Hastings Area School System
Hastings, Michigan

FINANCIAL STATEMENTS

June 30, 2015

Hastings Area School System

Hastings, Michigan

June 30, 2015

Hastings Area School System

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hastings Area School System
Hastings, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hastings Area School System (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 Hastings Area School System 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.

Changes in Accounting Principles

As discussed in Note P to the financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the District's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also, as discussed in Note P to the financial statements, the District implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the District recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are 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 16, 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, 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 the 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 16, 2015

This section of Hastings Area School System's (the District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District financially as a whole. The **district-wide** financial statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The **fund** financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant (major) funds, the General Fund and Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary (Student Activities Agency) assets and liabilities, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

District-wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. These financial statements were prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

Fund Financial Statements

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

Governmental funds - All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is explained through the reconciliations on pages 4 and 6.

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

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

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2015, with comparative information as of June 30, 2014:

Table 1

	Statement of Net Position	
	June 30, 2015	June 30, 2014
Assets		
Current and other assets	$ 9,613,146	$ 9,057,958
Capital assets	26,803,536	28,067,639
Total assets	36,416,682	37,125,597
Deferred outflows of resources	3,441,408	1,896,222
Liabilities		
Current liabilities	9,511,534	9,559,825
Noncurrent liabilities	45,224,317	49,247,224
Total liabilities	54,735,851	58,807,049
Deferred inflows of resources	3,272,900	-
Net position		
Net investment in capital assets	9,480,889	8,475,072
Restricted	427,830	343,811
Unrestricted	(28,059,380)	(28,604,113)
Total net position	$ (18,150,661)	$ (19,785,230)

By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions. This table has been restated from last year to reflect the recording of the pension liability and corresponding deferred inflows and outflows of resources that are required to be recorded as a result of a change in accounting principles. The District also reports its investment in capital assets (e.g. land, buildings, equipment, etc.). The District uses these capital assets to provide services to students and residents of the community; consequently, these assets are *not* available for future spending. Also, a certain amount of net position was restricted for specific purposes such as debt service and food and nutrition.

The analysis in Table 1 focuses on the net position of the District. The effect on net position as a result of the fiscal year activities is reflected in Table 2.

The District's net position was ($18,150,661) on at June 30, 2015, and ($19,785,230) at June 30, 2014, (Table 1). Net position increased from the prior fiscal year by approximately $1,634,569. This increase was a result of operations and does not account for the change in accounting principles requiring a restatement to the District's net position and the recording of the District's pension liability ($29,818,930) and corresponding amounts.

Net investment in capital assets, totaling $9,480,889, compares the original cost, less depreciation of the District's capital assets, to the long-term debt used to finance the acquisition of those assets. Capital assets also reflect investments in capital assets from operating funds. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use that net position for day-to-day operations. Restricted net position reflect amounts that are restricted outside sources including for food and nutrition, the community center, and the Debt Service Fund balances less accrued interest on long-term debt, as of June 30, 2015. Unrestricted net position reflects those assets available to the school district for use in its operation.

The ($28,059,380) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the District as a whole are reported in the condensed statement of activities (Table 2), which shows the changes in net position for fiscal year 2014/2015. Depreciation costs are not allocated to areas of activities but reflected in the Statement of Activities as unallocated. (Note: the 2014 column is prior to the implementation of GASB Statements No. 68 and No. 71 which were effective for fiscal years beginning after June 15, 2014.)

Table 2

	Year Ended, June 30, 2015	Year Ended, June 30, 2014
Revenues		
Program revenues		
Charges for services	$ 994,751	$ 1,001,601
Operating grants and contributions	4,145,933	3,708,025
Capital grants and contributions	145,057	170,120
General revenues		
Property taxes	5,524,507	5,610,105
State school aid - unrestricted	17,081,418	16,682,205
Other	217,558	182,894
Total revenue	28,109,224	27,354,950
Functions/Program Expenses		
Instruction	14,904,004	14,205,647
Support services	7,584,695	7,352,717
Food services	1,009,239	1,003,239
Community service	646,215	613,836
Interest and costs on long-term debt	741,315	923,560
Unallocated depreciation	1,589,187	1,588,255
Total expenses	26,474,655	25,687,254
Increase in net position	$ 1,634,569	$ 1,667,696

The 2014/2015 fiscal year presented a number of challenges for the District, particularly in the General Fund. However with modest increases in state and federal revenues it was anticipated that revenues would outpace expenses. There continues to be a strain on the State's ability to adequately fund public schools. Expenses continue to increase without a corresponding increase in revenues. Other factors that affect the value of Net Position are year-to-year fund balances in the debt service funds, amounts of debt outstanding, as well as the fund balance in the School Service funds at year-end.

As reported in the Statement of Activities, the cost of all of the *governmental* activities this year was $26,474,655. Certain activities were partially funded from those who benefited from the programs ($994,751 charges for services) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions ($4,290,990). The remaining "public benefit" portion of the governmental activities was paid with $5,524,507 in taxes (for General and Debt funds) and $17,298,976 in State foundation allowance and other revenues, i.e., interest and general entitlements.

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

The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of $2,613,477, which is an increase of approximately $693,591 from the prior fiscal year. The primary reason for the increase was an increase in operating revenues at the state and federal level.

Fund Highlights

Over the course of the year, the District revises its budget multiple times as it attempted to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2015, just before the fiscal year-end. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

There were several revisions made to the 2014/2015 General Fund original budget. The final amended revenue and other financing sources budget was amended up by approximately $1,036,068 (4.50%) once better information was available related to state and federal funding and the pupil count. Actual revenues and other financing sources were approximately $90,254 more than final amended budget as the District received unexpected year end state aid adjustments and greater than anticipated local funds from Barry ISD.

The final amended expenditure and other financing uses budget of the General Fund was amended upwards by approximately $1,002,243 (4.40%) once the revenue picture was better known and the funds available to expend could be accurately determined. Actual expenditures and other financing uses were approximately $289,771 (1.22%) under the final amended budget. Actual expenditures increased by approximately $1,433,443 from fiscal year 2014 as a result of the purchase of four new school busses, addition of Social Workers at the elementary level, additional repair expenses in the maintenance area as well as a larger than anticipated contribution to the Agency Fund from the General Fund.

The Debt Service Fund had a fund balance of $364,693 at June 30, 2015, all of which is restricted for the payment of debt related to certain District bonds. The fund balance increased by approximately 4.16% during fiscal year 2015 as a result of the District receiving federal interest subsidy payments to help offset the District's debt service payments.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the District had approximately $26.8 million invested in a broad range of net capital assets, including land, buildings, vehicles, furniture, and equipment (net of accumulated depreciation). This amount represents a net decrease (including additions and disposals) of approximately $1,264,103 from the prior fiscal year. Below is the historical cost (net of accumulated depreciation) of all District capital assets:

	2015	2014
Land	$ 253,410	$ 253,410
Buildings and building improvements	24,973,107	26,105,086
Buses and other vehicles	586,959	367,029
Furniture and equipment	990,060	1,342,114
Total	$ 26,803,536	$ 28,067,639

See Note D to the financial statements for more details related to capital assets.

Debt

At the end of this year, the District had almost $18.1 million in bonds and other obligations outstanding versus more than $20.1 million in the previous year. Those debts consisted of the following:

	2015	2014
General obligation bonds	$ 16,910,385	$ 19,082,406
Capital lease and installment purchase agreements	655,792	510,161
Compensated absences	485,999	479,312
Total	$ 18,052,176	$ 20,071,879

The State limits the amount of general obligation debt that schools can issue up to 15 percent of the assessed value of all taxable property within the District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District's outstanding qualified general obligation debt of approximately $16.9 million is below the statutorily imposed limit.

Other obligations, including compensated absences, are reported as required by GASB. More detailed information about long-term liabilities is presented in Note F to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The District's elected officials and administration considered many factors when setting the District's 2015/2016 fiscal year budgets. One of the most important factors affecting the budget is the student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2015 fiscal year is 90 percent and 10 percent of the October 2014 and February 2015 student counts, respectively. The 2015/2016 budget was adopted in June 2015, based on an estimate of students that will be enrolled in September 2015. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under State law, the District cannot access additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget if actual resources are not sufficient to fund original appropriations.

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

Another important factor is a decrease in federal funding to Title I and Title II programs which help the neediest students and provides training for the District staff.

Contacting the District's Management

This financial report is intended to provide taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Business Office, 232 West Grand Street, Hastings, Michigan 49058.

BASIC FINANCIAL STATEMENTS

Hastings Area School System

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 5,788,094
Accounts receivable	60,576
Due from other governmental units	3,721,265
Inventory	33,038
Prepaids	10,173
Total current assets	9,613,146
Noncurrent assets	
Capital assets not being depreciated	253,410
Capital assets, net of accumulated depreciation	26,550,126
Total noncurrent assets	26,803,536
TOTAL ASSETS	36,416,682
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	243,530
Deferred outflows of resources related to pensions	3,197,878
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,441,408
LIABILITIES	
Current liabilities	
Accounts payable	555,060
Accrued payroll liabilities	1,811,473
Other accrued liabilities	68,363
Unearned revenue	10,018
Accrued interest payable	106,534
Short-term notes payable	4,528,675
Current portion of compensated absences	134,254
Current portion of long-term debt	2,297,157
Total current liabilities	9,511,534
Noncurrent liabilities	
Noncurrent portion of compensated absences	351,745
Noncurrent portion of long-term debt	15,269,020
Net pension liability	29,603,552
Total noncurrent liabilities	45,224,317
TOTAL LIABILITIES	54,735,851
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	3,272,900
NET POSITION	
Net investment in capital assets	9,480,889
Restricted	427,830
Unrestricted	(28,059,380)
TOTAL NET POSITION	$ (18,150,661)

See accompanying notes to financial statements.

Hastings Area School System

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Instruction	$ 14,904,004	$ 1,860	$ 3,368,220	$ -	$ (11,533,924)
Supporting services	7,584,695	207,612	45,597	-	(7,331,486)
Food service	1,009,239	327,978	732,116	-	50,855
Community service	646,215	457,301	-	-	(188,914)
Interest and costs on long-term debt	741,315	-	-	145,057	(596,258)
Unallocated depreciation	1,589,187	-	-	-	(1,589,187)
TOTAL	$ 26,474,655	$ 994,751	$ 4,145,933	$ 145,057	(21,188,914)
General revenues					
Property taxes					5,524,507
State school aid - unrestricted					17,081,418
County special education allocation					103,352
Investment earnings					26,886
Miscellaneous					87,320
TOTAL GENERAL REVENUES					22,823,483
CHANGE IN NET POSITION					1,634,569
Restated net position, beginning of year					(19,785,230)
Net position, end of year					$ (18,150,661)

See accompanying notes to financial statements.

Hastings Area School System

Governmental Funds

BALANCE SHEET

June 30, 2015

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 5,261,614	$ 364,660	$ 161,820	$ 5,788,094
Accounts receivable	57,473	-	3,103	60,576
Due from other governmental units	3,678,603	33	16,549	3,695,185
Inventory	23,200	-	9,838	33,038
Prepaids	10,173	-	-	10,173
TOTAL ASSETS	$ 9,031,063	$ 364,693	$ 191,310	$ 9,587,066
LIABILITIES				
Accounts payable	$ 527,785	$ -	$ 27,275	$ 555,060
Accrued payroll	1,809,057	-	2,416	1,811,473
Accrued liabilities	60,353	-	8,010	68,363
Unearned revenue	-	-	10,018	10,018
Short-term note payable	4,528,675	-	-	4,528,675
TOTAL LIABILITIES	6,925,870	-0-	47,719	6,973,589
FUND BALANCES				
Nonspendable	33,373	-	-	33,373
Restricted	-	364,693	143,591	508,284
Unassigned	2,071,820	-	-	2,071,820
TOTAL FUND BALANCES	2,105,193	364,693	143,591	2,613,477
TOTAL LIABILITIES AND FUND BALANCES	$ 9,031,063	$ 364,693	$ 191,310	$ 9,587,066

See accompanying notes to financial statements.

Hastings Area School System

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balances - governmental funds		$ 2,613,477
Amounts reported for the 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 as assets in the governmental funds.		
The cost of capital assets is	$ 57,517,866	
Accumulated depreciation is	(30,714,330)	
		26,803,536
Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:		
Deferred charges on refunding		243,530
Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:		
Deferred outflows of resources related to pensions	3,197,878	
Deferred inflows of resources related to pensions	(3,272,900)	
		(75,022)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds, loans, and lease payable	(17,566,177)	
Accrued interest payable, net of long-term receivable for the Federal subsidy program	(80,454)	
Compensated absences	(485,999)	
Net pension liability	(29,603,552)	
		(47,736,182)
Net position of governmental activities		$ (18,150,661)

See accompanying notes to financial statements.

Hastings Area School System

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	$ 3,228,543	$ 2,607,627	$ 807,625	$ 6,643,795
State sources	19,602,290	-	41,739	19,644,029
Federal sources	882,613	145,057	690,378	1,718,048
TOTAL REVENUES	23,713,446	2,752,684	1,539,742	28,005,872
EXPENDITURES				
Current				
Instruction	14,982,795	-	-	14,982,795
Supporting services	7,955,156	-	-	7,955,156
Food service	-	-	1,015,036	1,015,036
Community service	4,865	-	645,054	649,919
Debt service	399,708	2,547,615	-	2,947,323
TOTAL EXPENDITURES	23,342,524	2,547,615	1,660,090	27,550,229
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	370,922	205,069	(120,348)	455,643
OTHER FINANCING SOURCES (USES)				
County special education allocation	103,352	-	-	103,352
Debt proceeds	325,084	4,600,000	-	4,925,084
Payment to escrow agent	-	(4,790,488)		(4,790,488)
Transfers in	-	-	165,500	165,500
Transfers out	(165,500)	-	-	(165,500)
TOTAL OTHER FINANCING SOURCES (USES)	262,936	(190,488)	165,500	237,948
NET CHANGE IN FUND BALANCES	633,858	14,581	45,152	693,591
Fund balances, beginning of year	1,471,335	350,112	98,439	1,919,886
Fund balances, end of year	$ 2,105,193	$ 364,693	$ 143,591	$ 2,613,477

See accompanying notes to financial statements.

Hastings Area School System

Governmental Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Net change in fund balances - total governmental funds		$ 693,591
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 325,084	
Depreciation expense	(1,589,187)	
Excess of depreciation expense over capital outlay		(1,264,103)
Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable deferred outflows of resources or liabilities in the statement of net position. In the current year, these amounts consist of:		
Additions to deferred charges on refunding	95,000	
Amortization of deferred charges on refunding	(74,264)	
Borrowing of long-term debt	(4,925,084)	
Debt principal retirement	6,951,474	
		2,047,126
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in accrued interest payable	24,286	
(Increase) in compensated absences	(6,687)	
Increase in deferred outflows of resources related to pensions	1,524,450	
(Increase) in deferred inflows of resources related to pensions	(3,272,900)	
Decrease in net pension liability	1,888,806	
		157,955
Change in net position of governmental activities		$ 1,634,569

See accompanying notes to financial statements.

Hastings Area School System

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2015

	Agency Fund
ASSETS	
Cash	$ 253,049
LIABILITIES	
Accounts payable	$ 10,643
Due to student groups	242,406
TOTAL LIABILITIES	$ 253,049

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hastings Area School System (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the District. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the district as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State aid payments, and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the district-wide financial statements.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. Fiduciary funds are reported by type and are used to account for assets held by the District where the District acts in an agency capacity with these funds for individuals outside the District (i.e., student activities).

The major governmental funds of the District are:

a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

b. Debt Service Fund - The Debt Service Fund was established to account for restricted tax revenue for payment of debt related to certain District bonds.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet, when applicable. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected with sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted 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. All unexpended appropriations lapse at fiscal year end.

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

a. 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 for financing them.

b. Public hearings are conducted to obtain taxpayer comments.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

   c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.

   d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.

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

   f. The budget, as presented, has been amended in a legally permissible manner. Three (3) supplemental appropriations were made during the year with the final amendments being approved June 22, 2015.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds. Cash equivalents are recorded at market (fair) value.

7. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” on the governmental funds balance sheet.

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan’s funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2015, to be paid in July and August 2015. Of the total amount of $3,721,265 due from other governmental units in the district-wide financial statements, $3,570,939 consists of State Aid, $26,080 in accrued interest receivable from the Federal Subsidy program (this amount is only recorded at the district-wide level), and the remaining $124,246 from other grants and local programs.

9. Inventory

Inventories are stated at cost on a first in/first out basis. The General Fund inventory consists of paper, custodial supplies, fuel, and technology supplies. The Food Services Fund inventory mainly consists of food and miscellaneous paper goods. Inventory amounts for consumable inventory (such as the amounts in the General Fund) are equally offset by a fund balance “nonspendable” designation which indicates that they do not constitute “available spendable resources” even though they are a component of fund balance. Inventory that will be sold, rather than used in providing services (i.e., food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as “nonspendable” but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than $5,000 and an estimated useful life of more than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and building improvements	5-50 years
Buses and other vehicles	5-10 years
Furniture and equipment	3-20 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated compensated absence amounts to be paid at termination are considered as payable from future resources and are recorded, along with the related payroll taxes, as current and noncurrent liabilities in the district-wide financial statements.

12. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of functional position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has several items that qualify for reporting in these categories and are reported in the district-wide financial statements of net position.

The District reports deferred outflows of resources for the deferred charges on refunding which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The District also reports items in both categories, deferred outflows and inflows of resources, which correspond to the District's net pension liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

13. Unearned Revenues

The unexpected balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also presented as unearned. These same amounts have been shown as "unearned revenue" on the Statement of Net Position and the Balance Sheet, when applicable, to indicate that the revenue has not been recognized because it has not been earned.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year, the District paid off the short-term note that was outstanding at the beginning of the year and subsequently borrowed funds to meet short-term cash flow borrowing needs. The final payment on the new borrowing is due and payable in August 2015 and anticipated State Aid is expected to be sufficient to cover this commitment.

15. Accrued Interest Payable

Accrued interest payable, related to long-term obligations in the district-wide financial statements, is due within one (1) year and is reported as a current liability in the district-wide financial statements.

16. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Funds for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability of a governmental fund.

17. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on district-wide financial statements as the District's proportionate share of the Michigan Public School Employees' Retirement System's (MPSERS) total pension liability, less the pension plan's fiduciary net position.

18. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School district property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes for the General Fund of $17.9262 per $1,000 of taxable valuation on nonprimary residence exempt property (2014 value $160,560,932) and $5.9262 per $1,000 of taxable valuation on commercial personal property (2014 value $7,921,520) for general governmental services and $4.80 per $1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. Total 2014 taxable value of the District, which was used for the basis of the tax revenue for the applicable Debt Service Fund, was $541,639,982.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2015, the foundation allowance was based on the average of pupil membership counts taken in September 2014 and February 2015. The average calculation was weighted 90% for the September 2014 count and 10% for the February 2015 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

20. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

21. Federal Programs

Federal programs are accounted for in the specific governmental funds to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under a separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

2. Certificates of deposit issued by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

5. United States government or federal agency obligation repurchase agreements.

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.

7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.

8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the District.

Deposits

There is custodial credit risk as it relates to deposits if they are not federally insured. 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. As of June 30, 2015, the carrying amount of the District's deposits was $6,037,969 and the bank balance was $6,246,819, of which $759,372 was covered by federal depository insurance. The balance of $5,487,447 was uninsured and uncollateralized. The District had $3,174 of cash on hand.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issue by nationally recognized statistical rating organizations (NRSRO'S). As of June 30, 2015, they had no investments that were subject to ratings.

Interest rate risk

The District has adopted a policy that indicates how 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 limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The District has adopted a policy that indicates how 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

The District has adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

As of June 30, 2015, the cash and cash equivalents referred to above have been reported in the cash and cash equivalents caption in the basic financial statements as follows:

	Governmental Activities	Fiduciary Fund	Total
Cash and cash equivalents	$ 5,788,094	$ 253,049	$ 6,041,143

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to nonmajor governmental funds from:	
General Fund	$ 165,500

The transfer from the General Fund to the nonmajor governmental funds was to cover operational costs.

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated				
Land	$ 253,410	$ -	$ -	$ 253,410
Capital assets being depreciated				
Buildings and building improvements	47,402,357	-	-	47,402,357
Buses and other vehicles	2,288,110	325,084	-	2,613,194
Furniture and equipment	7,248,905	-	-	7,248,905
Total capital assets being depreciated	56,939,372	325,084	-0-	57,264,456
Less accumulated depreciation for:				
Buildings and building improvements	(21,297,271)	(1,131,979)	-	(22,429,250)
Buses and other vehicles	(1,921,081)	(105,154)	-	(2,026,235)
Furniture and equipment	(5,906,791)	(352,054)	-	(6,258,845)
Total accumulated depreciation	(29,125,143)	(1,589,187)	-0-	(30,714,330)
Net capital assets being depreciated	27,814,229	(1,264,103)	-0-	26,550,126
Capital assets, net	$ 28,067,639	$ (1,264,103)	$ -0-	$ 26,803,536

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities an “unallocated”.

NOTE E: SHORT-TERM NOTES

On August 27, 2013, the School issued a short-term State School Aid Anticipation Note in the amount of $5,000,000 for the purpose of funding operating expenditures until the 2014 State Aid payments began. This short-term note, which had a net outstanding balance of $5,031,861 (principal and accrued interest payable) at June 30, 2014, was reported in in the General Fund and in the government-wide financial statements under the caption short-term notes payable. The funds to make the payment due came from State Aid and other local sources. The outstanding balance was paid August 20, 2014.

On August 20, 2014, the District issued a short-term State School Aid Anticipation Note in the amount of $4,500,000 for the purpose of funding operating expenditures until the 2015 State Aid payments began. This short-term note, which had a net outstanding balance of $4,528,675 (principal and accrued interest payable) at June 30, 2015, was reported in the General Fund and in the government-wide financial statements under the caption short-term notes payable. The outstanding balance was paid in August 2015.

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due within One Year
2005 Refunding Bonds	$ 5,150,000	$ -	$ (5,150,000)	$ -0-	$ -
2006 Refunding Bonds	3,190,000	-	-	3,190,000	-
2009 Refunding Bonds	5,990,000	-	(1,475,000)	4,515,000	1,515,000
2010 School Building and Site Bonds	3,200,000	-	-	3,200,000	-
2015 Refunding Bonds	-	4,600,000	-	4,600,000	440,000
Energy Conservation Bonds	1,552,406	-	(147,021)	1,405,385	162,386
Capital lease - buses	293,313	-	(51,269)	242,044	52,591
Installment loan - technology	216,848	-	(74,000)	142,848	73,000
Installment loan - buses	-	325,084	(54,184)	270,900	54,180
Compensated absences	479,312	139,094	(132,407)	485,999	134,254
	$ 20,071,879	$ 5,064,178	$ (7,083,881)	$ 18,052,176	$ 2,431,411

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

$3,190,000 2006 Refunding Bonds due in annual principal installments ranging from $30,000 to $775,000 from May 1, 2019 through May 1, 2026, with interest ranging from 4.00 to 4.125 percent, payable semi-annually.	$ 3,190,000
$12,125,000 2009 Refunding Bonds due in annual principal installments ranging from $1,490,000 to $1,515,000 through May 1, 2018, with interest ranging from 3.35 to 3.50 percent, payable semi-annually.	4,515,000
$3,200,000 2010 School Building and Site Bonds, due in annual principal installments of $400,000 from May 1, 2019 through May 1, 2026, with interest ranging from 5.00 to 5.25 percent, payable semi-annually.	3,200,000

NOTE F: LONG-TERM DEBT - CONTINUED

General Obligation Bonds - continued

$4,600,000 2015 Refunding Bonds due in annual principal installments, ranging from $440,000 to $750,000 from May 1, 2016 through May 1, 2022, with an interest rate of 2.00 percent, payable semi-annually.	$ 4,600,000
$2,079,765 2007 Energy Conservation Bonds due in semi-annual installments ranging from $29,108 to $134,462 through May 24, 2022, with an interest rate of 4.02 percent, payable semi-annually.	1,405,385
	$16,910,385

Capital Lease

$402,128 School Bus capital lease payable, dated August 15, 2012, due in annual installments of $58,836 from August 15, 2015 through August 15, 2016, and a final lump sum payment of $139,000 on August 15, 2017, with an interest rate of 2.58 percent, payable annually. The cost of the vehicles under the lease purchase agreement amounted to $402,128. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception.	$ 242,044

Installment Loans

$368,746 Technology Installment Loan, dated July 13, 2012, due in annual installments ranging from $69,848 to $73,000 through June 1, 2017, with an interest rate of 1.99 percent, payable annually.	$ 142,848
$325,084 Buses Installment Loan, dated December 1, 2014, due in annual installments of $54,180 from December 22, 2015 through December 22, 2019, with an interest rate of 1.97 percent, payable annually.	270,900
	$ 413,748

Advance Refunding - Current

On March 24, 2015, the District defeased the portion of the 2005 Refunding Bonds which were due and payable May 1, 2016 through May 1, 2022. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The District issued General Obligation 2015 Refunding Bonds in the amount of $4,600,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2015, bonds due and payable May 1, 2016 through May 1, 2022, for the 2005 Refunding Bonds in the amount of $4,695,000 are considered defeased.

As a result of the advance refunding, the District decreased its total debt service requirements by $418,748, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $398,561.

NOTE F: LONG-TERM DEBT - CONTINUED

Advance Refunding - Prior

On March 31, 2005, the District defeased the portion of the 2001 School Building and Site Bonds which were due and payable May 1, 2012 through May 1, 2022. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2005 Refunding Bonds in the amount of $6,575,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2015, bonds due and payable May 1, 2016 through May 1, 2022, for the 2001 School Building and Site Bonds in the amount of $4,650,000 are considered defeased.

On March 9, 2006, the District defeased the portion of the 2001 School Building and Site Bonds which are due and payable May 1, 2023 through May 1, 2026. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2006 Refunding Bonds in the amount of $3,190,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2015, bonds due and payable May 1, 2023 through May 1, 2026, for the 2001 School Building and Site Bonds in the amount of $3,025,000 are considered defeased.

On September 29, 2009, the District defeased the 1998 Refunding Bonds and the 1999 Refunding Bonds which were due and payable May 1, 2018. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2009 Refunding Bonds in the amount of $12,125,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2015, bonds due and payable May 1, 2016 through May 1, 2018, for the 1998 Refunding Bonds and the 1999 Refunding Bonds in the amount of $4,725,000 are considered defeased.

Compensated Absences

In recognition of services to the District, a severance payment is made to eligible employees according to their respective employment contracts.

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2015, for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of compensated absences related to compensated absences and related payroll taxes as of June 30, 2015, which have been recorded in the district-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Compensated absences	$ 402,942	$ 48,520	$ 451,462
Payroll taxes	30,825	3,712	34,537
	$ 433,767	$ 52,232	$ 485,999

NOTE F: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest
2016	$ 2,117,386	$ 604,656
2017	2,203,753	526,687
2018	2,286,175	458,443
2019	1,424,710	386,225
2020	1,429,420	340,600
2021-2025	6,273,941	1,011,791
2026	1,175,000	52,968
	$ 16,910,385	$ 3,381,370

Year Ending June 30,	Installment Loans		Capital Lease	
	Principal	Interest	Principal	Interest
2016	$ 127,180	$ 8,177	$ 52,591	$ 6,245
2017	124,028	5,657	53,948	4,888
2018	54,180	3,202	135,505	3,495
2019	54,180	2,135	-	-
2020	54,180	1,067	-	-
	$ 413,748	$ 20,238	$ 242,044	$ 14,628

The 2010 School Building and Site Bonds gross interest payments due are reflected as part of the above annual requirements for the general obligation bonds. These bonds were issued under the Federal government's "Build America Bonds" program. It is the expectation of the District that through this program they will receive an interest subsidy credit payment from the Federal government each time interest payments are made on these bonds. The above schedule, in relation to the 2010 Series Bonds, includes a cumulative gross amount of interest due of $1,230,000. Of this amount, there is an expected interest subsidy to be received over the life of the bonds in the cumulative amount of $1,173,600, and net interest owed by the District over the life of the bonds of $56,400.

NOTE G: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (MPSERS) (the System) 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 MPSERS board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html. MPSERS board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PLAN DESCRIPTION - CONTINUED

The Governor appointed board members consist of:

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

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

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

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

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 active plan members	210,777
Total plan members	432,268

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

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 later in this note. 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.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

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

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

Reserves

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

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

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

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

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

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

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reserves - continued

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

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

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

Reporting Entity

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

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.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 System's financial statements.

Costs of Administering the System

Each year a restricted State 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.

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 the System's fiscal year 2014.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

CONTRIBUTIONS AND FUNDING STATUS - CONTINUED

Pension Contribution Rates

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

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

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

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

NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSERS (the Plan) Net Pension Liability

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

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

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Measurement of the MPSERS Net Pension Liability - continued

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

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

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

Proportionate Share of Hastings Area School System's Net Pension Liability

At September 30, 2014, the District reported a liability of $29,603,552 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, as of that date. The District'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 District's proportionate share percent was 0.13440 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:

Investment Category	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%	

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

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 District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
District's proportionate share of the net pension liability	$ 39,029,705	$ 29,603,552	$ 21,661,878

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least 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 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 Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Actuarial Valuations and Assumptions - continued

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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.

PENSION EXPENSES AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2015, the District recognized total pension expense of $2,397,971. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	1,092,308	-
Net difference between projected and actual earnings on pension plan investments	-	3,272,685
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	215
District's contributions subsequent to the measurement date	2,105,570	-
Total	$ 3,197,878	$ 3,272,900

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PENSION EXPENSES AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - CONTINUED

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date, $2,105,570, which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized In Future Pension Expenses)

Year Ended September 30,	Amount
2015	$ (534,194)
2016	(534,194)
2017	(534,194)
2018	(578,010)

NOTE H: OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html.

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate.

Contribution rates for the year ended June 30, 2015, are as follows:

	Health Contribution Rate	
	Basic/MIP	Pension Plus
July 1, 2014 - September 30, 2014	5.52 - 6.45%	5.52 - 6.45%
October 1, 2014 - June 30, 2015	2.20 - 2.71%	2.20 - 2.71%

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

PLAN DESCRIPTION - CONTINUED

The District's required and actual contributions to the various plans for the last three fiscal years are as follows:

	Defined Benefit Plan	Defined Contribution Plan	
Fiscal Year Ending June 30,	Employer Health Contributions	Employer Contributions	Employee Contributions
2015	$ 390,555	$ 24,301	$ 50,361
2014	735,524	49,240	54,031
2013	991,394	21,995	27,086

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, equipment breakdown (boiler and machinery), fleet, liability, cyber liability/data breach, employee dishonesty, in-land marine, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

During the year ended June 30, 2014, the District ended its self-insurance for medical claims of certain employee groups up to $100,000 individually and $300,000 aggregately. The District carried commercial insurance for claims in excess of these amounts. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage during the period of self-insurance.

NOTE J: FLEXIBLE BENEFITS PLAN

In November 1996, the District approved by Board action to implement a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The Plan, available to all eligible employees, who meet the eligibility requirements as set by the plan, permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments, medical expense reimbursement benefits, or dependent care benefits. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by AFLAC.

NOTE K: CONTINGENT LIABILITIES

The District participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the programs have not yet been completed or final resolution has not been received. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE L: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of June 30, 2015:

Governmental activities	
Restricted	
Food and nutrition	$ 143,151
Community center	440
Debt service	284,239
	$ 427,830

NOTE M: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to a change in accounting principles.

Beginning net position	$ 10,033,700
Deferred outflows of contributions	1,673,428
Net pension liability	(31,492,358)
Restated beginning net position	$ (19,785,230)

NOTE N: DETAILS OF FUND BALANCES CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

NOTE N: DETAILS OF FUND BALANCES CLASSIFICATIONS - CONTINUED

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the District's highest level of decision-making authority is the District's Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Board.

For assigned fund balance, the Board is authorized to assign amounts to a specific purpose. The authorization policy is a vote and approval by the Board.

For the classification of fund balance amounts, the District's policy is to spend restricted amounts first, then unrestricted amounts when both restricted and unrestricted amounts are available. Similarly, the Districts policy is to spend committed amounts first, and then assigned amounts and finally unassigned amounts when any of those unrestricted fund balance classifications could be used.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable				
Inventory	$ 23,200	$ -	$ -	$ 23,200
Prepaids	10,173	-	-	10,173
Restricted				
Food and nutrition	-	-	143,151	143,151
Community center	-	-	440	440
Debt service	-	364,693	-	364,693
Unassigned	2,071,820	-	-	2,071,820
	$ 2,105,193	$ 364,693	$ 143,591	$ 2,613,477

NOTE O: SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2015, the following events occurred:

On August 20, 2015, the District issued a State School Aid Anticipation Note in the amount of $4,100,000 for the purpose of funding operating expenditures until the fiscal year 2016 State Aid payments begin. This short-term note will be paid off when the District accumulates sufficient State Aid revenues at the end of next fiscal year. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE P: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District it currently evaluating the impact this standard will have on the financial statements when adopted for the District's 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statement when adopted during the District's 2017-2018 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2015-2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2016-2017 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Hastings Area School System

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 3,273,345	$ 3,186,445	$ 3,228,543	$ 42,098
State sources	18,980,005	19,584,375	19,602,290	17,915
Federal sources	742,210	935,724	882,613	(53,111)
TOTAL REVENUES	22,995,560	23,706,544	23,713,446	6,902
EXPENDITURES				
Instruction				
Basic needs	11,431,305	11,529,630	11,460,888	68,742
Added needs	3,483,668	3,623,833	3,521,907	101,926
Total instruction	14,914,973	15,153,463	14,982,795	170,668
Supporting services				
Pupil services	234,690	294,559	308,128	(13,569)
Instructional staff	579,150	626,739	578,101	48,638
General administration	303,989	315,326	297,178	18,148
School administration	1,567,523	1,602,398	1,569,878	32,520
Business services	544,374	537,260	519,983	17,277
Technology	650,607	654,837	636,321	18,516
Operations and maintenance	2,141,137	2,325,488	2,357,878	(32,390)
Transportation	974,157	1,287,023	1,262,116	24,907
Athletics	444,478	433,559	425,573	7,986
Total supporting services	7,440,105	8,077,189	7,955,156	122,033
Community services	16,589	17,273	4,865	12,408
Debt service	338,885	399,870	399,708	162
TOTAL EXPENDITURES	22,710,552	23,647,795	23,342,524	305,271
EXCESS OF REVENUES OVER EXPENDITURES	285,008	58,749	370,922	312,173
OTHER FINANCING SOURCES (USES)				
County special education allocation	20,000	20,000	103,352	83,352
Transfers to other funds	(85,000)	(150,000)	(165,500)	(15,500)
Debt proceeds	-	325,084	325,084	-0-
TOTAL OTHER FINANCING SOURCES (USES)	(65,000)	195,084	262,936	67,852
NET CHANGE IN FUND BALANCE	220,008	253,833	633,858	380,025
Fund balance, beginning of year	1,471,335	1,471,335	1,471,335	-0-
Fund balance, end of year	$ 1,691,343	$ 1,725,168	$ 2,105,193	$ 380,025

Hastings Area School System

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2014
District's proportion of net pension liability (%)	0.13440%
District's proportionate share of net pension liability	$ 29,603,552
District's covered employee payroll	$ 11,300,874
District's proportionate share of net pension liability as a percentage of its covered employee payroll	261.96%
Plan fiduciary net position as a percentage of total pension liability	66.20%

Hastings Area School System

SCHEDULE OF CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2015
Statutorily required contributions	$ 2,512,793
Contributions in relation to statutorily required contributions	2,512,793
Contribution deficiency (excess)	$ -0-
District's covered employee payroll	$ 11,417,916
Contributions as a percentage of covered employee payroll	22.01%

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2015, the District incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
Supporting services			
Pupil services	$ 294,559	$ 308,128	$ 13,569
Operations and maintenance	2,325,488	2,357,878	32,390
Other financing uses			
Transfers to other funds	150,000	165,500	15,500
Community Center Fund			
Current			
Community Service	620,554	645,054	24,500

NOTE B: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015.

OTHER SUPPLEMENTARY INFORMATION

Hastings Area School System

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2015

	Special Revenue		
	Food Service	Community Center	Total
ASSETS			
Cash	$ 135,721	$ 26,099	$ 161,820
Accounts receivable	988	2,115	3,103
Due from other governmental units	16,549	-	16,549
Inventory	9,838	-	9,838
TOTAL ASSETS	$ 163,096	$ 28,214	$ 191,310
LIABILITIES			
Accounts payable	$ 5,540	$ 21,735	$ 27,275
Accrued payroll	1,037	1,379	2,416
Accrued liabilities	7,090	920	8,010
Unearned revenue	6,278	3,740	10,018
TOTAL LIABILITIES	19,945	27,774	47,719
FUND BALANCES			
Restricted			
Food and nutrition	143,151	-	143,151
Community center	-	440	440
TOTAL FUND BALANCES	143,151	440	143,591
TOTAL LIABILITIES AND FUND BALANCES	$ 163,096	$ 28,214	$ 191,310

Hastings Area School System

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Special Revenue		
	Food Service	Community Center	Total
REVENUES			
Local sources	$ 327,978	$ 479,647	$ 807,625
State sources	41,739	-	41,739
Federal sources	690,378	-	690,378
TOTAL REVENUES	1,060,095	479,647	1,539,742
EXPENDITURES			
Current			
Food service	1,015,036	-	1,015,036
Community service	-	645,054	645,054
TOTAL EXPENDITURES	1,015,036	645,054	1,660,090
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	45,059	(165,407)	(120,348)
OTHER FINANCING SOURCES			
Transfers in	-	165,500	165,500
NET CHANGE IN FUND BALANCES	45,059	93	45,152
Fund balances, beginning of year	98,092	347	98,439
Fund balances, end of year	$ 143,151	$ 440	$ 143,591