BRECKENRIDGE COMMUNITY SCHOOL DISTRICT
Breckenridge, Michigan

Financial Statements
With Supplemental Information
June 30, 2015

Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Breckenridge Community School District
Table of Contents
June 30, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Breckenridge Community School District

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 Breckenridge Community School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

__Other Matters__

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
October 21, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Breckenridge Community School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2015. Please read this discussion and analysis in conjunction with the District's financial statement beginning on page 1.

I. Description of the Basic Financial Statements

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities on pages 1 and 2 provide information concerning the operation of the District as a whole. This reporting model takes into consideration the cost of capital assets of the district, as well as, reflects the District's operations on the accrual basis of accounting similar to that used in the private sector. Most notable is the fact that capital assets are not recorded as an expense at the time of purchase. Instead, under this model, capital assets are depreciated over their expected life. Accumulated depreciation is recorded as an offset to capital assets. This reporting model is intended to present a clearer picture of the cost of utilizing capital assets in the District's operations. This model generally has a long-term focus.

Fund Financial Statements

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance on pages 3 and 5 provide financial information for the individual governmental funds. The focus of this presentation is to present resources available at the beginning of the year, the receipt and use of resources during the year, and the balance of resources available at year-end to be used in future years. This model is referred to as modified accrual and is focused on available spendable resources. This model generally has a short-term focus.

Reconciliation

The statements on pages 4 and 6 reconcile the differences between the District-Wide Financial Statements and the Fund Financial Statements.

Trust and Agency Funds

The Statement of Net Position - Fiduciary Fund present the resource held for the benefit of other individuals and/or entities. These amounts are not reflected in the Government-Wide Financial Statements because these resources are not intended to be used to finance the operations of the District.

II. Condensed Government-Wide Financial Information

The change in assets, liabilities, and net position from the previous year for the government-wide financial statements were significant.

The decrease in capital assets net of depreciation indicates that capital assets are depreciating at a faster rate than they are being replaced. This was expected since the District does not make large purchases of fixed assets every year. There were no capital assets purchased during the year while current year depreciation was $604,590.

The current liabilities decreased from the previous year by $171,628 as short term debt, or debt due within one year, has decreased because of one less loan.

Noncurrent liabilities increased significantly due to the addition of Net pension liability. Legislation was passed on June 25, 2012 effective for our fiscal year ending 6/30/2015 known as GASB 68. GASB 68 is an accounting standard that requires us to recognize and report a proportionate share of the state's pension plan liability (MPSERS) and pension expense within the restatement of our net position as of July 1, 2014. This was done and we have added the Net pension liability of $8,498,904, bringing our overall net position to ($5,714,906).

All information presented in Table 1 relates to governmental activities. The District does not have any business-type activities.

Table 1
Comparative Summary of Assets, Liabilities, and Net Position
At June 30, 2014 and 2015

	2015	2014	Difference
Current Assets	$ 3,902,401	$ 3,852,947	$ 49,454
Noncurrent Assets	7,583,809	8,188,399	-604,590
Total Assets	$ 11,486,210	$ 12,041,346	$ -555,136
Deferred Outflows of Resources	$ 872,631	0	$ 872,631
Current Liabilities	$ 3,321,326	$ 3,492,954	$ -171,628
Noncurrent Liabilities	14,126,455	6,363,298	7,763,157
Total Liabilities	$ 17,447,781	$ 9,856,252	$ 7,591,529
Deferred Inflows of Resources	$ 625,966	0	$ 625,966
Investment in Capital Assets (Net of Related Debt)	$ 1,533,809	$ 1,408,409	$ 125,400
Restricted	524,448	611,974	-87,526
Unrestricted	-7,773,163	164,711	-7,937,874
Total Net Position	$ -5,714,906	$ 2,185,094	$ -7,900,000

Total revenues reported on the Statement of Activities varied slightly from the previous year.

Charges for Services increased minimally, by 1.5% year over year.

Operating Grants and Contributions increased by $39,898, or 2.5% due to not receiving more funding from the federal government for our food service program and for receiving a higher amount in federal grants such as Great Start Readiness Program and At Risk programs.

Property taxes decreased by $122,054 as a result of the rapid decline of value in windmills as depreciation is taken that were put on the tax levy in previous years.

Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2015 and 2014

	2015	2014	Difference
Charges for Services	$ 100,502	$ 98,997	$ 1,505
Operating Grants and Contributions	1,622,306	1,582,408	39,898
Total Program Revenues	$ 1,722,808	$ 1,681,405	$41,403
Property Taxes	$1,775,403	$1,897,457	-$ 122,054
State Aid Not Restricted to Specific Purposes	4,554,321	4,555,098	-777
Unrestricted Interest and Investment Earnings	4,356	3,929	427
Restricted Interest and Investment Earnings	795	6,449	-5,654
Other	103,298	98,128	5,170
Total General Revenues	$6,438,173	$6,561,061	-$122,888
Total Revenues	$8,160,981	$8,242,466	-$81,485

Total expenses did not vary significantly from the previous year. Most of these components that make up total expenses decreased, with the exception of depreciation, as shown in Table 3.

Instruction costs decreased from the previous year by $261,627 as the district worked to decrease expenditures prior to the start of the school year. The positions of the employees who retired at the end of 2013-14 were not filled as class size was looked at and it was determined that the current number of employees would be sufficient. As a result costs for benefits also reduced and make up the decrease we see here.

The cost of **Support Services** increased during the year minimally by $63,466 due to an increase in instructional staff support. Some of the areas that make up instructional staff support are counseling services, speech services, media and instruction related technology.

Athletics related expenditures increased minimally from the previous year due to the normal incurrence of certain expenditures, such as the certification of football helmets, etc.

Food Service costs decreased slightly from the previous year due to a decrease in the number of meals sold.

Community Services costs decreased minimally during the year due to a slight decrease in After School salaries/fringes.

Other expenses were not seen in 2014-15 as we saw the completion of the building demolition under the Bond Project, which expenditures were classified under Other in previous years.

Depreciation increased significantly as we completed all of Bond projects and assets acquired have now started to depreciate.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2015 and 2014

	2015	2014	Difference
Instruction	$4,373,766	$4,635,393	-261,627
Support Services	2,096,080	2,032,614	63,466
Athletics	217,148	213,998	3,150
Food Service	280,153	287,076	-6,923
Community Services	10,453	10,999	-546
Interest and Fees on Long-term Debt	190,763	205,861	-15,098
Other	0	63,903	-63,903
Depreciation – Unallocated	604,590	323,947	280,643
Total Expenses	$7,772,953	$7,773,791	-$838

III. Analysis of the Overall Financial Position and Results of Operations for Governmental Activities

Governmental Activities

The net position and changes in net position are presented in table 4 below. Since the District does not have any business-type activities, this change is entirely comprised of governmental type activities.

Table 4
Comparative Summary of Net Position and Changes in Net Position
Years Ended June 30, 2015 and 2014

	2015	2014	Difference
Net Position – Beginning	-$6,102,723	$1,716,419	−$7,819,142
Increase (Decrease) in Net Position	387,817	468,675	-80,858
Net Position – Ending	-$5,714,906	$2,185,094	

The District operates under the philosophy that it should maintain or grow fund balance from one year to the next based on the Fund Financial Statements (modified accrual). Most business officials contend that 12% to 18% fund balance is the optimal target for a district. With slight increases in funding, the district strives to break even while maintaining current programs and maintaining a fund balance above 5%.

The decrease in Net Position is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between these two methods is presented on page 6. The differences include the payment of principal on outstanding bonds $814,990, and depreciation of fixed assets ($604,590).

Statement of Activities

The Statement of Activities on page 2 is significantly different from the Statement of Revenues, Expenditures, and Changes in Fund Balance. This statement is organized by program listing the expenses in the first column, charges for services in the second column, grants/contributions in the third column, and net expense/revenue in the fourth column. This manner of presentation illustrates the expenses each program generates as well as the corresponding revenues. The net expense/revenue indicates the portion of that program that must be financed with general revenues of the district.

To help the user better understand this statement, the significant program revenues have been identified as follows:

Instruction:

Basic Programs	Great Start Readiness Program Revenues.
Added Needs	State Special Education funding, At Risk grant, Title I - Part A grant, Title II - Part A grant, Medicaid revenues and county special education tax levy, and vocational education from the intermediate school district.

Support Services:

Pupil Services	State Special Education funding, county special education tax levy and vocational education revenue from intermediate school district and Technology Infrastructure grant.
Instructional Staff	Title I, A grant, Title II A grant, county special education tax levy from intermediate school district and Technology Infrastructure grant.
Operations & Maintenance	Universal Service Funds and Miscellaneous revenue.
Pupil Transportation	Special Education funding, sale of used buses, county special education tax levy and vocational transportation revenue from intermediate school district, and Great Start Readiness Program revenue.
Central	State Headlee Obligation for Data Collection grant, Technology Infrastructure Grant, and Universal Service Funds.
Food Service	School meals sales, State School Lunch funds, and Federal National School Lunch Program.
Athletics	Gate receipts, tournament fees.

All other revenues are considered General Revenues and are listed at the bottom of the Statement of Activities.

IV. Significant Transactions and Changes in Individual Funds

The overall financial position of the individual governmental funds of the District did not change significantly from the previous year with the exception of General Fund.

The General Fund realized an increase in fund equity due to a growth in state unrestricted revenues and a decrease in overall expenditures.

The Capital Projects Fund shows a decrease as a result of the purchase of new doors for the Elementary building and the purchase of new computers. Minimal revenues were receipted in to compensate.

Food Service also had a decrease in fund balance due to a previous period adjustment in which the district will be made whole in 2015-16 for the full amount.

The Debt Fund also incurred a loss to the fund balance due to debt service payments exceeding taxes received for debt. Capital Projects saw a decrease in overall fund balance as well as purchases were made during the fiscal year and minimal revenues were received.

A comparison of the change in fund balance to the revenues and other financing sources for each of the governmental funds is as follows:

	Revenues and Other Financing Sources	Net Change in Fund Balance From Prior Year	Percent Change in Fund Balance as a Percent of Revenues and Other Financing Sources
General	$7,040,098	$ 237,035	3.37%
Food Service	270,625	-9,528	-3.52%
Debt Service	849,501	-58,185	-6.85%
Capital Projects	546	-19,813	>- 100.00%

General Fund

Approximately 78% of the General Fund budget is spent on salaries and benefits. As this is a large portion of the budget, every attempt is made to settle bargaining agreements. Bargaining units had contracts during the 2014-15 fiscal year.

Food Service Fund

The Food Service program for the District has not required any contribution from the General Fund in recent years because it has been operating at a profit or small loss. The District regularly builds fund equity in the Food Service Fund to set aside funds necessary to replace large equipment. No equipment was purchased during the 2014-15 fiscal year as we made purchases in recent previous years.

Debt Service Fund

The Debt Service Fund collects property taxes and receives interest earnings on bank deposits to finance the payment of interest and principal on bonds issued to construct and upgrade facilities and technology throughout the district. The tax rate is set each year at a level to pay the current year principal and interest payments on the bond issue with a maximum levy of 2.8 mills. The maximum levy generates sufficient revenues to pay the principal and interest payment of the 2008, 2010 and 2012 bond issues.

Capital Projects

The District had a few smaller capital expenditures related to the 2012 Bond Issue during the year. All projects were completed as of September 1, 2014.

V. Changes to Budget and Comparison to Actual Results

It is required by State law to adopt the original budget before the beginning of the fiscal year. For the fiscal year ended June 30, 2015 the original budget was adopted on June 16, 2014. The original budget is adopted before the enrollment is known, some grants are awarded, and some staff is hired. Many assumptions are therefore made in constructing the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The significant variances for the fiscal year ended June 30, 2015 are as follows:

General Fund

Changes from Original Budget to Final Budget

Local Sources – The district anticipated fewer tax dollars based on an on-going issue with local townships not correctly reporting tax valuations on the MDE public website.

State Sources – The original budget was based on enrollment estimates. Final budget used actual numbers based on student count data. There was minimal difference between the two. The Great Start Readiness Program dollars were decreased due to not filling all slots that were made available. At Risk dollars increased and MPSERS 147d was adjusted per the state.

Federal Sources – The original budget was amended to include actual dollars allocated to the district.

Other Sources – The original budget was amended to account for a decrease in revenues received from the intermediate school district in relation to Special and Vocational Education.

Basic Programs – The original budget was amended to include a decrease in expenses ($25,018) associated with not filling all slots made available in the Great Start Readiness Program. Tuition/dual enrollment was decreased as the number of students participating in the program was known ($41,637). Adjustments to wages and benefits were made ($70,463) due to the not filling of positions of retired teachers.

Pupil Services – An increase of approximately $45,000 was made to pupil services salary and benefits to include an increase of .5 fte.

General Administration – Stayed relatively unchanged between original and final budgets.

School Administration – Was increased to reflect additional costs in salary and benefits.

Business Services – A decrease was made to the final budget to reflect lower fees and payments and decreased unemployment costs.

Operations and Maintenance – The original budget was amended to reflect actual utility costs that were being incurred by the district for the year.

Pupil Transportation – The original budget was amended to show a decrease in salary and benefits as well as decreased costs in repairs and gas used by district buses for the year.

Variances between Final Budget and Actual Amounts

State Sources – Additional property tax revenue was realized after confirming local township taxable values were different than what was used for the final budget.

Federal Sources – Federal grants of $15,919 were not recognized as those funds were not spent by year end.

Added Needs – At Risk grant did not spend the full 2014-15 allocation ($34,569).

Support Services – Overall expenses were underspent by all support services by $116,647.

Food Service Fund

Changes from Original Budget to Final Budget

Local Sources – The original budget was amended to more closely reflect actual student lunch sales.

State Sources – State sources were reflected to match what was seen on the state aid status report.

Federal Sources – The original budget was amended to reflect additional Federal reimbursement revenue in the school lunch program.

Food Service – The original budget was amended to reflect minimal additional expense associated with contractual services.

Variances between Final Budget and Actual Amounts

Food Service – The actual revenues were lower due to the previous period adjustment that was pulled back from the state within state aid. The amount will be returned to the district and the district made whole in 2015-16. Actual expenses were slightly higher as well by $3,706.

VI. Capital Assets and Long-Term Debt Activity during the Year

Capital Assets

A summary of the changes in the District's capital assets is presented on page 15. The significant additions and disposals are described as follows:

Buildings and Additions – Building renovations and improvements as outlined in the 2012 Bond Issue were completed and added. However we had disposals as well that exceeded additions so the overall balance was reduced.

Equipment – Equipment that was outlined in the 2012 Bond Issue was put in place and added to fixed assets as an addition.

Furniture – Furniture included in the 2012 Bond Issue was also put in place and added to fixed assets for 2014-15.

Long-Term Debt

A summary of the changes in long-term debt is presented on page 17. Detailed notes for these long-term debts are on page 16 and 17.

VII. Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations.

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

The District along with other schools throughout Michigan are faced with significant budget challenges as the State of Michigan continues to struggle to determine an effective method to provide adequate funding for public education. Districts must continue to provide quality educational services to their students while effectively managing their resources within the ever changing financial landscape for Michigan Schools.

The budget prepared for the 2014-15 school year was based on a $125 per student state funding increase and a decline in student enrollment of 20 students, projecting a modest increase in the district's fund balance.

Request for Information

This financial report is designed to provide our stakeholders with a general overview of the district's finances and to show the district's accountability for the funding it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Breckenridge Community School District, Central Office, 700 Wright Street, Breckenridge, MI 48615.

DISTRICT-WIDE
FINANCIAL STATEMENTS

Breckenridge Community School District
Statement of Net Position
June 30, 2015

Assets	
Current assets	
Cash and cash equivalents	$ 2,743,504
Due from agency fund	5,278
Due from other governmental units	1,088,619
Other current assets	65,000
Total current assets	3,902,401
Noncurrent assets	
Capital assets less accumulated depreciation	7,583,809
Total assets	11,486,210
Deferred Outflows of Resources	
Deferred outflow - retirement contributions	872,631
Liabilities	
Current liabilities	
Accounts payable	24,496
Accrued expenses	567,396
Accrued interest	30,497
Unearned revenue	34,569
Short-term note payable	1,900,000
Bonds payable, due within one year	690,000
Compensated absences, due within one year	21,368
Retirement incentive, due within one year	53,000
Total current liabilities	3,321,326
Noncurrent liabilities	
Bonds payable, due beyond one year	5,360,000
Compensated absences, due beyond one year	121,086
Premium on bonds, net of amortization	110,305
Retirement incentive, due beyond one year	36,160
Net pension liability	8,498,904
Total noncurrent liabilities	14,126,455
Total liabilities	17,447,781
Deferred Inflows of Resources	
Deferred inflow - MPSERS plan activity, net of amortization	625,966
Net position	
Net investment in capital assets	1,533,809
Restricted for:	
Capital projects	123,155
Debt service	338,384
Food service	62,909
Unrestricted	(7,773,163)
Total net position	$ (5,714,906)

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

Breckenridge Community School District
Statement of Activities
For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 4,373,766	$ -	$ 1,399,925	$ (2,973,841)
Support services	2,096,080	-	-	(2,096,080)
Athletics	217,148	34,521	-	(182,627)
Food service	280,153	56,948	222,381	(824)
Community services	10,453	9,033	-	(1,420)
Interest and fees on long-term debt	190,763	-	-	(190,763)
Depreciation - unallocated	604,590	-	-	(604,590)
Total governmental activities	$ 7,772,953	$ 100,502	$ 1,622,306	(6,050,145)
General revenues:				
Property taxes				1,775,403
State sources				4,554,321
Unrestricted interest and investment earnings				4,356
Restricted interest and investment earnings				795
Other general revenues				103,298
Total general revenues				6,438,173
Change in net position				388,028
Net position - beginning, as restated for net pension liability				(6,102,723)
Prior period adjustment				(211)
Net position - ending				$ (5,714,906)

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

FUND FINANCIAL STATEMENTS

Breckenridge Community School District
Balance Sheet
Governmental Funds
June 30, 2015

	Major Fund General Fund	Total Non-major Funds	Totals
Assets			
Cash and cash equivalents	$ 2,332,694	$ 410,810	$ 2,743,504
Due from other funds	-	173,589	173,589
Due from other governmental units	1,088,619	-	1,088,619
Other current assets	65,000	-	65,000
Total assets	$ 3,486,313	$ 584,399	$ 4,070,712
Liabilities			
Accounts payable	$ 24,496	$ -	$ 24,496
Due to other funds	109,012	59,299	168,311
Accrued expenditures	566,744	652	567,396
Unearned revenue	34,569	-	34,569
Short term note payable	1,900,000	-	1,900,000
Total liabilities	2,634,821	59,951	2,694,772
Fund balances			
Nonspendable	65,000	-	65,000
Restricted for:			
Food service	-	62,909	62,909
Debt service	-	338,384	338,384
Capital projects	-	123,155	123,155
Unassigned	786,492	-	786,492
Total fund balances	851,492	524,448	1,375,940
Total liabilities and fund balance	$ 3,486,313	$ 584,399	$ 4,070,712

Breckenridge Community School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2015

Total fund balance - governmental funds			$ 1,375,940
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Add:	Cost of capital assets	$ 13,924,260	
Deduct:	Accumulated depreciation	(6,340,451)	
			7,583,809
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:			
Deduct:	2008 Refunding Bonds	(1,805,000)	
Deduct:	2010 Bonds	(1,005,000)	
Deduct:	2012 Bonds	(3,240,000)	
Deduct:	Compensated absences payable	(142,454)	
Deduct:	Commercial Controls	-	
Deduct:	Retirement incentive payable	(89,160)	
Deduct:	Accrued interest on long-term liabilities	(30,497)	
			(6,312,111)
Other amounts reported in the statement of activities that do not require current financial resources consist of:			
Add:	Deferred outflow - retirement contributions		872,631
Deduct:	Net pension liability		(8,498,904)
Deduct:	Deferred inflow - MPSERS plan activity (net of amortization)		(625,966)
Deduct:	Premium on bonds (net of amortization) - 2008 bonds		(41,267)
Deduct:	Premium on bonds (net of amortization) - 2012 bonds		(69,038)
Total net position - governmental activities			$ (5,714,906)

Breckenridge Community School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Fund General Fund	Total Non-major Funds	Totals
Revenues			
Local sources	$ 1,061,141	$ 836,882	$ 1,898,023
State sources	5,433,194	73,357	5,506,551
Federal sources	263,080	219,170	482,250
Other sources	274,157	-	274,157
Total revenues	7,031,572	1,129,409	8,160,981
Expenditures			
Instruction			
Basic programs	3,537,106	-	3,537,106
Added needs	912,919	-	912,919
Total instruction	4,450,025	-	4,450,025
Support services			
Pupil	254,396	-	254,396
Instructional staff	148,770	-	148,770
General administration	185,171	-	185,171
School administration	409,872	-	409,872
Business services	121,643	-	121,643
Operation and maintenance	620,446	-	620,446
Pupil transportation	344,052	-	344,052
Central	11,730	-	11,730
Athletics	217,148	-	217,148
Total support services	2,313,228	-	2,313,228
Food service	-	280,153	280,153
Community services	10,453	-	10,453
Facilities construction and improvement	3,836	16,828	20,664
Debt service			
Principal payments	24,990	705,000	729,990
Interest, fees and other	531	206,217	206,748
Total expenditures	6,803,063	1,208,198	8,011,261
Revenues over (under) expenditures	228,509	(78,789)	149,720
Other financing sources (uses)			
Transfers in (out)	-	-	-
Revenues and other financing sources over (under) expenditures and other financing sources	228,509	(78,789)	149,720
Fund balances - beginning	614,457	611,974	1,226,431
Prior period adjustment	8,526	(8,737)	(211)
Fund balances - ending	$ 851,492	$ 524,448	$ 1,375,940

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

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

Net change in fund balances - total governmental funds		$	149,720
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Deduct:	Depreciation expense		(604,590)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.			
Add:	Change in deferred outflow - retirement contributions		124,766
Add:	Decrease in net pension liability		35,578
Deduct:	Change in deferred inflow - MPSERS plan activity (net of amortization)		(124,766)
Deduct:	Increase in accrual for compensated absences		(23,655)
Add:	Decrease in accrued interest on long term debt		3,134
Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).			
Add:	2008 refunding bonds		320,000
Add:	2010 bonds		85,000
Add:	2012 bonds		300,000
Add:	Commercial control systems debt		24,990
Add:	Early retirement incentive		85,000
Other amounts reported in the statement of activities that do not require current financial resources			
Add:	2008 refunding bonds - amortization of premium		7,098
Add:	2012 bonds - amortization of premium		5,753
Change in net position - governmental activities		$	388,028

Breckenridge Community School District
Fiduciary Funds - Statement of Net Position
For the Year Ended June 30, 2015

Agency Fund

Assets		
Cash and cash equivalents	$	96,536
Liabilities		
Accounts payable		4,462
Due to other funds		5,278
Due to student and other groups		86,796
Total liabilities		96,536
Net Position	$	-

-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

District-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The District reports the following major governmental funds:

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

The District reports the following non-major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

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

Budgetary Data

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

Cash and Cash Equivalents

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

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

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

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

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

The District levied 18.0 mills for school general operations. The District also levied an additional 2.56 mills on all property in the District for the purpose of debt service.

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

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

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

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

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

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

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

Assets	Years
Buildings & Improvements	10 – 50
Computer & Related Equipment	5
Furniture & Equipment	5 – 20
Vehicles	5 – 8

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

Compensated Absences
The District's policy allows full time, non-teacher employees to accumulate an unlimited amount of vacation days, and to carry the accumulation for an indefinite time into the future. Amounts accumulated are to be paid to the employee and recognized as an expense when vacation days are actually taken. Upon termination, no more than one year's accumulation will be paid to an employee and recognized as an expense. The vacation pay liability at year-end is $37,914.

Sick pay is accumulated at a rate of ten (10) days per year (maximum of 130 days) for teachers, administrators and twelve-month employees. Other employees accumulate sick days at a rate of nine (9) days per year. Amounts accumulated are to be paid to the employee and recognized as an expense when sick leave is actually taken. Upon termination of employment, all sick leave benefits are forfeited. Upon retirement, providing that notice is given to the Board of Education by May 1st of the year in which retirement is planned, teachers with a minimum of twelve (12) years of service in the Breckenridge Community School District, and who are eligible to receive retirement benefits from MPSERS, are paid sick leave at a rate of $80 for each unused sick day. The sick pay liability at June 30, 2015 is $104,540.

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

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

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

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

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

Fund Balances - Reserves and Designations
Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Capital Projects and Debt Service fund balances are considered restricted.
- The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position – Restrictions
Net position in the District-wide financial statements are reported as restricted when constraints placed on net position use is either:
- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Unemployment Compensation
The District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the District must reimburse the Employment Commission for all benefits charged against the District for the year. No provision has been made for possible future claims.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
Excess Of Expenditures Over Appropriations
Budgets are adopted at the functional level and on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in governmental funds.

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

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

- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2015. The District does not consider these amendments to be significant.

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

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30th, the carrying amount of the District's cash, deposits and investments was as follows:

Cash and Cash Equivalents	Amount
Petty Cash	464
Checking, Savings, Money Market Accounts and Certificates of Deposit	2,743,040
Total	2,743,504

At year-end, the bank balance was $2,766,071. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining balance was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

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

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

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

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

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

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

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

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

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

Due From	Amount
General Fund:	
State of Michigan – State Aid	995,756
State of Michigan – Title I	22,353
State of Michigan – Title II	11,553
Midland County ESA – GSRP	57,301
Other government units	1,656
Total	1,088,619

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

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

Due from Fund	Amount	Due to Fund	Amount
General Fund	109,012	2012 Bond	89,771
2008 Bond	55,768	2010 Bond	36,143
2012 Bond – Proposal 1	3,531	Food Service	47,675
Agency	5,278		
Total	173,589	Total	178,867

NOTE 6 – OTHER CURRENT ASSETS

Other current assets represent payments for the following expenses that will benefit future periods:

Other Current Assets	Amount
Insurance	65,000

NOTE 7 - CAPITAL ASSETS
A summary of changes in the District's capital assets follows:

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Buildings & Improvements	12,035,968	2,739,424	(3,427,355)	11,348,037
Computer & Related Equipment	104,010	623,487	-	727,497
Furniture & Equipment	982,547	64,444	-	1,046,991
Vehicles	801,735	-	-	801,735
Total Capital Assets	13,924,260	3,427,355	(3,427,355)	13,924,260
Accumulated Depreciation				
Buildings & Improvements	(4,212,507)	(412,966)	-	(4,625,473)
Computer & Related Equipment	(104,010)	(103,914)	-	(207,924)
Furniture & Equipment	(829,908)	(43,916)	-	(873,824)
Vehicles	(589,436)	(43,794)	-	(633,230)
Total Accumulated Depreciation	(5,735,861)	(604,590)	-	(6,340,451)
Net Capital Assets	8,188,399	2,822,765	(3,427,355)	7,583,809

Depreciation for the year ended June 30, 2015 totaled $604,589. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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

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

Accrued Expenses	Amount
Salaries payable	350,399
Retirement	89,734
FICA	25,808
Health insurance	31,459
Accrued interest on State Aid Note	18,481
UAAL stabilization payable	50,631
Other accrued payroll liabilities	884
Total	567,396

NOTE 10 - SHORT-TERM NOTE PAYABLE

On August 20, 2014, the District borrowed $1,900,000 in two notes in the form of State Aid Notes for the purpose of providing funds for school operations. The interest rates are stated at 1.235% and 1.050%, respectively. The maturity date for both notes is August 20, 2015.

On August 20, 2015 (after the end of the current fiscal year), the District borrowed 1,285,000 in two notes in the form of State Aid Notes for the purpose of providing funds for school operations. The interest rates are stated at 1.08% and 1.4625%, respectively. The maturity date for both notes is August 22, 2016.

NOTE 11 - LONG-TERM DEBT

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

2008 REFUNDING BONDS

During the fiscal year ended June 30, 2008, the District advance refunded a general obligation bond issue with a general obligation bond refunding. The District issued $4,055,000 of general obligation refunding bonds for the purpose of advance refunding a portion of the District’s outstanding 1998 bonds and paying costs associated with the issuance of the bonds. The proceeds of the bonds, together with funds on hand, will be used to establish an escrow fund to provide for payment of principal and interest and redemption premiums on the prior bonds being refunded. The escrow fund will consist of cash and direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated March 27, 2008.

2010 BONDS

During the fiscal year ended June 30, 2010, the District issued a general obligation bond in the amount of $1,300,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated February 24, 2010.

2012 BONDS

During the fiscal year ended June 30, 2013, the District issued a general obligation bond in the amount of $4,135,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated November 28, 2012.

RETIREMENT INCENTIVE PAYABLE

Ten individuals are currently participating in the early retirement incentive program offered by the District. Under this program, the individuals will receive annual payments ranging from $1,760 to $15,000 each through the year 2018.

See payment schedules in the back of this report.

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

	Beginning Balance	Additions	Deletions	Ending Balance	Less: Current Portion	Total due after one year
Compensated Abs.	118,799	23,655	-	142,454	21,368	121,086
2008 Ref. Bonds	2,125,000	-	(320,000)	1,805,000	315,000	1,490,000
2010 Bonds	1,090,000	-	(85,000)	1,005,000	105,000	900,000
2012 Bonds	3,540,000	-	(300,000)	3,240,000	270,000	2,970,000
Early Ret. Incentive	174,160	-	(85,000)	89,160	53,000	36,160
Commercial Controls	24,990	-	(24,990)	-	-	-
Total	7,072,949	23,655	(838,645)	6,281,614	764,368	5,517,246

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

NOTE 12 - OPERATING LEASES
The School District is currently leasing a copy machine from Xerox Corporation. Monthly payments are $676, payable over 60 months.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM
Organization
The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System’s pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System’s health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees’ Retirement Act. There are 685 participating employers. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members.

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

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

Membership

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

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

Benefits Provided

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

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

Member Contributions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reporting Entity

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

Benefit Protection

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

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

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

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

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

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

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

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

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

Pension Contribution Rates

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

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

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

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

Net Pension Liability

Measurement of the MPSERS Net Pension Liability

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

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

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

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

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

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

Proportionate Share of Reporting Unit's Net Pension Liability
At September 30, 2014, the Reporting Unit reported a liability of $8,498,904 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The Reporting Unit's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the Reporting Unit's proportionate share percent was 0.03858 percent.

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

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

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

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

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

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

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	**Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%**	**1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%**
$ 11,205,065	$ 8,498,904	$ 6,218,924

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

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

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

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions
Actuarial Assumptions

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

Mortality:

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

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2015, the Reporting Unit recognized total pension expense of $563,669. At June 30, 2015, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -
Changes of assumptions	400,169
Net difference between projected and actual earnings on pension plan investments	(1,174,446)
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	-
Deferred inflow - MPSERS plan activity, net of amortization	$ (625,966)
Reporting Unit contributions subsequent to the measurement date	$ 872,631

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

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

Plan Year Ended Sept. 30	Amount:
2015	$ (153,346)
2016	(153,346)
2017	(153,346)
2018	(165,928)

The District received $280,533 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2015.

Other Postemployment Benefits

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

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

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

NOTE 14 - RISK MANAGEMENT

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

NOTE 15 - JOINT VENTURE

During the year ended June 30, 1999 the District elected to join the Middle Michigan Network for Educational Telecommunications (MMNET). As a member of MMNET, the District was required to purchase an interest in various communication equipment and services as well as pay for annual administrative cost incurred by Gratiot-Isabella RESD, the administrative agent. The payment of equipment and services was completed during the 2015 year.

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

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

NOTE 16 – PRIOR PERIOD ADJUSTMENT

The prior period adjustments reflected within the General fund revenues consist of adjustments to the District's foundation from state aid, sections 22a and 22b. When local governments report adjustments to taxable values from prior years, the District is then responsible for paying those amount that were overpaid back to the county. The District is then made whole by the state in Prior Period Adjustments within the state aid.

During the year, the Michigan Department of Education pulled back funding received by the District for the lunch program in the amount of $14,296 which represented $5,559 of current year revenues and $8,737 of prior year revenues due to the incorrect filing of additional cost expenditures in the food program. The District will be made whole in the following 2015-16 fiscal year. Please refer to the management's discussion and analysis section of this report for further discussion regarding this adjustment.

NOTE 17 – RESTATEMENT OF NET POSITION

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

Restatement of Net Position	Balance June 30, 2014 Previously Reported	Restatement	Balance June 30, 2014 as Restated
Net Position	$ 2,185,094	$ (8,287,817)	$ (6,102,723)

The beginning net position was restated to reflect the implementation of GASB 68. Net position was restated by $(8,287,817) which is the cumulative difference (as of June 30, 2014) between the net pension liability of $9,035,682 and the deferred outflow – retirement contributions of $(747,865). Note 13 - Employee Retirement System contains additional information regarding the implementation of GASB 68.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

PROSPECTIVE 10-YEAR TREND INFORMATION

Breckenridge Community School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 1,118,936	$ 1,035,228	$ 1,061,141	$ 25,913
State sources	5,464,693	5,429,962	5,433,194	3,232
Federal sources	283,665	278,999	263,080	(15,919)
Other sources	338,800	272,700	274,157	1,457
Total revenues	7,206,094	7,016,889	7,031,572	14,683
Expenditures				
Instruction				
Basic programs	3,655,725	3,526,366	3,537,106	(10,740)
Added needs	963,299	960,823	912,919	47,904
Total instruction	4,619,024	4,487,189	4,450,025	37,164
Support services				
Pupil	232,480	277,710	254,396	23,314
Instructional staff	164,291	159,408	148,770	10,638
General administration	190,862	191,213	185,171	6,042
School administration	406,440	419,139	409,872	9,267
Business services	175,624	130,498	121,643	8,855
Operation and maintenance	667,591	650,727	620,446	30,281
Pupil transportation	385,066	354,839	344,052	10,787
Central	13,540	13,050	11,730	1,320
Athletics	236,395	233,291	217,148	16,143
Total support services	2,472,289	2,429,875	2,313,228	116,647
Community services	18,875	11,356	10,453	903
Facilities construction and improvement	-	-	3,836	(3,836)
Debt service	38,672	34,029	25,521	8,508
Total expenditures	7,148,860	6,962,449	6,803,063	159,386
Revenues over (under) expenditures	57,234	54,440	228,509	174,069
Fund balances - beginning	614,457	614,457	614,457	-
Prior period adjustment	-		8,526	8,526
Fund balances - ending	$ 671,691	$ 668,897	$ 851,492	$ 182,595

Breckenridge Community School District
Required Supplemental Information
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability	Plan year Sept 30, 2014
Reporting unit's proportion of net pension liability (%)	0.03858%
Reporting unit's proportionate share of net pension liability	$ 8,498,904
Reporting unit's covered employee payroll	$ 3,262,514
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	260.5%
Plan fiduciary net position as a percentage of total pension liability	66.20%

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

Schedule of the Reporting Unit's Contributions	Fiscal year June 30, 2015
Statutorily required contributions	$ 709,496
Contributions in relation to statutorily required contributions	$ 709,496
Contribution deficiency (excess)	$ -
Reporting unit’s covered-employee payroll	$ 3,225,898
Contributions as a percentage of covered-employee payroll	22.0%

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

Notes to Required Supplementary Information

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

OTHER SUPPLEMENTAL INFORMATION

COMBINING SCHEDULES – NON-MAJOR GOVERNMENTAL FUNDS

SCHEDULE OF LONG-TERM DEBT

Breckenridge Community School District
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2015

	Food Service	Debt Service Funds 2008 Bond	Debt Service Funds 2010 Bond	Debt Service Funds 2012 Bond	Capital Project Fund 2012 Bond Proposal 1	Total Non-major Funds
Assets						
Cash and investments	$ 15,886	$ 268,238	$ -	$ -	$ 126,686	$ 410,810
Due from other funds	47,675	-	36,143	89,771	-	173,589
Total assets	63,561	$ 268,238	$ 36,143	$ 89,771	$ 126,686	$ 584,399
Liabilities						
Accrued expenditures	$ 652	$ -	$ -	$ -	$ -	$ 652
Due to other funds	-	55,768	-	-	3,531	59,299
Total liabilities	652	55,768	-	-	3,531	59,951
Fund Balance						
Restricted						
Food service	62,909	-	-	-	-	62,909
Debt service	-	212,470	36,143	89,771	-	338,384
Capital projects	-	-	-	-	123,155	123,155
Total fund balance	62,909	212,470	36,143	89,771	123,155	524,448
Total liabilities and fund balance	$ 63,561	$ 268,238	$ 36,143	$ 89,771	$ 126,686	$ 584,399

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

Breckenridge Community School District
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2015

	Food Service	Debt Service Funds 2008 Bond	Debt Service Funds 2010 Bond	Debt Service Funds 2012 Bond	Capital Project Fund 2012 Bond Proposal 1	Total Non-major Funds
Revenues						
Local sources	$ 56,981	$ 344,134	$ 115,651	$ 319,570	$ 546	$ 836,882
State sources	3,211	30,864	10,522	28,760	-	73,357
Federal sources	219,170	-	-	-	-	219,170
Total revenues	279,362	374,998	126,173	348,330	546	1,129,409
Expenditures						
Food service	280,153	-	-	-	-	280,153
Facilities construction and improv	-	-	-	-	16,828	16,828
Bond principal	-	320,000	85,000	300,000	-	705,000
Bond interest	-	85,000	35,923	80,863	-	201,786
Other fees	-	750		150	3,531	4,431
Total expenditures	280,153	405,750	120,923	381,013	20,359	1,208,198
Revenues over (under) expenditures	(791)	(30,752)	5,250	(32,683)	(19,813)	(78,789)
Other financing sources (uses)						
Transfers in (out)	-	117,543	-	(117,543)	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	(791)	86,791	5,250	(150,226)	(19,813)	(78,789)
Fund balance, beginning of year	72,437	125,679	30,893	239,997	142,968	611,974
Prior period adjustment	(8,737)	-	-	-	-	(8,737)
Fund balance, end of year	$ 62,909	$ 212,470	$ 36,143	$ 89,771	$ 123,155	$ 524,448

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

Breckenridge Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2015

Fiscal Year	Interest Rate (%)	Annual Principal Due	Interest Due November	Interest Due May	Total
2008 Refunding Bonds - $4,055,000					
2016	4.00	$ 315,000	$ 36,100	$ 36,100	$ 387,200
2017	4.00	310,000	29,800	29,800	369,600
2018	4.00	305,000	23,600	23,600	352,200
2019	4.00	300,000	17,500	17,500	335,000
2020	4.00	290,000	11,500	11,500	313,000
2021	4.00	285,000	5,700	5,700	296,400
Total 2008 Refunding Bonds		1,805,000	124,200	124,200	2,053,400
2010 Bonds - $1,300,000					
2016	3.00	105,000	16,899	16,899	138,798
2017	3.00	130,000	15,324	15,324	160,648
2018	3.20	155,000	13,374	13,374	181,748
2019	3.40	180,000	10,894	10,894	201,788
2020	3.55	210,000	7,834	7,834	225,668
2021	3.65	225,000	4,106	4,106	233,212
Total 2010 Bonds		1,005,000	68,431	68,431	1,141,862
2012 Bonds - $4,135,000					
2016	2.00	270,000	37,431	37,431	344,862
2017	2.00	230,000	34,731	34,731	299,462
2018	2.00	205,000	32,431	32,431	269,862
2019	2.00	185,000	30,381	30,381	245,762
2020	2.25	170,000	28,532	28,532	227,064
2021	2.25	170,000	26,619	26,619	223,238
2022	2.25	335,000	24,706	24,706	384,412
2023	2.50	335,000	20,937	20,937	376,874
2024	2.50	335,000	16,750	16,750	368,500
2025	2.50	335,000	12,563	12,563	360,126
2026	2.50	335,000	8,375	8,375	351,750
2027	2.50	335,000	4,188	4,188	343,376
Total 2012 Bonds		3,240,000	277,644	277,644	3,795,288

Fiscal Year	Interest Rate (%)	Annual Principal Due	Interest Due November	Interest Due May	Total
Early Retirement Incentive					
2016	-	$ 53,000	$ -	$ -	$ 53,000
2017	-	31,760	-	-	31,760
2018	-	4,400	-	-	4,400
Total Retirement Incentive		89,160	-	-	89,160

DEBT SUMMARY

	Annual Principal Due	November	May	Total
2016	743,000	90,430	90,430	923,860
2017	701,760	79,855	79,855	861,470
2018	669,400	69,405	69,405	808,210
2019	665,000	58,775	58,775	782,550
2020	670,000	47,866	47,866	765,732
2021	680,000	36,425	36,425	752,850
2022	335,000	24,706	24,706	384,412
2023	335,000	20,937	20,937	376,874
2024	335,000	16,750	16,750	368,500
2025	335,000	12,563	12,563	360,126
2026	335,000	8,375	8,375	351,750
2027	335,000	4,188	4,188	343,376
	6,139,160	470,275	470,275	7,079,710

5 YEAR GROUPINGS

	Annual Principal Due	November	May	Total
1st year	743,000	90,430	90,430	923,860
2nd year	701,760	79,855	79,855	861,470
3rd year	669,400	69,405	69,405	808,210
4th year	665,000	58,775	58,775	782,550
5th year	670,000	47,866	47,866	765,732
2nd 5 years	2,020,000	111,381	111,381	2,242,762
3rd 5 years	670,000	12,563	12,563	695,126
	6,139,160	470,275	470,275	7,079,710

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

To the Board of Education
Breckenridge Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Breckenridge Community School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.

October 21, 2015