHER GOVERNMENTAL UNITS
As of June 30th, the District was not indebted to other governmental units.

NOTE 9 - ACCRUED PAYROLL AND EXPENSES
Wages payable as of June 30th represents the remaining balance owed on teacher contracts to be paid during the summer months and wages earned for non-teacher employees but unpaid as of the end of the fiscal year. Also included are other accrued expenses as of June 30th.

Accrued Payroll and Expenses	Amount
Salaries payable	462,590
Retirement	119,242
FICA	35,388
Health insurance	41,507
Accrued interest on State Aid Note	11,797
UAAL stabilization payable	79,145
Other accrued payroll liabilities	10,728
Total	760,397

NOTE 10 - SHORT-TERM NOTE PAYABLE
On August 19, 2014, the District borrowed $1,900,000 in the form of a State Aid Note for the purpose of providing funds for school operations. The interest rate is stated at 0.72% and the maturity date is August 20, 2015.

On August 20, 2015 (after the end of the current fiscal year), the District borrowed $1,600,000 in the form of a State Aid Note for the purpose of providing funds for school operations. The interest rate is stated at 0.74% and the maturity date is August 22, 2016.

NOTE 11 - LONG-TERM DEBT
The 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 obligations bonds and refunding bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include compensated absences.

2005 Bonds
During the fiscal year ended June 30, 2005, the District issued $7,190,000 of general obligation bonds for the purpose of a current refunding of $7,090,000 of the 1995 bonds outstanding.

As a result, the 1995 bonds have been refunded and the liability has been removed from the governmental activities column of the statement of net position. This current refunding was undertaken to reduce total debt service payments over the next 20 years by $735,074 and resulted in an economic gain of approximately $642,000.

The 2005 Bonds were refunded during the current fiscal year. See 2015 Refunding Bonds.

2010 Refunding Bonds
During the fiscal year ended June 30, 2011, the District issued $6,940,000 of general obligation tax-exempt bonds for the purpose of an advance refunding of $6,725,000 of the 2001 bonds outstanding.

As a result, the 2001 bonds have been advance refunded and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by $766,267 and resulted in an economic gain of approximately $644,837.

2012 Refunding Bonds
During the fiscal year ended June 30, 2013, the District issued $2,550,000 of general obligation tax-exempt bonds for the purpose of a current refunding of $2,481,302 of the School Bond Loan Fund outstanding.

2014 Bonds
During the fiscal year ended June 30, 2015, the District issued $7,625,000 for the following purposes:

- remodeling, furnishing and equipping school buildings
- building and equipping an addition to the high school building
- acquiring and installing educational technology
- purchasing school busses
- building and equipping a new bus maintenance facility and two storage facilities
- developing and improving playgrounds, athletic fields and facilities
- paying the costs of issuing the bonds

2015 Refunding Bonds
In February 2015, the School District issued $2,895,000 in 2015 refunding bonds with an interest rate of 4.0 percent. The 2015 refunding bonds were used to pay $3,295,000 in 2005 refunding bonds with an average interest rate of 4.52 percent. $400,000 of existing funds in the 2005 debt fund were used to make up the difference between the 2005 principal and 2015 proceeds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The escrow agent paid the 2005 refunding bonds in May 2015. The refunding reduced total debt service payments by approximately $495,748, which represents an economic gain of approximately $410,660.

Bus Loan Payables
The District currently has one loan which was used to finance the purchase of one new bus. The terms of the loan are included in the *Schedule of Long-Term Debt* at the back of this report

Changes to Long-Term Debt
The changes in long-term debt during the year ended June 30, 2015 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Less: Current Portion	Total due after one year
Compensated abs	110,174	29,311	-	139,485	20,923	118,562
2005 Bonds	3,695,000	-	(3,695,000)	-	-	-
2010 Bonds	5,720,000	-	(470,000)	5,250,000	510,000	4,740,000
2012 Bonds	2,205,000	-	(305,000)	1,900,000	345,000	1,555,000
2014 Bonds	-	7,625,000	(55,000)	7,570,000	175,000	7,395,000
2015 Bonds	-	2,895,000	-	2,895,000	200,000	2,695,000
2013 Bus Loan	29,439	-	(29,439)	-	-	-
2015 Bus Loan	52,374	-	(25,879)	26,495	26,495	-
2014 Bus Loan	26,998	-	(26,998)	-	-	-
Total	11,838,985	10,549,311	(4,607,316)	17,780,980	1,277,418	16,503,562

The annual requirements to pay principal and interest on the outstanding obligations on June 30, 2015 are shown in the *Schedule of Long-Term Debt* at the back of this report.

NOTE 12 - OPERATING LEASES
The School District is currently leasing seven copy machines from Xerox Corporation. Monthly payments range from $82 to $1,185, all payable over 60 months.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM
<u>Organization</u>
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 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. 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 System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report.

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

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

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	6,168
Total	204,512
Inactive plan members 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: 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 beginning on page 23. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

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

Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

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

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosures 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 for the plan as a whole.

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 for the plan as a whole.

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 for the plan as a whole.

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

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

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 for the plan as a whole.

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 for the plan as a whole.

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 for the plan as a whole.

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 for the plan as a whole.

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.

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

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

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

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 Postemployment 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.

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." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions 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 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 for the plan as a whole. 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 for the plan as a whole.

<u>Net Pension Liability</u>

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

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 Reporting Unit reported a liability of $12,988,168 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 Reporting Unit's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the Reporting Unit's proportionate share percent was 0.05897 percent.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	4.8 %
Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	2.0	(0.2)
Total	100.0	

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

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

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

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
As required by GASB Statement No. 68, the following presents the reporting unit'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 reporting unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 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%
$ 17,123,768	$ 12,988,168	$ 9,503,863

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:

Summary of Actuarial Assumptions
Actuarial Assumptions

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

Mortality:

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

Notes:

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

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2014 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 Reporting Unit recognized total pension expense of $831,903. At June 30, 2015, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -
Changes of assumptions	479,236
Net difference between projected and actual earnings on pension plan investments	(1,435,847)
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	36
Deferred inflow - MPSERS plan activity, net of amortization	$ (956,575)
Reporting Unit contributions subsequent to the measurement date	$ 1,384,212

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

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

Plan Year Ended Sept. 30	Amount:
2015	$ (234,337)
2016	(234,337)
2017	(234,337)
2018	(253,564)

The District received $432,944 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2015.

Other Postemployment Benefits

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

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

Upon retirement, pension and other post-retirement benefits are paid by the State of Michigan from funding provided by the District.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in the SET/SEG risk pool for employee injuries (worker's compensation) and has purchased commercial insurance for claims relating to property loss, torts, errors and omissions, and for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 15 - JOINT VENTURE

During the year ended June 30, 2001 the District elected to join the Middle Michigan Network for Educational Telecommunications (MMNET). As a member of MMNET, the District was required to purchase an interest in various communication equipment and services as well as pay for annual administrative cost incurred by Gratiot-Isabella RESD, the administrative agent. Information regarding the purchase of equipment and services is shown in the above notes.

The MMNET Consortium was established by a previously approved inter local Consortium Agreement. The purpose of MMNET is to provide for interactive voice/video/data interconnections and services required for, or useful in, the instruction and training of students and other persons utilizing the participants services, the conducting of research, or the administrative operations of the participants; and to enable the participants to cooperatively share their resources for the ownership, financing, installation, administration and operation of MMNET.

Additional information on MMNET, including separate financial statements, is available by contacting the fiscal agent at Gratiot-Isabella Regional Education Service District, 1131 East Center Street, Ithaca, Michigan 48847
Phone: 989-875-5101

NOTE 16 – RESTATEMENT OF NET POSITION

As of June 30, 2015, the beginning net position was restated as follows:

Restatement of Net Position	Balance June 30, 2014 Previously Reported	Restatement	Balance June 30, 2014 as Restated
Net Position	$ 4,677,774	$ (12,644,405)	$ (7,966,631)

The beginning net position was restated to reflect the implementation of GASB 68. Net position was restated by $(12,644,405) which is the cumulative difference (as of June 30, 2014) between the net pension liability of $13,808,444 and the deferred outflow – retirement contributions of $(1,164,037). Note 13 - Employee Retirement System contains additional information regarding the implementation of GASB 68.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

PROSPECTIVE 10-YEAR TREND INFORMATION

St. Louis Public School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues				
Local sources	$ 1,171,769	$ 1,147,907	$ 1,183,798	$ 35,891
State sources	7,868,750	8,293,897	8,257,945	(35,952)
Federal sources	401,197	400,790	389,559	(11,231)
Other sources	445,780	378,256	426,112	47,856
Total revenues	9,887,496	10,220,850	10,257,414	36,564
Expenditures				
Instruction				
Basic programs	4,925,049	5,017,013	5,042,165	(25,152)
Added needs	1,147,201	1,279,245	1,264,153	15,092
Total instruction	6,072,250	6,296,258	6,306,318	(10,060)
Support services				
Pupil	393,266	462,454	458,053	4,401
Instructional staff	224,280	263,447	254,253	9,194
General administration	340,704	349,238	351,855	(2,617)
School administration	714,891	796,966	762,803	34,163
Business services	143,030	153,678	147,794	5,884
Operation and maintenance	1,043,691	1,150,673	1,114,345	36,328
Pupil transportation	475,003	486,301	467,895	18,406
Central	128,500	151,159	180,130	(28,971)
Athletics	257,335	249,860	253,895	(4,035)
Total support services	3,720,700	4,063,776	3,991,023	72,753
Community Services	1,983	1,000	181	819
Other	29,303	25,455	25,367	88
Total expenditures	9,824,236	10,386,489	10,322,889	63,600
Revenues over (under) expenditures	63,260	(165,639)	(65,475)	100,164
Other financing sources (uses)				
Transfers out	-	-	(5,990)	5,990
Revenues and other sources over (under) expenditures and other uses	63,260	(165,639)	(71,465)	106,154
Fund balance - beginning	1,128,004	1,128,004	1,128,004	-
Fund balance - ending	$ 1,191,264	$ 962,365	$ 1,056,539	$ 106,154

St. Louis Public School District
Budgetary Comparison Schedule for the Food Service Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Local sources	$ 51,565	$ 64,691	$ 76,478	$ 11,787
State and Federal sources	364,000	362,470	390,115	27,645
Other sources	12,300	15,619	-	(15,619)
Total revenues	427,865	442,780	466,593	23,813
Expenditures				
Food service	427,865	429,500	458,644	(29,144)
Revenues over (under) expenditures	-	13,280	7,949	(5,331)
Other financing sources (uses)				
Transfers out	-	-	5,990	(5,990)
Revenues and other sources over (under) expenditures and other uses	-	13,280	13,939	(11,321)
Fund balance - beginning	6,056	6,056	6,056	-
Fund balance - ending	$ 6,056	$ 19,336	$ 19,995	$ (11,321)

See accompanying notes to the financial statements.

St. Louis Public School District
Required Supplemental Information
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability		Plan year Sept 30, 2014
Reporting unit's proportion of net pension liability (%)		0.05897%
Reporting unit's proportionate share of net pension liability	$	12,988,168
Reporting unit's covered employee payroll	$	4,942,341
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)		262.8%
Plan fiduciary net position as a percentage of total pension liability		66.20%

Note: Amounts were determined as of 9/30 of each fiscal year.

Schedule of the Reporting Unit's Contributions		Fiscal year June 30, 2015
Statutorily required contributions	$	959,807
Contributions in relation to statutorily required contributions	$	959,807
Contribution deficiency (excess)	$	-
Reporting unit’s covered-employee payroll	$	5,279,232
Contributions as a percentage of covered-employee payroll		18.2%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
Changes of assumptions: There were no changes of benefit assumptions

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF LONG-TERM DEBT

St. Louis Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2015

Fiscal Year Ending	Interest Rate (%)	Annual Principal Due	Interest Due 1st Payment	Interest Due 2nd Payment	Total
2010 Refunding Bonds - $6,940,000					
Interest due November 1 and May 1; Principal due May 1					
2016	4.50	$ 510,000	$ 76,658	$ 76,658	$ 663,316
2017	4.50	550,000	70,793	70,793	691,586
2018	4.60	590,000	63,918	63,918	717,836
2019	4.60	605,000	55,953	55,953	716,906
2020	4.60	595,000	47,180	47,180	689,360
2021	4.60	590,000	38,106	38,106	666,212
2022	4.60	605,000	28,961	28,961	662,922
2023	4.70	595,000	19,433	19,433	633,866
2024	4.70	610,000	9,913	9,913	629,826
Total		5,250,000	410,915	410,915	6,071,830
2012 Refunding Bonds - $2,550,000					
Interest due November 1 and May 1; Principal due May 1					
2016	1.30	345,000	17,773	17,773	380,546
2017	1.60	355,000	15,530	15,530	386,060
2018	1.90	360,000	12,690	12,690	385,380
2019	2.10	390,000	9,270	9,270	408,540
2020	2.30	450,000	5,175	5,175	460,350
Total		1,900,000	60,438	60,438	2,020,876
2014 Bond Issue - $7,625,000					
Interest due November 1 and May 1; Principal due May 1					
2016	4.00	175,000	151,400	151,400	477,800
2017	4.00	180,000	147,900	147,900	475,800
2018	4.00	185,000	144,300	144,300	473,600
2019	4.00	195,000	140,600	140,600	476,200
2020	4.00	200,000	136,700	136,700	473,400
2021	4.00	205,000	132,700	132,700	470,400
2022	4.00	220,000	128,600	128,600	477,200
2023	4.00	230,000	124,200	124,200	478,400
2024	4.00	245,000	119,600	119,600	484,200
2025	4.00	285,000	114,700	114,700	514,400
2026	4.00	295,000	109,000	109,000	513,000
2027	4.00	310,000	103,100	103,100	516,200
2028	4.00	320,000	96,900	96,900	513,800
2029	4.00	335,000	90,500	90,500	516,000
2030	4.00	350,000	83,800	83,800	517,600
2031	4.00	360,000	76,800	76,800	513,600
2032	4.00	375,000	69,600	69,600	514,200
2033	4.00	390,000	62,100	62,100	514,200
2034	4.00	410,000	54,300	54,300	518,600
2035	4.00	425,000	46,100	46,100	517,200
2036	4.00	440,000	37,600	37,600	515,200
2037	4.00	460,000	28,800	28,800	517,600
2038	4.00	480,000	19,600	19,600	519,200
2039	4.00	500,000	10,000	10,000	520,000
Total		7,570,000	2,228,900	2,228,900	12,027,800

St. Louis Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2015

Fiscal Year Ending	Interest Rate (%)	Annual Principal Due	Interest Due 1st Payment	Interest Due 2nd Payment	Total
2015 Bus Loan Payable #1 - $79,500					
Interest and Principal due April 10					
2016	2.38	$ 26,495	$ 631	$ -	$ 27,126
Total		26,495	631	-	27,126
2015 Refunding Bonds - $2,895,000					
Interest due November 1 and May 1; Principal due May 1					
2016	4.00	200,000	79,582	57,900	337,482
2017	4.00	335,000	53,900	53,900	442,800
2018	4.00	325,000	47,200	47,200	419,400
2019	4.00	315,000	40,700	40,700	396,400
2020	4.00	310,000	34,400	34,400	378,800
2021	4.00	360,000	28,200	28,200	416,400
2022	4.00	350,000	21,000	21,000	392,000
2023	4.00	350,000	14,000	14,000	378,000
2024	4.00	350,000	7,000	7,000	364,000
Total		2,895,000	325,982	304,300	3,525,282

St. Louis Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2015

Fiscal Year Ending	Annual Principal Due	Annual Interest Due	Total
Summary by Year			
2016	$ 1,256,495	$ 629,775	$ 1,886,270
2017	1,420,000	576,246	1,996,246
2018	1,460,000	536,216	1,996,216
2019	1,505,000	493,046	1,998,046
2020	1,555,000	446,910	2,001,910
2021	1,155,000	398,012	1,553,012
2022	1,175,000	357,122	1,532,122
2023	1,175,000	315,266	1,490,266
2024	1,205,000	273,026	1,478,026
2025	285,000	229,400	514,400
2026	295,000	218,000	513,000
2027	310,000	206,200	516,200
2028	320,000	193,800	513,800
2029	335,000	181,000	516,000
2030	350,000	167,600	517,600
2031	360,000	153,600	513,600
2032	375,000	139,200	514,200
2033	390,000	124,200	514,200
2034	410,000	108,600	518,600
2035	425,000	92,200	517,200
2036	440,000	75,200	515,200
2037	460,000	57,600	517,600
2038	480,000	39,200	519,200
2039	500,000	20,000	520,000
Totals	17,641,495	6,031,419	23,672,914

Year 1	1,256,495	629,775	1,886,270
Year 2	1,420,000	576,246	1,996,246
Year 3	1,460,000	536,216	1,996,216
Year 4	1,505,000	493,046	1,998,046
Year 5	1,555,000	446,910	2,001,910
Year 6 - 10	4,995,000	1,572,826	6,567,826
Year 11 - 15	1,610,000	966,600	2,576,600
Year 16 - 20	1,960,000	617,800	2,577,800
Year 21 - 25	1,880,000	192,000	2,072,000
	17,641,495	6,031,419	23,672,914