

**BIG JACKSON PUBLIC SCHOOLS
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2015

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The Board of Education
Big Jackson Public Schools
Newaygo County, Michigan

Independent Auditor's Report

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 Big Jackson Public Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Big Jackson Public School'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 Big Jackson Public School'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 Big Jackson Public School'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 and each major fund and the aggregate remaining fund information of Big Jackson Public Schools as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note L 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 measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinion are not modified with respect to this matter.

Also as discussed in Note L 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 schedule of pension funding progress 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 Big Jackson Public School's basic financial statements. The comparative balance sheet and statements of revenues, expenditures, and changes in fund balance, and the capital position schedule by function and activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Independent Auditor's Report (continued)

The comparative balance sheet and statements of revenues, expenditures, and changes in fund balance and the capital position schedule by function and activity 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 procedure applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statements and capital position schedule 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 27, 2015 on our consideration of Big Jackson Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Big Jackson Public School's internal control and compliance.

H & S Companies, P.C.

H & S Companies, P.C.

Certified Public Accountants

October 27, 2015

BIG JACKSON PUBLIC SCHOOLS

Management's Discussion and Analysis For the Year Ended June 30, 2015

Our discussion and analysis of Big Jackson Public Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

D The District's total net position of governmental activities decreased \$8,701.

D General revenues accounted for \$316,994 in revenue, or 81% of all fiscal year 2015 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$72,713 or 19% percent of total fiscal year 2015 revenues. State aid revenues decreased nearly \$49,379.

D The District had \$398,408 in expenses related to governmental activities; of which \$72,713 of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$316,994 provided for most of the remaining costs of the programs resulting in a decrease of \$61,630.

D The General Fund and Capital Projects Fund were the major funds for the District. The General Fund had \$397,151 in revenue which primarily consisted of state aid, property taxes, interdistrict revenues, and grants. General Fund expenditures were \$384,726. The General Fund's fund balance increased by \$55,175. The Capital Projects Fund had \$2,122 in revenue which consisted of interest income and \$4,062 in expenditures of capital outlay. The Capital Project's Fund fund balance decreased by \$1,940.

D The District's total debt increased by \$34,789 during the current fiscal year.

THE ANNUAL FINANCIAL REPORT

The School District's annual report includes fund financial statements and district-wide financial statements. The fund-level statements are reported using a modified accrual basis of accounting. That is, only those assets that are "measurable" and "currently available" are reported, and liabilities are recognized to the extent they would normally be paid with current financial resources.

The District-wide Statement of Net Position and Statement of Activities are reported using the full accrual basis of accounting. With this method all of the District's assets and liabilities, and all of the current year revenues and expenditures, are reported regardless of when cash is received or paid. These statements provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. For example, the Statement of Activities details how the District's services were financed in the short-term and the amount that remains for future spending. The Statement of Net Position aggregates the District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the School 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, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

The following summarizes the net position at fiscal years ended June 30, 2015 and 2014:

Net Position Summary		
Assets	2015	2014
Current assets	\$ 306,118	\$ 264,034
Capital assets, net	164,304	133,367
Total assets	470,422	397,401
Deferred Outflows or Resources	45,126	-
Liabilities		
Current liabilities	62,339	66,094
Noncurrent Liabilities	27,119	-
Net Pension Liability	426,424	-
Total Liabilities	515,882	66,094
Deferred Inflows or Resources	47,319	-
Net Position		
Net Investment in Capital Assets	129,515	133,367
Restricted for Capital Projects	30,974	32,914
Unrestricted	(208,142)	165,026
Total net position	\$ (47,653)	\$ 331,307

The 2014 figures have not been updated for adoption of GASB 68 and 71.

Management's Discussion & Analysis (Continued)

Results of Operations:

For the fiscal years ended June 30, 2015 and 2014, the District wide results of operations were:

	Year Ended 2015		Year Ended 2014	
	Amount	%	Amount	%
REVENUES:				
Program Revenues:				
Operating Grants/Contr.	\$ 72,713	18.66	\$ 122,930	24.81
General Revenues:				
Property Taxes	189,307	48.58	191,581	38.66
State Aid	120,945	31.03	167,911	33.88
Interest and Other	16,308	4.18	4,664	0.94
Loss on Sale-Capital Assets	(9,566)	(2.45)	-	-
Extraordinary Item	-	-	8,469	1.71
TOTAL REVENUE	389,707	100.00	495,555	100.00
EXPENSES:				
Instruction	180,916	45.41	237,360	51.60
Support Services				
General Administration	3,745	0.94	3,735	0.81
School Administration	16,825	4.22	18,079	3.93
Business Services	83,001	20.83	84,138	18.29
Operations/Maintenance	48,152	12.09	50,088	10.89
Pupil Transportation	58,303	14.63	57,725	12.55
Total Support Services	210,026	52.72	213,765	46.47
Interest Expense	1,160	0.29	-	-
Capital Outlay	6,306	1.58	8,913	1.94
TOTAL EXPENSES	398,408	100.00	460,038	100.00
Change in Net Position	(8,701)		35,517	
BEGINNING NET POSITION	(38,952)		295,790	
ENDING NET POSITION	<u>\$ (47,653)</u>		<u>\$ 331,307</u>	

The 2014 figures have not been updated for adoption of GASB 68 and 71.

Debt Administration

At year-end, the District had \$34,789 in long-term obligations, of which \$7,670 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2015:

	Governmental Activities
School Bus Loan	<u>\$ 34,789</u>

Management's Discussion & Analysis (Continued)

Additional information on the District's long-term debt can be found in Note J on pages 34 - 35 of this report.

Depreciation Expense

GASB 34 requires school Districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position.

For fiscal year ended June 30, 2015, accumulated depreciation decreased \$63,782. This is the result of the addition of depreciation expense of \$17,638 less removing accumulated depreciation on the disposal of vehicles of \$81,240.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

Capital Outlay Acquisitions

Actual capital outlay acquisitions were \$60,547. Netted with accumulated depreciation, net investment in capital assets (i.e., net book value) increased by \$30,937 during the year.

Since accumulated depreciation is based on original cost, it does not take into consideration inflation. As a result, the actual investment in capital outlay would have to be more than depreciation expense in order to maintain assets at the same level of maintenance and upkeep.

Property Taxes levied for General Operations (General Fund Property Taxes)

The District levies 18 mills of property tax for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

State of Michigan Aid, Unrestricted

State of Michigan aid, unrestricted is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment – Blended using 90% of the October count day plus 10% of the following February count day.
- c. The District's non-homestead levy

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The Big Jackson Public Schools foundation allowance was \$7,126 per student for the 2014-2015 school year. This is an increase from the 2013-2014 foundation allowance per student of \$100. The District's student enrollment for the fall count of 2014-2015 was 46 students.

Management's Discussion & Analysis (Continued)

Property Taxes levied for Building and Site Sinking Fund:

The District's Building and Site sinking fund levy, which is used for capital improvements, is based on the taxable valuation of all properties: homestead and non-homestead. For 2014-2015, there was no levy for the District's Building and Site sinking fund, therefore, no tax revenues were collected.

General Fund Budgetary Highlights:

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

General Fund Revenues:

Total Revenues Original Budget	\$ 424,150
Total Revenues Final Budget	<u>434,150</u>
Increase in Budgeted Revenues	<u>\$ 10,000</u> 2.36%

The District's final general fund actual revenues were lower than the final budgeted revenues by \$36,999, a variance of 8.52%.

General Fund Expenditures:

Total Expenditures Original Budget	\$ 483,850
Total Expenditures Final Budget	<u>388,930</u>
Increase in Budgeted Expenditures	<u>\$ (94,920)</u> -19.62%

The District's final general fund actual expenditures were under the final budget by \$4,204, a positive variance of 1.08%.

The Final expenditure budget reflects the following material changes from the original budget:

- D Decrease in Elementary Education Expenditures of \$77,870
- D Increase in Compensatory Education Expenditures of \$10,000
- D Decrease in Special Education Expenditures of \$9,000
- D Increase in Business Services Expenditures of \$11,647
- D Increase in Operation & Maintenance Expenditures of \$10,633

CAPITAL PROJECTS FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School District did not revise its Capital Projects Fund budget to reflect changes in revenues & expenditures. The District's capital projects revenue differed from the budgeted revenue by 2,122, a variance of 100%. The District's capital projects fund expenditures differed from budgeted expenditures by \$10,938 as a result of over-budgeting the purchase of capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2015-2016 budget. The primary factor was the District's student population. Also considered in the development of the budget is the local economy. Budgeted expenditures in the General Fund are \$387,350, which is almost .6% more than the 2014-2015 actual expenditures. Final budgeted expenditures in the Capital Project's Fund are \$10,000, which is 59% more than the 2014-2015 actual expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Big Jackson Public Schools, 4020 13 Mile Road, Paris, MI 49338.

BIG JACKSON PUBLIC SCHOOLS

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash/Investments	\$ 267,239
Due From Other Governmental Units	38,879
Total Current Assets	<u>306,118</u>
Noncurrent Assets:	
Land & Improvements	18,744
Buildings & Improvements	103,062
Buses & Other Vehicles	45,150
Furniture & Equipment	85,347
Less: Accumulated Depreciation	<u>(87,999)</u>
Total Noncurrent Assets	<u>164,304</u>
Total Assets	470,422
Deferred Outflows of Resources	
Related to Pensions	45,126
Liabilities	
Current Liabilities:	
Accrued Payroll Liabilities	3,275
Unearned Revenue	45,072
Accrued Compensated Absences	6,322
Due Within One Year	<u>7,670</u>
Total Current Liabilities	62,339
Non-Current Liabilities	
Due in More Than One Year	27,119
Net Pension Liability	<u>426,424</u>
Total Non-Current Liabilities	<u>453,543</u>
Total Liabilities	515,882
Deferred Inflows of Resources	
Related to Pensions	<u>47,319</u>
Net Position	
Net Investment in Capital Assets	129,515
Restricted for Capital Projects	30,974
Unrestricted	<u>(208,142)</u>
Total Net Position	<u>\$ (47,653)</u>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Government Wide Statement of Activities
For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Grants and</u>	<u>Revenue</u>
		<u>Services</u>	<u>Contributions</u>	<u>Government</u>
Governmental Activities				<u>Activities</u>
Instruction:				
Regular Instruction	\$ 180,916	\$ -	\$ 50,271	\$ (130,645)
Support Services:				
General Administration	3,745	-	-	(3,745)
School Administration	16,825	-	-	(16,825)
Business Services	83,001	-	22,442	(60,559)
Operations & Maintenance	48,152	-	-	(48,152)
Pupil Transportation	58,303	-	-	(58,303)
Total Support Services	210,026	-	22,442	(187,584)
Interest on Long-Term Debt	1,160	-	-	(1,160)
Capital Outlay (Under \$1,000)	6,306	-	-	(6,306)
Total School District	<u>\$ 398,408</u>	<u>\$ -</u>	<u>\$ 72,713</u>	(325,695)

General Revenues

Property Taxes	
General Purposes	189,307
State and Federal Aids Not Restricted To	
General	120,945
Interest and Investment Earnings	86
Miscellaneous	16,222
Loss on Sale of Capital Assets	(9,566)
Total General Revenues	<u>316,994</u>
Change in Net Position	(8,701)
Restated Net Position - Beginning of Year	<u>(38,952)</u>
Net Position - Ending of Year	<u>\$ (47,653)</u>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Balance Sheet - Governmental Funds

June 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash/Investments	\$ 236,507	\$ 30,732	\$ 267,239
Due From Other Funds	-	242	242
Due From Other Governmental Units	<u>38,879</u>	<u>-</u>	<u>38,879</u>
Total Assets	<u><u>\$ 275,386</u></u>	<u><u>\$ 30,974</u></u>	<u><u>\$ 306,360</u></u>
Liabilities and Fund Equity			
Liabilities			
Accrued Payroll Liabilities	\$ 3,275	\$ -	\$ 3,275
Due to Other Funds	242	-	242
Unearned Revenue	<u>45,072</u>	<u>-</u>	<u>45,072</u>
Total Liabilities	48,589	-	48,589
Fund Equity			
Restricted for Capital Projects	-	30,974	30,974
Unassigned	<u>226,797</u>	<u>-</u>	<u>226,797</u>
Total Fund Equity	<u>226,797</u>	<u>30,974</u>	<u>257,771</u>
Total Liabilities and Fund Equity	<u><u>\$ 275,386</u></u>	<u><u>\$ 30,974</u></u>	<u><u>\$ 306,360</u></u>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position For the Year Ended June 30, 2015

Total Governmental Fund Balances \$ 257,771

Total Net Position reported for governmental activities in the statement of Net Position are different from the amount reported as total governmental funds fund balance because:

Deferred Outflows of Resources - Related to Pensions	45,126
Deferred Inflows of Resources - Related to Pensions	(47,319)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of Net Position:

Governmental Capital Asset	\$ 252,303	
Governmental Accumulated Depreciation	<u>(87,999)</u>	164,304

Long-term liabilities, including notes payable, are not due in the current period and, therefore, are not reported in the fund statements.

Note Payable	(34,789)
Compensated Absences	(6,322)
Net Pension Liability	<u>(426,424)</u>

Total Net Position - Governmental Activities: \$ (47,653)

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Local Sources	\$ 201,802	\$ 2,122	\$ 203,924
State Sources	126,592	-	126,592
Federal Sources	42,466	-	42,466
Interdistrict Sources	26,291	-	26,291
Total Revenues	<u>397,151</u>	<u>2,122</u>	<u>399,273</u>
Expenditures			
Instruction			
Elementary	98,027	-	98,027
Compensatory Education	33,750	-	33,750
Special Education	5,921	-	5,921
Total Instruction	<u>137,698</u>	<u>-</u>	<u>137,698</u>
Support Services:			
General Administration	3,745	-	3,745
School Administration	15,282	-	15,282
Business Services	90,677	-	90,677
Operations & Maintenance	44,359	-	44,359
Pupil Transportation	45,899	-	45,899
Total Supportive Services	<u>199,962</u>	<u>-</u>	<u>199,962</u>
Capital Outlay	40,350	4,062	44,412
Debt Service	6,716	-	6,716
Total Expenditures	<u>384,726</u>	<u>4,062</u>	<u>388,788</u>
Excess (deficiency) of Revenues Over Expenditures	12,425	(1,940)	10,485
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	2,400	-	2,400
Proceeds from Long-Term Debt	40,350	-	40,350
Total Other Financing Sources (Uses)	<u>42,750</u>	<u>-</u>	<u>42,750</u>
Excess Revenues and Other Sources Over (Under) Expenditures & Other Uses	55,175	(1,940)	53,235
Fund Balance - July 1	<u>171,622</u>	<u>32,914</u>	<u>204,536</u>
Fund Balance - June 30	<u>\$ 226,797</u>	<u>\$ 30,974</u>	<u>\$ 257,771</u>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

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

Net Change in Fund Balances - Total Governmental Funds \$ 53,235

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of Net Position and allocated over their estimated useful lives as annual depreciation expense

Proceeds from sale of fixed assets	\$ (2,400)	
Capital Outlay	60,547	
Loss on disposal of assets	(9,566)	
Depreciation expense reported in the statement of activities	<u>(17,638)</u>	30,943

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from issuance of long-term debt	(40,350)
Payments on principal of long-term debt	5,556

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Change in Accrued Compensated Absences	274
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	<u>(58,359)</u>
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Change in Net Position - Governmental Activities	<u><u>\$ (8,701)</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Big Jackson Public School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

1. Reporting Entity

Big Jackson Public Schools is located in Newaygo County, Michigan. The School District provides educational services to approximately 45 students. The School District is governed by a School Board consisting of five board members all of whom are elected by School District residents.

Big Jackson School's mission statement reads as follows: Big Jackson School is committed to provide, with the help of parents, students and the community, a nurturing, safe, high quality, effective environment for learning. The school is dedicated to ensuring the uniqueness, dignity, and worth of each individual and committed to developing a positive self-image - expecting that all students will become responsible contributing members of society.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, pupil transportation and construction and maintenance of District facilities.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

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

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

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year and, therefore, the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

Property taxes, State and County aid and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of the fiscal year, have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

The District reports the following major governmental funds:

General Fund - The General Fund accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. Expenditures are classified in accordance with the Michigan School Accounting Manual, issued by the Michigan Department of Education as follows:

Instruction - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital and in other situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines, which assist directly in the instructional process.

Supporting Services - Supporting Services are those services which provide administrative, technical, and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

Capital Projects Fund- The Sinking Fund is used to account for financial resources to be used for the acquisition, construction, renovation or repair of major capital facilities. The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School district has complied with the applicable provisions of Sec. 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of bonded Construction Funds and of Sinking Funds in Michigan.

4. Investments

Investment income is composed of interest and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements.

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles, if any.

Property tax levies are obtained by applying tax rates against the taxable valuation. Taxable valuation is based upon the property’s state equalized value (which approximates ½ actual value). However, the taxable valuation is limited to a 5% increase from the previous year, while there is no limit to the increase in property values for state equalized valuation.

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

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

Federal revenues are recorded as they are earned by the District under terms of specific grants.

6. Inventories

Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements. Prepaid items are recorded as expenditures when purchased in the fund financial statements and are offset by a reserve of fund balance.

Notes to the Financial Statement (Continued)

8. Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants	\$ -	\$ 45,072

9. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, equipment and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital Assets are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 - 25 Years
Buildings and Improvements	20 - 50 Years
Vehicles, Furniture and Equipment	5 - 15 Years

10. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

11. Net Pension Liability

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

12. Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Big Jackson Public School reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyer of Big Jackson Public School's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) Unrestricted net position consists of all other net positions that does not meet the definition of the above components and is available for general use by Big Jackson Public Schools.

Notes to the Financial Statement (Continued)

13. Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Non-spendable - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Includes amounts restricted by external sources (creditors, laws of other governments, etc..) or by constitutional provision or enabling legislation.

Committed - Includes amounts that can only be used for specific purposes determined by a formal action by Board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board resolution) that was employed when the funds were initially committed.

Assigned - Includes amounts that can only be used for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority

Unassigned - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

Restricted sources are used first when an expense is incurred for which both restricted and unrestricted resources are available.

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

14. Deferred Inflows of Resources

The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs.

15. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

16. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

17. Compensated Absences

Individual contracts with the teachers provide for payment of unused sick days at the end of each school year. Business and personal days offered expire at the end of the year and no vacation pay is offered. Beginning with fiscal year ending June 30, 2005, unpaid sick leave may accumulate from year to year, being paid to employees at a rate of 50% of their current rate of pay upon retirement or departure.

18. Unemployment Compensation

The School District has elected to finance its unemployment liability as a "reimbursing employer". Under this method, the School District reimburses the Michigan Employment Security commission for all benefits charged to the School District's account during the previous calendar year.

NOTE B DEPOSITS AND INVESTMENTS

The School District's cash and cash equivalents at June 30, 2015, are comprised of deposits and investments of \$267,138 and petty cash of \$100.

DEPOSITS

Deposits were reflected in the accounts of the banks (without recognition of checks written but not yet cleared or of deposits in transit) at \$70,131.

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

Custodial Credit Risk- The risk that, in the event of the failure of a financial institution, Big Jackson Public Schools will not be able to recover its deposits. Big Jackson Public School's investment policy does not specifically address custodial credit risk for deposits. At June 30, 2015, \$197,186 of Big Jackson Public School's bank balances of \$267,317 was exposed to custodial credit risk because it was uninsured and uncollateralized.

INVESTMENTS

The School District is authorized by Michigan Law to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

The District's investments at year-end were entirely invested in bank, and Michigan Liquid Asset Fund (MILAF) cash management funds that had a carrying amount and a market value of \$197,186.

Investments are normally categorized to give an indication of the level of risk assumed by the District; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State of Michigan Public Act 621 requires that the General Fund and Special Revenue Funds of the School District be under budgetary control and that both budgeted and actual financial results do not incur a deficit. The District's Major Fund, Debt Service, is not required to adopt a budget. The District's Budget Appropriations Act must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from the District's Appropriations Act may occur without a corresponding amendment to the Appropriations Act. The District has the ability to amend the Appropriations Act provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. The District may also permit the chief administrative or fiscal officer to execute transfers between line items, without prior approval of the Board of Education. The level of control is the function level. All appropriations lapse at the end of the fiscal year.

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

- A. For the fiscal year beginning July 1, a proposed expenditure budget is presented by Administrative Personnel to the Governing Board.
- B. In June a preliminary operating budget is submitted to the Board of Education by the Principal. This budget includes proposed expenditures and the means of financing them.

Notes to the Financial Statement (Continued)

- C. Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budget.
- D. After the budget is finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- E. The budgets were amended at periodic times during the year to comply with PA 621.
- F. Budgets for the General and Capital Projects Funds are adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.
- G. The budgets shown in these financial statements are as last amended through June 30, 2015.
- H. PA 621 of 1978, section 18(1), as amended, provides that a school district shall not incur expenditures in excess of the amount appropriated. The following overexpenditures occurred in the general fund during the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>General Fund</u>			
Capital Outlay	4,000	40,350	(36,350)

NOTE D PROPERTY TAXES

Properties are assessed as of December 31, and the related taxes become a lien on December 1 of the following year. These taxes are due on September 10 and February 14 with the final collection date of February 28 before they are added to the County tax rolls. The taxes are collected and remitted to the District by the various Townships within the District. The County of Newaygo, through their Delinquent Tax Revolving Funds, advance all delinquent real property taxes to the District each year.

Property in the School District for the 2014 levy had a taxable value of \$20,907,649. For the 2014 levy, the School District's operating tax rate was 18 mills.

NOTE E DEFINED BENEFIT PENSION PLAN

Plan Description

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

- Two active classroom teachers or other certified school personnel.
- One active member or retirant from a non-certified support position.
- One active school system superintendent.
- One active finance or operations (non-superintendent) member.
- One retirant from a classroom teaching position.
- One retirant from a finance or operations management position.

Notes to the Financial Statement (Continued)

- One administrator or trustee of a community college that is a reporting unit of the System.
Two from the general public, one with health insurance or actuarial science experience and one with
- institutional investment experience.
- One elected member of a reporting unit's board of control.

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

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

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

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	<u>204,512</u>
Inactive plan members entitled to but not yet receiving benefits:	
	16,979
Active plan members:	
Vested	108,934
Non-vested	101,843
Total	<u>210,777</u>
Total plan members	<u><u>432,268</u></u>

Benefits Provided

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

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

Member Contributions

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

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

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

Employer Contributions

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

Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

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

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote 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.

Notes to the Financial Statement (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. Accordingly, the System is the only entity included in this financial report.

Benefit Protection

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

Fair Value of Investments

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

Investment Income

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

Costs of Administering the System

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

Property and Equipment

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

Related Party Transactions

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

Cash

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

Contributions and Funding Status

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

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

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.00 - 4.00%	18.34% - 19.61%
Member Investment Plan	3.00 - 7.00%	18.34% - 19.61%
Pension Plus	3.00 - 6.40%	18.11
Defined Contribution	0.00 - 4.00%	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 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	<u>43,134,384,072</u>
Net Position	<u>\$ 22,026,503,110</u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
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Net Pension Liability as a Percentage of Covered-Employee Payroll	250.11%
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Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability - Non-University

As of October 1, 2013

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

Proportionate Share of District's Net Pension Liability

At September 30, 2014, the District reported a liability of \$426,424 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The 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 0.00194 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	28.00%	4.80%
% Alternative Investment Pools	18.00%	8.50%
International Equity	16.00%	6.10%
Fixed Income Pools	10.50%	1.50%
Real Estate and Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	15.50%	6.30%
Short Term Investment Pools	<u>2.00%</u>	-0.20%
Total	<u><u>100.00%</u></u>	

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

Rate of Return

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

Discount Rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the 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 reporting unit’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid) *	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) *	1% Decrease (Non-Hybrid/ (Non-Hybrid/Hybrid) *
<u>7.0%/6.0%</u>	<u>8.0%/7.0%</u>	<u>9.0%/8.0%</u>
\$ 562,203	\$ 426,424	\$ 312,028

Timing of the Valuation

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

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

Actuarial Valuations and Assumptions

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

Notes to the Financial Statement (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 Members
Healthcare Cost Trend Rate	8.5% Year 1 Graded to 3.5% Year 12
Mortality	RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

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

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

For the year ended June 30, 2015, the District recognized total pension expense of \$34,542. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Asset Class</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$ 15,734	\$ -

Notes to the Financial Statement (Continued)

Net difference between projected and actual earnings on pension plan investments	\$	-	\$	47,141
Changes in proportion and differences between District contributions and proportionate share of contributions		-		178
District contributions subsequent to the measurement date		29,392		-
Total	\$	45,126	\$	47,319

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

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

Year Ending		Amount
<u>June 30</u>		
2015	\$	(7,740)
2016	\$	(7,740)
2017	\$	(7,740)
2018	\$	(8,365)

Payables to the Pension Plan

The amount of payables to a defined benefit pension plan outstanding at the end of the reporting period were \$2,920. The payables were based upon the wages being paid over the period from July 1 through August 30, 2015 which were for services provided prior to June 30, 2015 and therefore legally required contributions to the pension plan.

NOTE F OTHER POST-EMPLOYMENT BENEFITS

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

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement Systems, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

NOTE G FIXED ASSETS

Capital asset balances and for the year ended June 30, 2015 were as follows:

Governmental-Type Activities	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital Assets not being depreciated				
Land	\$ 1,042	\$ -	\$ -	\$ 1,042
Capital Assets Being Depreciated				
Buildings & Improvements	103,062	-	-	103,062
Land Improvements	17,702	-	-	17,702
Equipment & Furniture	65,150	20,197	-	85,347
Buses & Other Vehicles	98,192	40,350	(93,392)	45,150
Subtotal	284,106	60,547	(93,392)	251,261
Less Accumulated Depreciation for				
Buildings & Improvements	15,950	4,387	-	20,337
Land Improvements	7,901	-	-	7,901
Equipment & Furniture	43,815	4,428	(81,420)	(33,177)
Buses & Other Vehicles	84,115	8,823	-	92,938
Subtotal	151,781	17,638	(81,420)	87,999
Net Capital Assets being depreciated	132,325	42,909	(11,972)	163,262
Total Governmental Activities Capital				
Capital Assets - Net of Depreciation	<u>\$ 133,367</u>	<u>\$ 42,909</u>	<u>\$ (11,972)</u>	<u>\$ 164,304</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 12,122
School Administrative Services	1,088
Student Transportation	4,428
Total Depreciation Expense	<u>\$ 17,638</u>

Notes to the Financial Statement (Continued)

NOTE H RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE I INTERFUND RECEIVABLES & PAYABLES

The composition of interfund balances is as follows:

Receivables/Payables

		Due From		
		General Fund	Capital Projects Fund	Total
Due To	General Fund	\$ -	\$ 242	\$ 242
	Capital Projects Fund	-	-	-
	Total	<u>\$ -</u>	<u>\$ 242</u>	<u>\$ 242</u>

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. As of June 30, 2015, the balance of the interfund receivables and payables is the result of the capital projects fund paying certain expenditures of the general fund.

NOTE J GENERAL LONG-TERM OBLIGATIONS

Summary - The long-term debt includes a loan for a school bus. Since none of the debt will be retired with current operating resources, they are appropriately included in the government-wide financial statement. All items will be recorded as an expenditure of the year in which they are paid, for fund statement reporting.

Long-term debt is comprised of the following at June 30, 2015:

	Outstanding Principal 6/30/2015	Due Within One Year
School bus loan due in quarterly installments of \$2,238.78 through August, 2019; interest payable quarterly at 3.99%.	<u>\$ 34,789</u>	<u>\$ 7,670</u>

The annual requirements to amortize long-term debt outstanding as of June 30, 2015, including interest detailed as follows:

Notes to the Financial Statement (Continued)

Year Ended June 30,	Principal	Interest
2016	\$ 7,670	\$ 1,285
2017	7,987	969
2018	8,311	644
2019	8,649	305
2020	2,172	22
	\$ 34,789	\$ 3,225

Changes to long-term debt - The following is a summary of debt transactions of the District for the year ended June 30, 2015:

Governmental-Type Activities	School Bus Loan
Debt Outstanding July 1	\$ -
Debt Added During the Year	40,350
Debt Retired During the Year	(5,561)
Debt Outstanding June 30	\$ 34,789

NOTE K SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2015, the most recent balance sheet presented herein, through October 27, 2015, the date these financial statements were available to be issued. No significant such events or transactions were identified.

NOTE L ADOPTION OF NEW ACCOUNTING STANDARDS

In June 2012, the Government Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 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. This net pension liability that will be recorded on the government-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Agency is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

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 and it 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.

Notes to the Financial Statement (Continued)

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	\$	331,306
Net pension liability		(379,591)
Beginning deferred outflows for contributions subsequent to the measurement date		42,756
Beginning deferred inflows for differences between and actual experience and projected and actual plan investment earnings		(33,423)
Restated beginning net position	\$	<u><u>(38,952)</u></u>

NOTE N 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 measurement. The Agency is currently evaluating the impact this standard will have on the financial statements when adopted for the Agency’s 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 73, Accounting and Financial Reporting for Pension 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 Agency is currently evaluating the impact this standard will have on the financial statements when adopted during the Agency’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 Agency is currently evaluating the impact this standard will have on the financial statements when adopted during the Agency’s 2017-2018 fiscal year.

BIG JACKSON PUBLIC SCHOOLS

Required Supplementary Information
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variances	
	Original	Final		Positive (Negative)	
				Original Budget to Final	Final Budget to Actual
Revenues					
Local Sources	\$ 194,150	\$ 204,150	\$ 201,802	\$ 10,000	\$ (2,348)
State Sources	105,000	160,000	126,592	55,000	(33,408)
Federal Sources	125,000	70,000	42,466	(55,000)	(27,534)
Interdistrict Sources	-	-	26,291	-	26,291
Total Revenues	424,150	434,150	397,151	10,000	(36,999)
Expenditures					
Instruction					
Elementary	203,300	125,430	98,027	(77,870)	27,403
Compensatory Education	26,650	36,650	33,750	10,000	2,900
Special Education	15,000	6,000	5,921	(9,000)	79
Total Instruction	244,950	168,080	137,698	(76,870)	30,382
Support Services:					
General Administration	4,000	3,000	3,745	(1,000)	(745)
School Administration	20,000	13,000	15,282	(7,000)	(2,282)
Business Services	76,380	88,027	90,677	11,647	(2,650)
Operation & Maintenance	46,670	57,303	44,359	10,633	12,944
Transportation Services	37,850	45,520	45,899	7,670	(379)
Total Support Services	184,900	206,850	199,962	21,950	6,888
Debt Service	50,000	10,000	6,716	(40,000)	3,284
Capital Outlay	4,000	4,000	40,350	-	(36,350)
Total Expenditures	483,850	388,930	384,726	(94,920)	4,204
Excess (deficiency) of Revenue Over Expenditures	(59,700)	45,220	12,425	104,920	(32,795)
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	-	-	2,400	-	2,400
Proceeds from Long-Term Debt	-	-	40,350	-	40,350
Total Other Financing Sources (Uses)	-	-	42,750	-	42,750
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(59,700)	45,220	55,175	104,920	9,955
Fund Balance - July 1	171,622	171,622	171,622	-	-
Fund Balance - June 30	<u>\$ 111,922</u>	<u>\$ 216,842</u>	<u>\$ 226,797</u>	<u>\$ 104,920</u>	<u>\$ 9,955</u>

BIG JACKSON PUBLIC SCHOOLS

Required Supplementary Information
 Budgetary Comparison Schedule for the Capital Projects Fund
 For the Year Ended June 30, 2015

	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local Sources					
Miscellaneous	\$ -	\$ -	\$ 2,074	\$ -	\$ 2,074
Interest	-	-	48	-	48
Total Revenues	-	-	2,122	-	2,122
Expenditures					
Capital Outlay	15,000	15,000	4,062	-	10,938
Total Expenditures	15,000	15,000	4,062	-	10,938
Excess of Revenues Over (Under) Expenditures	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	(1,940)	<u>\$ -</u>	<u>\$ 13,060</u>
Fund Balance - Beginning			<u>32,914</u>		
Fund Balance - Ending			<u>\$ 30,974</u>		

BIG JACKSON PUBLIC SCHOOLS

Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability
 Michigan Public School Employees Retirement Plan
 Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. District's proportion of net pension liability (%)	-	-	-	-	-	-	-	-	-	0.00194%
B. District's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 426,424
C. District's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,336
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	-	-	-	-	-	-	-	-	-	207.67133%
E. Plan fiduciary net position as a percentage of total pension liability	-	-	-	-	-	-	-	-	-	66.20000%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Notes to the Required Supplementary Information

Changes of benefit terms:

There were no changes of benefit terms.

Changes of assumptions:

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Report.

BIG JACKSON PUBLIC SCHOOLS

Required Supplementary Information
 Schedule of Contributions
 Michigan Public School Employees Retirement Plan
 Last 10 Fiscal Years (Amounts determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,485
B. Contributions in relation to statutorily required contributions *	<u>-</u>	<u>25,485</u>								
C. Contribution deficiency (excess)	<u>\$ -</u>									
D. District's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,274
E. Contributions as a percentage of covered-employee payroll										18.17%

* Contributions in relation to statutorily required contributions are the contributions a the District actually made to MPSERS, which may differ from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

BIG JACKSON PUBLIC SCHOOLS

Comparative Balance Sheet - General Fund
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash/Investments	\$ 236,507	\$ 173,727
Due From Other Governmental Units	<u>38,879</u>	<u>56,974</u>
Total Assets	<u><u>\$ 275,386</u></u>	<u><u>\$ 230,701</u></u>
Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ -	\$ 15,377
Accrued Payroll Liabilities	3,275	2,597
Due to Other Funds	242	2,189
Unearned Revenue	<u>45,072</u>	<u>38,916</u>
Total Liabilities	48,589	59,079
Fund Equity		
Unassigned	<u>226,797</u>	<u>171,622</u>
Total Fund Equity	<u>226,797</u>	<u>171,622</u>
Total Liabilities and Fund Equity	<u><u>\$ 275,386</u></u>	<u><u>\$ 230,701</u></u>

BIG JACKSON PUBLIC SCHOOLS

Comparative Statement of Revenues - General Fund For the Years Ended June 30, 2015 and 2014

	2015	2014
Revenues		
Local Sources		
Property Taxes	\$ 189,307	\$ 191,581
Interest Earned on Investments	38	66
Grants/Donations	3,309	14,172
Miscellaneous	9,148	4,563
Total Local Sources	201,802	210,382
State Sources		
State School Aid	85,264	134,643
Headlee Obligation for Data Collection	941	1,139
MPERS Cost Offset/UAAL Stabilization	21,062	9,653
At Risk	18,089	14,030
Best Practices	-	2,526
Middle School Math	1,000	-
Special Education	236	1,173
Total State Sources	126,592	163,164
Federal Sources		
Title I	15,660	22,490
Title II, Part A	702	8,957
R.E.A.P. Grant	22,892	21,124
Payments in Lieu of Taxes	3,212	10,417
Total Federal Sources	42,466	62,988
Interdistrict Sources		
GSRP	7,613	30,567
GSRP Classroom Space Rent	5,000	-
Special Education - Act 18	13,678	19,950
Total Interdistrict Sources	26,291	50,517
Other Financing Sources		
Proceeds from Sale of Assets	2,400	-
Proceeds from Long Term Debt	40,350	-
Total Other Financing Sources	42,750	-
Total Revenues	\$ 439,901	\$ 487,051

BIG JACKSON PUBLIC SCHOOLS

Comparative Statement of Expenditures - General Fund
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Expenditures		
Instruction		
Elementary		
Basic Education	\$ 84,996	\$ 137,705
Title V	307	307
Title II A	702	9,029
Preschool	11,572	30,574
REAP	<u>450</u>	<u>13,099</u>
Total Elementary	98,027	190,714
Compensatory Education		
At Risk	18,089	14,030
Title I	<u>15,661</u>	<u>22,416</u>
Total Compensatory Education	33,750	36,446
Special Education	<u>5,921</u>	<u>738</u>
Total Instruction	137,698	227,898
Supportive Services		
General Administration	3,745	3,729
School Administration	15,282	17,195
Business Services	90,677	84,138
Operation & Maintenance of School	44,359	50,088
Transportation Services	<u>45,899</u>	<u>53,773</u>
Total Supportive Services	199,962	208,923
Capital Outlay	<u>40,350</u>	<u>10</u>
Debt Service		
Principal	5,556	-
Interest	<u>1,160</u>	<u>-</u>
Total Debt Service	<u>6,716</u>	<u>-</u>
Total Expenditures	<u>\$ 384,726</u>	<u>\$ 436,831</u>

BIG JACKSON PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance -
Capital Projects Fund
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues		
Local Sources		
Miscellaneous Revenue	\$ 2,074	\$ -
Interest Earned on Investments	<u>48</u>	<u>35</u>
Total Revenues	<u>2,122</u>	<u>35</u>
Expenditures		
Capital Outlay	<u>4,062</u>	<u>13,894</u>
Total Expenditures	<u>4,062</u>	<u>13,894</u>
Excess Revenues Over (Under) Expenditures	(1,940)	(13,859)
Fund Balance - Beginning	<u>32,914</u>	<u>46,773</u>
Fund Balance - Ending	<u><u>\$ 30,974</u></u>	<u><u>\$ 32,914</u></u>

BIG JACKSON PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 June 30, 2015

<u>Function and Activity</u>	<u>6/30/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2015</u>
<u>General Fund</u>				
Instruction	\$ 174,161	\$ 18,500	\$ -	\$ 192,661
General Administration Services	12,795	1,697	-	14,492
Student Transportation Services	93,797	40,350	93,392	40,755
<u>Building Fund</u>				
Student Transportation Services	4,395	-	-	4,395
 Total	 <u>\$ 285,148</u>	 <u>\$ 60,547</u>	 <u>\$ 93,392</u>	 <u>\$ 252,303</u>



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

Board of Education
Big Jackson Public Schools
Newaygo County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Jackson Public Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Big Jackson Public School's basic financial statements and have issued our report thereon dated October 27, 2015.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

H & S Companies, P.C.

H & S Companies, P.C.

October 27, 2015

BIG JACKSON PUBLIC SCHOOLS

Schedule of Findings and Responses
June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal Control over financial reporting. | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 3. Noncompliance material to the financial statements noted? | No |

Section II - Findings and Responses - Financial Statement Audit

No Findings

BIG JACKSON PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings
June 30, 2015

2014-001 Address Preparation of Financial Statements Including the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles.

Management has concluded that Executive Director from the Intermediate School District will review the financial statements, accompanying notes, and conversion to full accrual government-wide financial statements to verify that they are in conformity with Generally Accepted Accounting Principles.