Quincy Community Schools

Financial Report
With Supplemental Information

Year Ended June 30, 2015

Contents

Independent Auditors' Report

Board of Education
Quincy Community Schools
Quincy, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

JACKSON
2545 Spring Arbor Road, Suite 200
Jackson, MI 49203-3690
Phone: (517) 788-8660 | Fax (517) 788-9872

WILLIS & JURASEK, P.C.
E-Mail: willis@willispc.com
Website: www.willispc.com

GRAND RAPIDS
2759 West River Drive, NW
Grand Rapids, MI 49544
Phone: (616) 361-0011 | Fax (616) 361-0154

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2015, Quincy Community Schools implemented new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. 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 information, and certain pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 22, 2015, on our consideration of the School District's internal control over financial reporting and on our tests of 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 Quincy Community Schools' internal control over financial reporting and compliance.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

October 22, 2015

Quincy Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2015

As Administration of Quincy Community Schools, Counties of Branch and Hillsdale, State of Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

Financial Highlights

- Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the fiscal year. The purpose of this standard is to improve accounting and financial reporting for pensions. It established standards for measuring and recognizing pension liabilities, pension expenses, and the related deferred inflows and deferred outflows of resources. Implementation of this standard requires recording of the full unfunded portion of the District's pension plan administered through the Michigan Public School Employees' Retirement System (MPSERS). The unfunded pension liability has been established through actuarial valuations and will be amortized over a 22 year period beginning with the plan's fiscal year-end of September 30, 2014. With the recording of this pension liability, the liabilities of the District exceeded its assets. The balance of the net position at the close of the most recent fiscal year was $(6,458,570) (negative net position).

- The District's total net position increased by $454,358. The increase represents an increase in ongoing revenues and decreases in ongoing expenditures.

- As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was $8,317,870.

- The General Fund had a net change in fund balance of $229,168. At the end of the year, the total fund balance for the General Fund was $1,378,881 or 13.8% of the total General Fund expenditures.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant fund – the General Fund.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities – One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the School District's goal is to provide services to our students, not to generate profits, as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The Statement of Net Position and Statement of Activities present information about the following:

Governmental Activities – All of the District's basic services are considered to be governmental activities, including instruction, support services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues, (unrestricted and restricted State Aid), and charges for services finance most of these activities.

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

The district-wide financial statements can be found on pages 1-2 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Accounting Manual*. The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the Notes to Financial Statements.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

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

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Fiduciary Funds – The District is the fiduciary for various student group activities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position.

The basic fiduciary fund financial statements can be found on page 7 of this report.

Additional Information – The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to Financial Statements can be found on pages 8-29 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net position and changes in net position of the District's governmental activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following is a summary of the School District's net position as of June 30, 2015 and 2014:

	Governmental Activities		
	2015	**2014**	
Assets:			
Current assets	$11,299,889	$ 3,848,552	
Non-current assets	9,715,784	7,353,426	
Total assets	21,015,673	11,201,978	
Deferred Outflows of Resources	1,691,085	130,751	
Liabilities:			
Current liabilities	3,035,977	1,924,452	
Non-current liabilities	24,235,955	16,253,637	**
Total liabilities	27,271,932	18,178,089	
Deferred Inflows of Resources	1,893,396	67,568	
Net Position:			
Invested in capital assets – net of related debt	5,805,288	4,981,609	
Restricted	290,479	765,650	
Unrestricted	(12,554,337)	(12,660,187)	
Total net position	$ (6,458,570)	$ (6,912,928)	

** Includes deferred inflows and deferred outflows not separated out for fiscal year 2014.

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 4.

By far the largest portion of the District's positive net position reflects its investment in capital assets (i.e. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Typically, one portion of the District's net position, the *restricted* portion, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these included amounts restricted for capital projects, debt service, and food service. The *unrestricted* balance of $(12,554,337), which is a *negative* net position, is negative as a result of the pension liability. The pension liability at fiscal year-end is expected to be reduced to $0 over a 22 year period.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities which shows the change in net position for fiscal year 2015.

The following is a summary of the changes in net position for the years ended June 30, 2015 and 2014:

	Governmental Activities	
	2015	**2014**
Revenues:		
Program revenues:		
Charges for services	$ 337,924	$ 324,133
Operating grants	1,687,790	1,635,881
General revenues:		
Property taxes – general purpose	991,603	935,875
Property taxes – debt service	898,986	483,900
Property taxes – sinking fund	329,088	322,549
Grants and state aid	7,655,827	7,786,524
Other	71,517	75,331
Total revenues	11,972,735	11,564,193
Functions/Program Expenses:		
Instruction	$ 6,463,510	$ 6,447,249
Support services	3,610,424	3,595,923
Food service activities	514,842	539,015
Community service	8,936	10,212
Other	243,329	6,427
Interest	348,144	136,065
Depreciation (unallocated)	329,192	308,990
Total expenses	11,518,377	11,043,881
Increase (decrease) in net position	454,358	520,312
Net position beginning of year	(6,912,928)	6,385,397
Entry to record pension liability and related at June 30, 2014	-	(13,818,637)
Ending net position	$ (6,458,570)	$ (6,912,928)

The District's net position increased by $454,358 during the current fiscal year. The increase in net position differs from the change in fund balance and a reconciliation appears on page 6.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan Law. The most significant budgeted funds are the General Fund (which now includes the Athletics Fund) and the non-major governmental fund for Food Service.

During the fiscal year ended June 30, 2015, the School District amended the budgets of these governmental funds two times. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The General Fund actual revenue and other financing sources was $10,195,468. That amount is below the amended budget estimate of $10,239,734. The $44,266 variance (.04%), considered immaterial by management, can be attributed to all revenue sources. The Federal Title Budget crosses district fiscal years causing a shift from one fiscal year to the next in the District budget. The Title Fiscal year is October – September. The August Summer School Program is expensed in the 15-16 District Budget but being part of the 14-15 Title I & II Budget. The Title VI Program is expensed all in 14-15. The State of Michigan At Risk Program, 31a, had a small carryover from 13-14 to 14-15 and will also have a carryover from 14-15 to 15-16.

We continue to run the counseling programs we implemented throughout the district using 31a funds in 14-15 and will in 15-16 but with the changes in the third grade reading requirements we may have to make a change in our spending to allocating more funds to Jennings Elementary and decrease the allocations to the Middle and High School.

The actual expenditures and other financing uses of the general fund were $9,966,300, which is below the amended budget estimate of $10,336,466. The $370,166 variance (3.58%) can be attributed for the most part to conservative budgeting, careful monitoring, and the due diligence of employees. We continue to require purchase orders for purchases in all areas. Instructional, maintenance and transportation were the three areas with the highest variables. Instructional is the main expense in the district with salaries and benefits the largest portion. Part of the variance was caused by the budgeting of UAAL MPSER Offset Section 147c Revenue. This is very difficult to budget as payments are based on 13-14 payroll and expenses are based on 14-15 payroll. With the change in dental and vision and moving to a premium based plan and not a self-funded plan it is much easier to budget. Maintenance and transportation also had a larger variance due to lower maintenance, fuel and repair expenses. Two new buses has helped in the repair area and the district will continue to purchase two new or slightly used buses each year with bond proceeds over the next four years.

The General Fund had total revenue and other financing sources of $10,195,468 and total expenditures $9,966,300 with a net change in fund balance of $229,168 and an ending fund balance of $1,378,881. The original 14-15 budget forecasted using $184,670 fund balance but with conservative spending the district was able to add to fund balance. The district continues to educate the employees on budget and purchasing practices to get the most for our limited budget. Even though the district added to fund balance, the board and administration understand the importance of growing the fund balance to one day not have to borrow for cash flow. The District is still struggling with declining enrollment and rising retirement and health insurance rates.

With the passing on the 2014 Bond, we replaced all desk top computers in all students' computer labs in 14-15 with new machines. We also replace two buses using bond funds. This has helped the district reduce expenses in transportation. This is an exciting time for the district as it has been many years since we were able to do this. As a district we greatly appreciate the support of the Quincy Community.

There were no significant differences between the final budget and actual amounts.

Capital Asset and Debt Administration

Capital Assets – At the end of the fiscal year 2015, the School District had $18,890,297 invested in land and buildings, furniture and equipment, vehicles and buses and construction in process. Of this amount, $9,174,513 in depreciation has been taken over the years. We currently have a net book value of $9,715,784.

	Governmental Activities	
	2015	**2014**
Land	$ 202,083	$ 202,083
Construction in process	2,182,671	-
Buildings and improvements	10,013,983	9,776,136
Site improvements	3,844,617	3,844,617
Furniture and equipment	1,777,875	1,848,059
Buses and other vehicles	869,068	796,158
Total capital assets	18,890,297	16,467,053
Less accumulated depreciation	9,174,513	9,113,627
Net capital assets	$ 9,715,784	$ 7,353,426

The District began a large renovation project of school buildings that was in process as of the end of the year.

Long-Term Debt – At June 30, 2015, the District had total bonded debt outstanding of $10,315,000.

	Governmental Activities	
	2015	**2014**
2015 Refunding Bonds	$ 2,045,000	$2,435,000
2014 Building & Site Bonds	8,270,000	-
Total	$10,315,000	$ 2,435,000

The District's total bonded debt increased by $7,880,000 during the current fiscal year.

The District also has a long-term pension liability, netted with related deferred inflows and deferred outflows of resources, of approximately $14,000,000. This liability is being amortized over a 22 year period. See Note 10 for further information.

State statutes limit the amount of general obligation debt that a school district may issue to 15 percent of its total assessed valuation (State Equalized Value). The current outstanding general obligation debt for Quincy Community Schools is significantly below the current debt limitation.

Additional information on the District's long-term bonded debt can be found in Note 8 on page 16 of this report.

Economic Factors and Next Year's Budgets and Rates

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The State Aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The foundation allowance has been established for 2015-2016 as $7,391 per pupil. The foundation guarantee consists of the locally raised property taxes plus State Aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead), a State sales and use tax, a real estate transfer tax and a cigarette tax.

The following factors were considered in preparing the District's budgets for the 2015-2016 fiscal year:

- Foundation allowance of $7,391 per pupil
- Decrease of One time equity of $125 per pupil (was rolled into the $7,391 foundation allowance)
- Decrease in Best Practice Funds (Rolled into $7,391 foundation allowance)
- Decrease in Title Funding
- Flat 31a Funding
- Decrease in student enrollment (loss of 30 FTE blended count to 1,142)
- Reduction of one teacher
- Decrease in Performance Funding (rolled into $7,391 foundation allowance)
- Increase in Health Care costs
- Increase in Retirement costs
- Steps given to all groups
- Increase of 1-2% to groups that do not have steps
- Additional reductions in staff or other budget line items may also be necessary as the fiscal year progresses. Any additional reductions that may need to be made will be reflected in subsequent budget amendments made periodically throughout the 2015-2016 fiscal year.

With the passing of the 2014 Bond Proposal, the District goal is increase energy savings through window and door replacement and a boiler replacement serving the middle and high school. With an aging bus fleet we have seen our transportation expenses increase. The District will replace two buses per year starting with the 14-15 school year for the next 5 years. This will completely replace our current fleet.

Requests for Information

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

Business Manager
Quincy Community Schools
One Educational Parkway
Quincy, MI 49082
Phone: (517) 639-7141
Fax: (517) 639-4273
E-mail: cfo@quincyschools.org

Quincy Community Schools

Statement of Net Position

June 30, 2015

		Governmental Activities
Assets:		
Cash and investments	$	9,629,049
Receivables:		
Accounts receivable		565
Due from other governmental units		1,623,881
Inventories		4,802
Prepaid expenses		41,592
Capital assets less accumulated depreciation of $9,174,513		9,715,784
Total assets		21,015,673
Deferred Outflows of Resources:		
Deferred amount on refunding		171,186
Pension related		1,519,899
Total deferred outflows of resources		1,691,085
Liabilities:		
Accounts payable		1,296,025
State aid anticipation loan		800,000
Accrued payroll		555,274
Accrued interest		60,767
Other liabilities		269,386
Unearned revenue		54,525
Long-term liabilities:		
Bonds payable, due within one year		585,000
Bonds payable, due in more than one year		9,730,000
Net pension liability		13,920,955
Total liabilities		27,271,932
Deferred Inflows of Resources:		
Bond premium		354,425
Pension related		1,538,971
Total deferred inflows of resources		1,893,396
Net Position:		
Invested in capital assets - net of related debt		5,805,288
Restricted for food service		102,828
Restricted for debt service		187,651
Unrestricted		(12,554,337)
Total net position	$	(6,458,570)

See Notes to Financial Statements.

Quincy Community Schools
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenues and Changes in Net Position
Primary Government				
Governmental activities:				
Instruction	$ 6,463,510	$ 60,214	$ 1,304,175	$ (5,099,121)
Support services	3,610,424	114,927	-	(3,495,497)
Food service activities	514,842	162,783	383,615	31,556
Community services	8,936	-	-	(8,936)
Other	243,329	-	-	(243,329)
Interest on long-term debt	348,144	-	-	(348,144)
Depreciation (unallocated)	329,192	-	-	(329,192)
Total governmental activities	$ 11,518,377	$ 337,924	$ 1,687,790	(9,492,663)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	991,603
Property taxes, levied for debt service	898,986
Property taxes, levied for sinking fund	329,088
State aid not restricted to specific purposes	7,655,827
Interest and investment earnings	2,648
Other	68,869
Total general revenues	9,947,021
Change in Net Position	454,358
Net Position - Beginning of Year	(6,912,928)
Net Position - End of Year	$ (6,458,570)

See Notes to Financial Statements.

Quincy Community Schools
Balance Sheet
Governmental Funds
June 30, 2015

	General	2015 Refunding Debt Fund	2014 Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	$ 1,434,974	$ 52,690	$ 7,297,720	$ 843,665	$ 9,629,049
Receivables:					
Accounts receivable	-	-	-	565	565
Due from other governmental units	1,616,218	-	-	7,663	1,623,881
Due from other funds	2,375	-	-	-	2,375
Inventories	-	-	-	4,802	4,802
Prepaid expenditures	11,592	-	-	30,000	41,592
Total assets	$ 3,065,159	$ 52,690	$ 7,297,720	$ 886,695	$ 11,302,264
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 5,097	$ -	$ 1,276,531	$ 14,397	$ 1,296,025
State aid anticipation loan	800,000	-	-	-	800,000
Due to other funds	-	-	-	2,375	2,375
Salaries payable	555,274	-	-	-	555,274
Accrued expenditures	276,195	-	-	-	276,195
Unearned revenue	49,712	-	-	4,813	54,525
Total liabilities	1,686,278	-	1,276,531	21,585	2,984,394
Fund balances:					
Nonspendable	11,592	-	-	34,802	46,394
Restricted	-	52,690	6,021,189	830,308	6,904,187
Unassigned	1,367,289	-	-	-	1,367,289
Total fund balances	1,378,881	52,690	6,021,189	865,110	8,317,870
Total liabilities and fund balances	$ 3,065,159	$ 52,690	$ 7,297,720	$ 886,695	$ 11,302,264

See Notes to Financial Statements.

Quincy Community Schools

Reconciliation of Balance Sheet of Governmental Funds to Net Position
Governmental Funds
June 30, 2015

Total Fund Balance - Governmental Funds			$	8,317,870
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in government activities are not financial resources and are not reported in the funds.				
The cost of the capital assets is	$	18,890,297		
Accumulated depreciation is		(9,174,513)		
				9,715,784
Long-term liabilities not due and payable in the current period and not reported in the funds:				
Bonds payable				(10,315,000)
Deferred amount on refunding				171,186
Unamortized premiums				(354,425)
Net pension liability				(13,920,955)
Deferred outflows related to net pension liability				1,519,899
Deferred inflows related to net pension liability				(1,538,971)
Accrued interest payable is not included as a liability in governmental activities.				(53,958)
Total Net Position - Governmental Activities			$	(6,458,570)

See Notes to Financial Statements.

Quincy Community Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General Fund	2015 Refunding Debt Fund	2014 Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources	$ 1,240,576	$ -	$ 1,961	$ 1,392,645	$ 2,635,182
State sources	8,477,899	-	-	26,319	8,504,218
Federal sources	476,993	-	-	356,457	833,450
Total revenues	10,195,468	-	1,961	1,775,421	11,972,850
Expenditures:					
Instruction	6,379,751	-	-	-	6,379,751
Support services	3,572,793	-	-	-	3,572,793
Food service activities	-	-	-	514,842	514,842
Community services	8,936	-	-	-	8,936
Other	-	-	97	-	97
Debt service:					
Principal payments	-	2,086,919	-	409,331	2,496,250
Interest and fiscal charges	-	41,081	-	319,576	360,657
Capital outlay	-	-	2,436,278	396,167	2,832,445
Total expenditures	9,961,480	2,128,000	2,436,375	1,639,916	16,165,771
Revenues Over (Under) Expenditures	233,988	(2,128,000)	(2,434,414)	135,505	(4,192,921)
Other Financing Sources (Uses):					
Bond proceeds	-	2,045,000	8,455,603	62,699	10,563,302
Operating transfers in	-	135,690	-	4,820	140,510
Operating transfers out	(4,820)	-	-	(135,690)	(140,510)
Total other financing sources (uses)	(4,820)	2,180,690	8,455,603	(68,171)	10,563,302
Net Change in Fund Balances	229,168	52,690	6,021,189	67,334	6,370,381
Fund Balances - Beginning of Year	1,149,713	-	-	797,776	1,947,489
Fund Balances - End of Year	$ 1,378,881	$ 52,690	$ 6,021,189	$ 865,110	$ 8,317,870

See Notes to Financial Statements.

Quincy Community Schools

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

Net Change in Fund Balances - Total Governmental Funds		$ 6,370,381
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation expense	$ (329,192)	
Loss on disposal of capital assets	(2,705)	
Capital outlay	2,694,255	
		2,362,358
Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.		(30,569)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.		
Bond proceeds	(8,518,302)	
Amortization of premium on the refunding debt	28,332	
Amortization of deferred amount on the refunding debt	(26,452)	
Prinicipal repayments	390,000	
		(8,126,422)
Governmental funds report the required pension contributions for the fiscal year June 30, 2015 as an expenditure. The Statement of Activities reports the fully accrued pension expense based upon a September year-end to coincide with the State of Michigan's fiscal year. These differences are reported as follows:		
Pension expense	(1,127,636)	
Contribution expenditures post September 30, 2014	1,006,246	
		(121,390)
Change in Net Position of Governmental Activities		$ 454,358

See Notes to Financial Statements.

Quincy Community Schools

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Agency Fund - Student Activities
Assets	
Cash and cash equivalents	$ 109,248
Total assets	$ 109,248
Liabilities	
Due to student groups	$ 109,248
Total liabilities	$ 109,248

See Notes to Financial Statements.

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Quincy Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 more significant of the District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

Implementation of GASB Statement No. 68

The School District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which was promulgated with the purpose of improving accounting and financial reporting for pensions. The Statement established standards for measuring and recognizing pension liabilities, pension expenses, and the related deferred inflows and deferred outflows of resources. As a result of this implementation, which was effective July 1, 2014, the beginning net position has been adjusted to reflect the beginning of year balances of the net pension liability and related deferrals of inflows and outflows of resources. This restatement is as follows:

Net position, as originally reported	$ 6,905,709
Adjustment for net pension liability and related deferred inflows and outflows	(13,818,637)
Restated beginning net position	$ (6,912,928)

See Note 10 for further information.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

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.

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

It is the District's policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

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

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

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

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

The School District reports the following major governmental funds:

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

Capital Project Funds – Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The District maintains the 2014 Capital Project Fund, 2014 Bond Issuance Fund, and Building and Site Fund. For these capital projects, the School District has complied with the applicable provisions of §1351a and §1212 of the Revised School Code.

Debt Funds – Debt Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures thereof on a particular bond issue. The District maintains the 2005 Refunding Debt Fund, 2014 Debt Fund, and 2015 Refunding Debt Fund.

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

Additionally, the government reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Special Revenue Fund maintained by the District is the Food Service Fund.

Fiduciary Funds – 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.

The agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held in trust for the students and parents.

Revenues, Assets, Liabilities, and Net Position or Equity

State Revenue - The State of Michigan utilizes 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 Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2015, the foundation allowance was based on pupil membership counts taken in February 2015 and September 2014.

The State portion of the foundation is provided primarily by a state education property tax millage of six mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2014 to August 2015. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

Property Taxes - Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and 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 penalties and interest may be assessed by the collecting entity. For the year ended June 30, 2015, the District levied the following amounts per $1,000 of assessed taxable valuation:

General Fund – Non-principal residence	18.0000
General Fund – Commercial personal property	6.0000
Debt Funds – All taxable values	4.1000
Building and Site Fund – All taxable values	1.5000

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit. The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures.* Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

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

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

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

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

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, construction in process, buildings, improvements, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. The government defines capital assets as assets with an initial individual cost of $5,000 or greater 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 market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

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

Buildings and improvements	20-50 years
Site improvements	15-20 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-20 years

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Compensated Absences - The District does not report a liability for compensated absences. Sick leave can be accumulated up to 105 days. At retirement or termination, accumulated sick pay is forfeited. Vacation leave cannot be carried over from year to year. Any unused leave at year-end is forfeited.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method and are reported as deferred inflows or outflows. Bond issuance costs are expenses as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of nonspendable amounts which are legally or contractually required to be maintained intact, restricted amounts that are constrained for specific purposes set by external parties or law, committed amounts that are constraints set by the highest decision making authority (the School Board) and may only be removed by those individuals, assigned amounts that have an intended but no formal specific purpose, and unassigned amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

Defined Benefit Pension Plan – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for detailed information.

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

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end.

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

1. 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 supplemental information.

Note 2 – Stewardship, Compliance, and Accountability (Continued)

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). 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, for the General Fund, are noted in the required supplemental information section.

4. The Superintendent 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.

5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.

6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2015.

Note 3 – Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and investments	$ 9,629,049	$ 109,248	$ 9,738,297

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

Deposits (checking and savings accounts, certificates of deposits)	$ 1,104,448
Investments in MILAF investment fund	8,633,849
Total	$ 9,738,297

Investment and Deposit Risk

Interest Rate Risk – State law limits the allowable investments and the maturities of some of the allowable investments. The District's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment in the MILAF investment fund had an average maturity of less than one year.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The District's investment policy does not have specific limits in excess of State law on investment credit risk. The District's investment in the MILAF investment fund was rated AAAm by Standard & Poor's.

Note 3 – Deposits and Investments (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, $980,143 of the District's bank balance of $1,230,623 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 – Receivables

Receivables at year-end consist of the following:

Other governmental units (primarily Michigan Department of Education)	$ 1,623,881
Other	565
	$ 1,624,446

Note 5 – Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Year-End Balance
Assets not being depreciated:				
Land	$ 202,083	$ -	$ -	$ 202,083
Construction in process	-	2,182,671	-	2,182,671
Subtotal	202,083	2,182,671	-	2,384,754
Capital assets beings depreciated:				
Buildings and improvements	9,776,136	245,617	(7,770)	10,013,983
Site improvements	3,844,617	-	-	3,844,617
Buses and other vehicles	796,158	159,082	(86,172)	869,068
Furniture and equipment	1,848,059	106,885	(177,069)	1,777,875
Subtotal	16,264,970	511,584	(271,011)	16,505,543
Accumulated depreciation:				
Buildings and improvements	3,886,805	172,645	(5,827)	4,053,623
Site improvements	2,746,969	95,257	-	2,842,226
Buses and other vehicles	777,730	28,366	(86,172)	719,924
Furniture and equipment	1,702,123	32,924	(176,307)	1,558,740
Subtotal	9,113,627	329,192	(268,306)	9,174,513
Net capital assets being depreciated	7,151,343	182,392	(2,705)	7,331,030
Net capital assets	$ 7,353,426	$ 2,365,063	$ (2,705)	$ 9,715,784

Depreciation for the fiscal year ended June 30, 2015 totaled $329,192. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note 6 – Interfund Receivables, Payables and Transfers

The District reports interfund balances between some of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund balances is as follows:

	Due to: General Fund
Due From:	
Food Service Fund	$ 2,375

The General Fund transferred $4,820 to the Food Service Fund to allocate a portion of the 31a revenues to that fund. In addition, $135,690 was transferred from the 2005 Refunding Debt Fund to the 2015 Refunding Debt Fund to close out the remaining cash in the 2005 Refunding Debt Fund, as this fund was closed.

Note 7 – Notes Payable

At June 30, 2015, the District had State Aid Anticipation Notes outstanding that totaled $800,000, with interest rates between .42% and 1.24% and maturity dates of July 20, 2015 and August 20, 2015.

Note	Amount	Interest Rate	Maturity Date
2014B-1	$ 500,000	0.42%	7/20/2015
2014B-2	385,000	1.05%	8/20/2015
2014B-3	315,000	1.24%	8/20/2015

The State Aid Anticipation Notes are secured by the full faith and credit of the District as well as pledged State Aid. Note 2014B-1 required payments to an irrevocable set-aside account of $400,000 by June 30, 2015. At year-end, the total of these payments is considered defeased debt and is not included in the year-end balance.

Balance June 30, 2014	Additions	Payments	Balance June 30, 2015
$ 1,030,000	$ 1,200,000	$ (1,430,000)	$ 800,000

The District has also approved the issuance of State Aid Anticipation Notes for the 2015-16 school year totaling $1,200,000 due in two increments with maturity dates of $500,000 on July 20, 2016 and $700,000 on August 22, 2016.

Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Long-term obligations can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds	$ 2,435,000	$ 10,315,000	$ 2,435,000	$ 10,315,000	$ 585,000
Total governmental activities	$ 2,435,000	$ 10,315,000	$ 2,435,000	$ 10,315,000	$ 585,000

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2016	$ 585,000	$ 321,303	$ 906,303
2017	595,000	312,681	907,681
2018	610,000	304,931	914,931
2019	620,000	291,601	911,601
2020	635,000	279,001	914,001
2021-2025	2,520,000	1,150,618	3,670,618
2026-2030	2,800,000	684,600	3,484,600
2031-2034	1,950,000	177,420	2,127,420
Total	$ 10,315,000	$ 3,522,155	$ 13,837,155

General obligation bonds consist of:

$2,045,000 - 2015 refunding bonds due in annual installments of $395,000 - $425,000 through May, 2020; interest at 0.70% to 1.70%	$ 2,045,000
$8,270,000 - 2014 bonds due in annual installments of $160,000 - $625,000 through May, 2034; interest at 2.00% to 4.00%	$ 8,270,000

Note 9 – Risk Management

The School District is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. The School District has purchased commercial insurance for other risks of loss, including property and casualty, errors and omissions, fleet, and employee health and accident insurance.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits

Organization

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

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

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

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

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.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Organization (Continued)

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 - Benefits 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.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Organization (Continued)

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 and December 31, 1989 contributed 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 twelve months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

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

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

Summary of Significant Accounting Policies

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

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

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

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Summary of Significant Accounting Policies (Continued)

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 System's Statement of Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over ten 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.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

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 five 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 one to twenty years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was $29.7 million and the discounted long-term receivable was $83.6 million at September 30, 2014.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Net Pension Liability

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

MPSERS (Plan) Net Pension Liability - Non-University 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 - Non-University 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 $13,920,955 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 .06320 percent.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Net Pension Liability (Continued)

Long-Term Expected Rate of 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 & 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 those 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 benefits payments to determine the total pension liability.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Net Pension Liability (Continued)

Sensitivity of the Net Position 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 one percentage point lower or one percentage point higher:

	Current Single Discount Rate	
1% Decrease (Non-Hybrid/Hybrid)* 7.0%/6.0%	**Assumption (Non-Hybrid/Hybrid)* 8.0%/7.0%**	**1% Increase (Non-Hybrid/Hybrid)* 9.0%/8.0%**
$18,353,567	$13,920,955	$10,186,414

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.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Net Pension Liability (Continued)

Actuarial Valuations and Assumptions (Continued) - 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

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 increase	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.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

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

For the year ended June 30, 2015, the Reporting Unit recognized total pension expense of $1,127,636. 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 of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	513,653	-
Net difference between projected and actual earnings on pension plan investments	-	1,538,967
Changes in proportion and differences between reporting unit contributions and proportionate share of contributions	-	4
Reporting unit contributions subsequent to the measurement date	1,006,246	-
Total	$ 1,519,899	$ 1,538,971

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

Plan Year Ended September 30	Amount
2015	$ 251,177
2016	251,177
2017	251,177
2018	271,787

Payables to the Pension Plan

The Reporting Unit reported an accrued pension plan payable at June 30, 2015 of $227,126. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2015 but not yet paid.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

Post-Employment Benefits

Retirees have the option of health coverage, which is currently funded on a cash disbursement basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees.

For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than $18,000 in the prior school fiscal year and members who were hired on or after July 1, 2010, with a starting salary less than $18,000 are required to contribute 1.5% of the member's compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account.

For District employees first employed under the System after September 3, 2012 or those electing to choose the benefit during a special election period ending February 1, 2013, a Personal Healthcare Fund (PHF) is set up. Automatic 2% employee contributions to a 457 account along with a 2% employer match will be placed in a 401(k) account. This creates a portable, tax-deferred fund for the individual. No post-employment benefits are available for those employees.

See "Contributions and Funding Status" above for additional OPEB information.

Note 11 – Tax Deferred Annuity Plan

The District maintains a 403(b) tax deferred annuity plan for eligible administrative employees. Total employer contributions to the plan for the fiscal year were approximately $21,000.

Note 12 – Federal and State Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 13 – Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires new government disclosures about tax abatement agreements with entities and individuals including the purpose of the program, the tax being abated, the dollar amount and provisions for recapturing abated taxes as well as the types of commitments made by tax abatement recipients. It also requires disclosures about other commitments made by a government in tax abatement agreements, such as to build infrastructure assets. The new standard also requires disclosures about tax abatements that are entered into by other governments that reduce the reporting government's tax revenues. Statement No. 77 is effective for the year ended June 30, 2017 with earlier application encouraged.

Required Supplemental Information

Quincy Community Schools

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

	Budgeted Amounts		
	Original	**Final**	**Actual**
Revenues:			
Local sources	$ 1,104,955	$ 1,234,870	$ 1,240,576
State sources	8,434,209	8,462,557	8,477,899
Federal sources	456,414	542,307	476,993
Total revenues	9,995,578	10,239,734	10,195,468
Expenditures:			
Instruction:			
Basic programs	6,065,203	6,113,874	5,999,520
Added needs	357,909	425,203	380,231
Support services:			
Pupil	330,164	298,699	295,553
Instructional staff	302,269	313,366	280,678
General administration	336,210	326,430	298,842
School administration	652,256	664,360	645,314
Business	202,425	186,483	179,712
Operation and maintenance	833,115	856,605	812,707
Pupil transportation	576,312	560,546	507,670
Central services	202,435	228,103	210,752
Athletic activities	315,500	351,497	341,565
Community services	6,450	11,300	8,936
Total expenditures	10,180,248	10,336,466	9,961,480
Revenues Over (Under) Expenditures	(184,670)	(96,732)	233,988
Other Financing Sources (Uses):			
Operating transfers out	-	-	(4,820)
Total other financing sources (uses)	-	-	(4,820)
Net Change in Fund Balances	(184,670)	(96,732)	229,168
Fund Balances - Beginning of Year	1,149,713	1,149,713	1,149,713
Fund Balances - End of Year	$ 965,043	$ 1,052,981	$ 1,378,881

Quincy Community Schools

Michigan Public School Employees' Retirement Plan

Schedule of the Reporting Unit's Contributions

Fiscal Year (Amounts Determined as of 6/30)

	2015
Statutorily required contributions	$ 981,548
Contributions in relation to statutorily required contributions	981,548
Contribution deficiency (excess)	$ -
Reporting unit's covered-employee payroll	$ 5,320,684
Contributions as a percentage of covered-employee payroll	18.45%

Quincy Community Schools

Michigan Public School Employees' Retirement Plan

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability

Last Fiscal Year (Amounts Determined as of 9/30)

	2014
Reporting unit's proportion of net pension liability (%)	0.06320%
Reporting unit's proportionate share of net pension liability	$ 13,920,955
Reporting unit's covered-employee payroll	$ 5,257,706
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	264.77%
Plan fiduciary net position as a percentage of total pension liability	66.20%

Changes of Benefit Terms:	There were no changes of benefit terms in 2014.
Changes of Assumptions:	There were no changes of benefit assumptions in 2014.

Other Supplemental Information

Quincy Community Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Food Service Fund	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 81,383	$ 195,728	$ 566,554	$ 843,665
Receivables:				
Accounts receivable	565	-	-	565
Due from other governmental units	7,663	-	-	7,663
Inventories	4,802	-	-	4,802
Prepaid expenditures	30,000	-	-	30,000
Total assets	$ 124,413	$ 195,728	$ 566,554	$ 886,695
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 14,397	$ -	$ -	$ 14,397
Due to other funds	2,375	-	-	2,375
Unearned revenue	4,813	-	-	4,813
Total liabilities	21,585	-	-	21,585
Fund balances:				
Nonspendable	34,802	-	-	34,802
Restricted	68,026	195,728	566,554	830,308
Total fund balances	102,828	195,728	566,554	865,110
Total liabilities and fund balances	$ 124,413	$ 195,728	$ 566,554	$ 886,695

Quincy Community Schools

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

	Food Service Fund	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Local sources	$ 163,622	$ 899,277	$ 329,746	$ 1,392,645
State sources	26,319	-	-	26,319
Federal sources	356,457	-	-	356,457
Total revenues	546,398	899,277	329,746	1,775,421
Expenditures:				
Food service activities	514,842	-	-	514,842
Debt service	-	667,657	61,250	728,907
Capital outlay	-	-	396,167	396,167
Total expenditures	514,842	667,657	457,417	1,639,916
Revenues Over (Under) Expenditures	31,556	231,620	(127,671)	135,505
Other Financing Sources (Uses):				
Bond proceeds	-	-	62,699	62,699
Operating transfers in	4,820	-	-	4,820
Operating transfers out	-	(135,690)	-	(135,690)
Total other financing sources (uses)	4,820	(135,690)	62,699	(68,171)
Net Change in Fund Balances	36,376	95,930	(64,972)	67,334
Fund Balances - Beginning of Year	66,452	99,798	631,526	797,776
Fund Balances - End of Year	$ 102,828	$ 195,728	$ 566,554	$ 865,110

Quincy Community Schools

Comparative Balance Sheets
General Fund
June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 1,434,974	$ 1,302,942
Receivables:		
Due from other funds	2,375	2,468
Due from other governmental units	1,616,218	1,694,718
Prepaid expenditures	11,592	34,415
Total assets	$ 3,065,159	$ 3,034,543
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$ 5,097	$ 1,957
State aid anticipation loan	800,000	1,030,000
Salaries payable	555,274	583,481
Accrued expenditures	276,195	248,817
Unearned revenue	49,712	20,575
Total liabilities	1,686,278	1,884,830
Fund balances:		
Nonspendable	11,592	34,415
Unassigned	1,367,289	1,115,298
Total fund balances	1,378,881	1,149,713
Total liabilities and fund balances	$ 3,065,159	$ 3,034,543

Quincy Community Schools

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Final Budget to Actual
General Fund
Year Ended June 30, 2015
(With Comparative Amounts for the Prior Year)

	2015			
	Budget	**Actual**	**Variance**	**Prior Year Actual**
Revenues:				
Local sources:				
Property tax	$ 991,425	$ 991,603	$ (178)	$ 935,875
Transportation fees	59,200	60,214	(1,014)	64,108
Athletics	113,340	114,927	(1,587)	98,240
Earnings on investments & deposits	20	75	(55)	421
Rentals	21,860	22,828	(968)	29,600
Miscellaneous	49,025	50,929	(1,904)	73,500
Total local sources	1,234,870	1,240,576	(5,706)	1,201,744
State sources:				
Unrestricted	7,650,386	7,655,827	(5,441)	7,786,524
Restricted	812,171	822,072	(9,901)	780,063
Total State sources	8,462,557	8,477,899	(15,342)	8,566,587
Federal sources:				
Received through State	542,307	476,993	65,314	492,370
Total Federal sources	542,307	476,993	65,314	492,370
Total revenues	10,239,734	10,195,468	44,266	10,260,701

Quincy Community Schools

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Final Budget to Actual
General Fund
Year Ended June 30, 2015
(With Comparative Amounts for the Prior Year)

	2015			
	Budget	**Actual**	**Variance**	**Prior Year Actual**
Expenditures:				
Instruction:				
Basic programs:				
Elementary				
Salaries	1,420,300	1,415,600	4,700	1,413,230
Employee benefits	911,621	905,628	5,993	818,661
Purchased services	93,600	88,255	5,345	81,448
Supplies and materials	34,760	18,741	16,019	27,649
Other	1,000	969	31	963
Total elementary	2,461,281	2,429,193	32,088	2,341,951
Middle/Junior High				
Salaries	945,000	947,309	(2,309)	1,061,484
Employee benefits	649,860	632,897	16,963	623,553
Purchased services	89,500	86,126	3,374	73,834
Supplies and materials	25,250	13,385	11,865	20,342
Other	700	622	78	385
Total middle/junior high	1,710,310	1,680,339	29,971	1,779,598
High School				
Salaries	1,037,400	1,033,857	3,543	1,013,587
Employee benefits	645,120	629,360	15,760	571,487
Purchased services	142,250	133,827	8,423	141,132
Supplies and materials	36,450	24,000	12,450	22,752
Other	27,480	24,634	2,846	39,010
Total high school	1,888,700	1,845,678	43,022	1,787,968
Summer School				
Salaries	29,483	26,316	3,167	24,859
Employee benefits	12,726	9,514	3,212	10,110
Purchased services	4,762	3,261	1,501	2,925
Supplies and materials	6,612	5,219	1,393	3,559
Total summer school	53,583	44,310	9,273	41,453
Total basic programs	6,113,874	5,999,520	114,354	5,950,970
Added needs:				
Special education				
Purchased services	109,225	95,650	13,575	102,715
Total special education	109,225	95,650	13,575	102,715

Quincy Community Schools

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Final Budget to Actual
General Fund
Year Ended June 30, 2015
(With Comparative Amounts for the Prior Year)

	2015			
	Budget	**Actual**	**Variance**	**Prior Year Actual**
Instruction (Continued):				
Added needs (continued):				
Compensatory education				
Salaries	185,756	171,590	14,166	257,405
Employee benefits	91,682	79,943	11,739	115,824
Purchased services	1,000	-	1,000	-
Supplies and materials	37,540	33,048	4,492	20,335
Total compensatory education	315,978	284,581	31,397	393,564
Total added needs	425,203	380,231	44,972	496,279
Total instruction	6,539,077	6,379,751	159,326	6,447,249
Support Services:				
Pupil:				
Guidance services				
Salaries	144,273	143,870	403	166,648
Employee benefits	82,876	81,153	1,723	74,959
Purchased services	70,600	70,105	495	67,500
Supplies and materials	700	288	412	814
Total guidance services	298,449	295,416	3,033	309,921
Health services				
Supplies	250	137	113	100
Total health services	250	137	113	100
Total pupil	298,699	295,553	3,146	310,021
Instructional staff:				
Improvement of instruction				
Salaries	83,256	81,753	1,503	102,689
Employee benefits	51,830	48,157	3,673	52,189
Purchased services	65,755	42,820	22,935	67,778
Supplies and materials	9,605	9,531	74	25,436
Total improvement of instruction	210,446	182,261	28,185	248,092

Quincy Community Schools

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Final Budget to Actual
General Fund
Year Ended June 30, 2015
(With Comparative Amounts for the Prior Year)

	2015			
	Budget	**Actual**	**Variance**	**Prior Year Actual**
Support Services (Continued):				
Instructional staff (continued):				
Educational media services				
Salaries	37,810	37,251	559	39,291
Employee benefits	21,717	21,292	425	19,824
Purchased services	3,100	2,376	724	2,368
Supplies and materials	4,450	2,878	1,572	2,790
Total educational media services	67,077	63,797	3,280	64,273
Technology assisted instruction				
Purchased services	-	-	-	-
Total technology assisted instruction	-	-	-	-
Supervision of instructional staff				
Salaries	23,153	22,702	451	23,658
Employee benefits	12,690	11,918	772	12,123
Total supervision of instructional staff	35,843	34,620	1,223	35,781
Total instructional staff	313,366	280,678	32,688	348,146
General administration:				
Board of education				
Purchased services	32,850	24,244	8,606	26,920
Other	7,250	7,123	127	6,583
Total board of education	40,100	31,367	8,733	33,503
Executive administration				
Salaries	154,070	153,136	934	155,258
Employee benefits	83,260	81,599	1,661	82,697
Purchased services	41,000	25,805	15,195	30,042
Supplies and materials	2,500	1,817	683	2,466
Capital outlay	1,800	1,677	123	-
Other	3,700	3,441	259	3,587
Total executive administration	286,330	267,475	18,855	274,050
Total general administration	326,430	298,842	27,588	307,553
School administration:				
Office of the principal				
Salaries	406,450	399,465	6,985	389,471
Employee benefits	237,060	231,247	5,813	206,502
Purchased services	11,100	7,559	3,541	4,273
Supplies and materials	4,950	3,136	1,814	7,669
Other	2,100	1,985	115	2,000
Total office of the principal	661,660	643,392	18,268	609,915

Quincy Community Schools

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Final Budget to Actual
General Fund
Year Ended June 30, 2015
(With Comparative Amounts for the Prior Year)

	2015			
	Budget	**Actual**	**Variance**	**Prior Year Actual**
Support Services (Continued):				
School administration (continued):				
Other school administration				
Supplies and materials	2,700	1,922	778	2,692
Total other school administration	2,700	1,922	778	2,692
Total school administration	664,360	645,314	19,046	612,607
Business:				
Fiscal services				
Salaries	65,718	65,589	129	72,427
Employee benefits	41,015	40,392	623	44,780
Purchased services	7,250	5,273	1,977	7,352
Supplies and materials	300	268	32	593
Other	33,200	32,793	407	26,759
Total fiscal services	147,483	144,315	3,168	151,911
Other business services				
Purchased services	18,000	17,675	325	16,150
Other	21,000	17,722	3,278	31,631
Total other business services	39,000	35,397	3,603	47,781
Total business	186,483	179,712	6,771	199,692
Operation and maintenance:				
Salaries	269,050	259,542	9,508	247,266
Employee benefits	171,805	169,617	2,188	153,260
Purchased services	118,750	105,249	13,501	107,851
Supplies and materials	285,000	267,924	17,076	271,843
Capital outlay	5,000	4,050	950	1,732
Other	7,000	6,325	675	4,695
Total operation and maintenance	856,605	812,707	43,898	786,647
Pupil transportation:				
Salaries	226,656	220,463	6,193	228,177
Employee benefits	169,140	161,404	7,736	155,929
Purchased services	39,650	30,600	9,050	37,509
Supplies and materials	125,000	95,103	29,897	127,213
Other	100	100	-	-
Total pupil transportation	560,546	507,670	52,876	548,828

Quincy Community Schools

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Final Budget to Actual
General Fund
Year Ended June 30, 2015
(With Comparative Amounts for the Prior Year)

	2015			
	Budget	**Actual**	**Variance**	**Prior Year Actual**
Support Services (Continued):				
Central services:				
Staff/personnel services				
Purchased services	1,250	1,153	97	554
Total staff/personnel services	1,250	1,153	97	554
Non-instructional technology services				
Salaries	112,328	110,818	1,510	108,812
Employee benefits	69,965	68,646	1,319	62,137
Purchased services	750	600	150	600
Supplies and materials	12,000	6,807	5,193	12,053
Capital outlay	31,810	22,728	9,082	40,592
Total non-instructional technology services	226,853	209,599	17,254	224,194
Total central services	228,103	210,752	17,351	224,748
Athletic activities:				
Salaries	125,873	125,291	582	119,290
Employee benefits	50,042	49,092	950	41,879
Purchased services	94,581	90,752	3,829	96,078
Supplies and materials	81,001	76,430	4,571	59,713
Total athletic activities	351,497	341,565	9,932	316,960
Total support services	3,786,089	3,572,793	213,296	3,655,202
Community Services:				
Community activities:				
Supplies and materials	11,300	8,936	2,364	10,212
Total community services	11,300	8,936	2,364	10,212
Total expenditures	10,336,466	9,961,480	374,986	10,112,663
Revenues Over (Under) Expenditures	(96,732)	233,988	330,720	148,038
Other Financing Sources (Uses):				
Operating transfers out	-	(4,820)	4,820	-
Total other financing sources (uses)	-	(4,820)	4,820	-
Net Changes in Fund Balances	(96,732)	229,168	335,540	148,038
Fund Balances - Beginning of Year	1,149,713	1,149,713	-	1,001,675
Fund Balances - End of Year	$ 1,052,981	$ 1,378,881	$ 335,540	$ 1,149,713

Quincy Community Schools
Schedule of Bonded Indebtedness
June 30, 2015

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 6/30/15
2015 Refunding Bonds	March 26, 2015	$ 2,045,000	0.700%	5/1/2016	$ 27,617	$ 425,000	$ 425,000
			1.000%	5/1/2017	22,195	415,000	415,000
			1.300%	5/1/2018	18,045	410,000	410,000
			1.500%	5/1/2019	15,715	400,000	400,000
			1.700%	5/1/2020	6,715	395,000	395,000
							$ 2,045,000
2014 Building & Site Bonds	August 6, 2014	$ 8,270,000	2.000%	5/1/2016	$ 293,686	$ 160,000	$ 160,000
			2.000%	5/1/2017	290,486	180,000	180,000
			2.000%	5/1/2018	286,886	200,000	200,000
			4.000%	5/1/2019	278,886	220,000	220,000
			3.000%	5/1/2020	272,286	240,000	240,000
			3.000%	5/1/2021	265,086	470,000	470,000
			4.000%	5/1/2022	246,286	490,000	490,000
			4.000%	5/1/2023	226,686	505,000	505,000
			2.625%	5/1/2024	213,430	520,000	520,000
			2.750%	5/1/2025	199,130	535,000	535,000
			3.000%	5/1/2026	183,080	555,000	555,000
			4.000%	5/1/2027	160,880	575,000	575,000
			4.000%	5/1/2028	137,880	600,000	600,000
			4.000%	5/1/2029	113,880	625,000	625,000
			4.000%	5/1/2030	88,880	445,000	445,000
			4.000%	5/1/2031	71,080	465,000	465,000
			3.500%	5/1/2032	52,480	480,000	480,000
			3.500%	5/1/2033	35,680	500,000	500,000
			3.600%	5/1/2034	18,180	505,000	505,000
							$ 8,270,000

Quincy Community Schools

Single Audit Report

Year Ended June 30, 2015

Contents

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Quincy Community Schools
Quincy, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quincy Community Schools as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Quincy Community Schools' basic financial statements, and have issued our report thereon dated October 22, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Education
Quincy Community Schools
Quincy, Michigan

Compliance and Other Matters

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

Purpose of this Report

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

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

October 22, 2015

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

.
Board of Education
Quincy Community Schools
Quincy, Michigan

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

JACKSON
2545 Spring Arbor Road, Suite 200
Jackson, MI 49203-3690
Phone: (517) 788-8660 | Fax (517) 788-9872

WILLIS & JURASEK, P.C.
E-Mail: willis@willispc.com
Website: www.willispc.com

GRAND RAPIDS
2759 West River Drive, NW
Grand Rapids, MI 49544
Phone: (616) 361-0011 | Fax (616) 361-0154

Board of Education
Quincy Community Schools

Report on Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quincy Community Schools as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Quincy Community Schools' basic financial statements. We have issued our report thereon dated October 22, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Education
Quincy Community Schools

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

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

October 22, 2015

Quincy Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Award/Grant Entitlement Program Amount	Accrued (Deferred) Revenue 7/1/2014	Prior Years Expenditures (Memorandum Only)	Adjustments Prior Year	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2015
U.S. Department of Agriculture									
Child Nutrition Cluster:									
Passed through MI Department of Education:									
Non-cash Assistance (Commodities):									
National School Lunch Program	10.555		$ 30,554	$ -	$ -	$ -	$ 30,554	$ 30,554	$ -
Cash Assistance:									
National School Lunch Program	10.555	141960	206,134	3,500	175,603	-	30,530	27,030	-
		151960	186,016	-	-	-	186,016	186,016	-
		151980	883	-	-	-	883	883	-
			393,033	3,500	175,603	-	217,429	213,929	-
School Breakfast Program	10.553	141970	99,442	3,131	86,721	-	15,852	12,721	-
		151970	91,844	-	-	-	91,844	91,844	-
			191,286	3,131	86,721	-	107,696	104,565	-
Summer Food Service Program	10.559	140900	5,664	3,297	3,297	-	5,664	2,367	-
		141900	582	338	338	-	582	244	-
		150900	4,351	-	-	-	-	4,351	4,351
		151900	447	-	-	-	-	447	447
			11,044	3,635	3,635	-	6,246	7,409	4,798
Total Cash Assistance			595,363	10,266	265,959	-	331,371	325,903	4,798
Total Child Nutrition Cluster			625,917	10,266	265,959	-	361,925	356,457	4,798
Total United States Department of Agriculture			625,917	10,266	265,959	-	361,925	356,457	4,798
U.S. Department of Education:									
Passed through MI Department of Education:									
Title I, Part A	84.010	131530-1213	510,005	-	461,101	(168)	(168)	-	-
		141530-1315	449,948	108,750	391,718	-	117,705	8,955	-
		151530-1415	415,749	-	-	-	345,078	371,304	26,226
			1,375,702	108,750	852,819	(168)	462,615	380,259	26,226
Title II, Part A	84.367	140520-1314	104,085	29,716	65,895	-	41,957	12,241	-
		150520-1415	6,795	-	-	-	45,926	61,982	16,056
			110,880	29,716	65,895	-	87,883	74,223	16,056
Title VI, Part B	84.358	140660-1314	23,971	16,267	16,267	-	16,267	-	-
		150660-1415	30,410	-	-	-	8,354	22,511	14,157
			54,381	16,267	16,267	-	24,621	22,511	14,157
Total passed through MI Department of Education			1,540,963	154,733	934,981	(168)	575,119	476,993	56,439
Total United States Department of Education			1,540,963	154,733	934,981	(168)	575,119	476,993	56,439
			$ 2,166,880	$ 164,999	$ 1,200,940	$ (168)	$ 937,044	$ 833,450	$ 61,237

See Accompanying Footnotes.

Quincy Community Schools
Schedule of Reconciliation of Revenues with
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

	Amount
Revenue from Federal sources - per financial statements (includes all funds)	$ 833,450
Federal expenditures per the Schedule of Expenditures of Federal Awards	$ 833,450

Quincy Community Schools
Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Quincy Community Schools' programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Quincy Community Schools, it is not intended to and does not present the financial position or changes in net position of Quincy Community Schools.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Grant Auditor's Report

Management has utilized the Grant Auditor's Report in preparing the Schedule of Expenditures of Federal Awards.

Quincy Community Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified	____ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses	____ yes	X no
Noncompliance material to financial statements noted	____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness identified	____ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses	____ yes	X no
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	____ yes	X no

Identification of major programs:

CFDA Number	Name of Federal Program
84.010	Title I, Part A
84.367	Title IIA

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk	____ yes	X no

Section II – Financial Statement Audit Findings

None

Section III – Federal Program Audit Findings

None

Quincy Community Schools

Comments on Resolution of Findings from June 30, 2014
Single Audit Report

Finding:

There were no financial statement audit or federal program audit findings for June 30, 2014.

October 22, 2015

To the Board of Education
Quincy Community Schools
Quincy, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quincy Community Schools for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Quincy Community Schools are described in Note 1 to the financial statements. As described in Note 1 and Note 10 to the financial statements, Quincy Community Schools changed its accounting policies related to pension plans by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* in the fiscal year ended June 30, 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities as well as Note 1. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's government-wide financial statements were:

> An asset appraisal was done for the prior year ended June 30, 2004, which was used to establish the bulk of the District's fixed asset balances to be recorded in the Statement of Net Position. Related depreciation is based upon estimated usage using estimated lives and methods to formulate book value. We evaluated key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> The financial statements contain estimates for net pension liability and related deferred inflows and deferred outflows of resources. This information has been provided by ORS to all school districts participating in the MPSERS pension system.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

JACKSON
2545 Spring Arbor Road, Suite 200
Jackson, MI 49203-3690
Phone: (517) 788-8660 | Fax (517) 788-9872

WILLIS & JURASEK, P.C.
E-Mail: willis@willispc.com
Website: www.willispc.com

GRAND RAPIDS
2759 West River Drive, NW
Grand Rapids, MI 49544
Phone: (616) 361-0011 | Fax (616) 361-0154

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as per the auditors' report.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the Budgetary Comparison Schedules, the Schedule of Reporting Unit's Contributions, and the Schedule of Reporting Unit's Proportionate Share of the Net Pension Liability and related notes which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements of nonmajor governmental funds comparative balance sheets and statements of revenues, expenditures, and changes in fund balances – final budget to actual – general fund, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

<u>Restriction on Use</u>

This information is intended solely for the use of the Board of Education and management of Quincy Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.