

REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT

JUNE 30, 2015



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

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October 19, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Reed City Area Public Schools
Reed City, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 3 - P to the financial statements, effective July 1, 2014, Reed City Area Public Schools adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages iv through x and 42-45 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 Reed City Area Public Schools' basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015, on our consideration of Reed City Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reed City Area Public Schools internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The discussion and analysis of the Reed City Area Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to provide, in layman's terms, a look at the District's performance and past and current position. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplemental information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

The basic financial statements include two kinds of statements that present different views of the District.

District-Wide Financial Statements

These statements are full accrual basis statements and provide information about the District's *overall* financial status. They are used to help determine whether or not the District is better off or worse off as the result of the year's activities. The Statement of Net Position reports all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term, regardless of whether they are "currently available" or not. Capital assets and long-term obligations of the District are reported in this statement. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax base, the quality of the education provided and the condition of the District's buildings.

In the district-wide statements, the District's activities are classified as governmental activities. This includes most of the District's basic services, such as regular and special education, food service, athletics, transportation and administration. Property taxes and state aid finance most of these services.

Fund Financial Statements

The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund level statements are reported on a modified

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, a district’s major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Revenue Funds for Food Service and Community Services, Debt Service Funds, Capital Project Fund, and Fiduciary Funds.

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

Financial Analysis of the District as a Whole

The following schedule summarizes the net position at fiscal year ended June 30. The 2014 column has not been restated to include the new GASB No. 68 Standards-*Accounting and Financial Reporting for Pensions*:

<u>June 30,</u>	<u>Governmental Activities</u>	
	2015	2014
Assets		
Current Assets	\$ 4,682,362	\$ 3,564,122
Non Current Assets		
Capital Assets	18,587,205	18,533,014
Less: Accumulated Depreciation	(7,427,104)	(7,055,062)
	11,160,101	11,477,952
Total Non Current Assets		
	15,842,463	15,042,074
Deferred Outflows of Resources		
Deferred Charges on Refunding	428,612	482,292
Deferred Outflow of Resources Related to Pension	1,627,325	0
	2,055,937	482,292
Total Deferred Outflows of Resources		
Liabilities		
Current Liabilities	3,707,281	3,597,299
Non Current Liabilities	27,334,296	12,030,992
	31,041,577	15,628,291
Total Liabilities		

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

<u>June 30,</u>	<u>Governmental Activities</u>	
	2015	2014
Deferred Inflows of Resources		
Deferred Inflows Related to Pension	1,802,531	0
Net Position		
Net Investment in Capital Assets - (Deficit)	(150,686)	(685,283)
Restricted	353,663	383,396
Unrestricted	(15,148,685)	197,962
Total Net Position (Deficit)	\$(14,945,708)	\$ (103,925)

Restricted assets represent resources that are subject to external restrictions on how they may be used.

During the fiscal year ended June 30, 2015, the District's net position increased by \$2,502,446. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

The District is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2015, \$388,829 was recorded for depreciation expense.

2. Pension Expense

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2015, the District reported an increase in net position related to GASB 68, which indicates that the District's proportionate share of the net pension liability has decreased.

3. Capital Outlay Acquisitions and Disposals

For the fiscal year ended June 30, 2015, \$72,843 in capital assets were acquired and \$18,652 capital assets were disposed of.

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The net effect of the capital asset changes and the current year's depreciation is a decrease to net capital assets in the amount of \$317,851 for the fiscal year ended June 30, 2015.

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30. The 2014 column has not been restated to include the new GASB No. 68 Standards-*Accounting and Financial Reporting for Pensions*:

<u>June 30,</u>	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 327,885	\$ 276,571
Operating Grants and Contributions	3,353,031	2,991,596
General Revenues:		
Property Taxes	3,481,810	3,462,797
Investment Earnings	2,266	1,238
State Sources	8,748,554	8,047,775
Other	61,402	82,698
Total Revenues	15,974,948	14,862,675
Expenses		
Instruction	7,515,193	8,192,083
Supporting Services	4,181,236	4,181,383
Community Services	45,280	30,981
Food Service Activities	804,704	698,336
Interest on Long-Term Debt	494,132	534,505
Other Transactions	43,128	44,978
Unallocated Depreciation	388,829	423,701
Total Expenses	13,472,502	14,105,967
Increase (Decrease) in Net Position	\$ 2,502,446	\$ 756,708

The cost of the District's governmental activities for the year was \$13,472,502. State aid and operating grants and contributions provided approximately \$12,101,585, to fund the District's governmental activities. District taxpayers directly financed activities of the District with approximately \$3,481,810 in property taxes. Charges for services provided funds of approximately \$327,885.

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2015	2014	Increase (Decrease)
Major Funds			
General Fund	\$ 1,433,618	\$ 447,085	\$ 986,533
Nonmajor Funds			
Food Service	186,440	201,400	(14,960)
Community Services	10,148	11,723	(1,575)
Capital Projects	66,245	57,653	8,592
2001 Debt Retirement	52,578	58,653	(6,075)
2004 Debt Retirement	0	29,244	(29,244)
2005 Debt Retirement	185,538	190,725	(5,187)
2012 Debt Retirement	84,387	60,163	24,224
Total Governmental Funds	<u>\$ 2,018,954</u>	<u>\$ 1,056,646</u>	<u>\$ 962,308</u>

About half of the General Fund increase was a result of revenue related to increased student count. The other half was mainly related to various reductions in expenditures.

The Debt Fund balances, of which the entire amount is restricted, changed primarily due to debt principal and interest payments being different than the property tax revenues.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

During 2014-2015, the District amended the General Fund budget twice, with the Board adopting the final changes in June 2015. The following schedule shows a comparison of the original budget, the final amended budget and the actual totals for the General Fund:

<u>Year Ended June 30, 2015</u>	Original Budget	Final Budget	Actual
Total Revenues	<u>\$ 12,721,436</u>	<u>\$ 14,088,091</u>	<u>\$ 13,913,436</u>
Expenditures:			
Instruction	\$ 7,945,552	\$ 8,767,147	\$ 8,324,875
Supporting Services	4,563,087	4,736,445	4,385,719
Community Services	0	16,837	16,837
Capital Outlay	0	100,000	0
Other Transactions	54,140	55,684	43,128
Total Expenditures	<u>\$ 12,562,779</u>	<u>\$ 13,676,113</u>	<u>\$ 12,770,559</u>

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Final budgeted revenues and expenses were higher than originally budgeted primarily due to differences in grant income and expenses.

Actual revenues were lower than budgeted due to changes to grant income. Actual expenditures were lower than budgeted due to changes in grant expenses.

Capital Assets and Debt Administration

1. Capital Assets

The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring major equipment necessary for providing educational programs for all students within the District. There was \$72,843 in capital asset additions during the current year.

The District’s capital assets at year end are summarized as follows, net of accumulated depreciation:

<u>June 30,</u>	<u>2015</u>	<u>2014</u>
Land	\$ 284,694	\$ 284,694
Construction in Progress	37,404	0
Buildings	10,143,758	10,417,444
Land Improvements	28,219	34,256
Machinery and Equipment	179,573	196,628
Transportation Equipment	486,453	544,930
	<u>\$ 11,160,101</u>	<u>\$ 11,477,952</u>

2. Long-Term Debt

At June 30, 2014, the District had \$28,134,930 in debt outstanding. This represents an increase of \$15,291,882 from the amount outstanding at the close of the prior fiscal year. The majority of this increase is due to the new reporting requirements related to GASB 68.

Factors Bearing on the District’s Future

At the time the financial statements were prepared, the District was aware of the following items that could significantly affect its future financial health:

- Uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2015-2016 fiscal year.
- As the District’s infrastructure ages, costs for repair, replacement and improvement become more significant. Because of the previous financial stress of the District, the delayed maintenance has added up, and in the near future these issues will have to be dealt with. The District is working on

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

raising awareness and communicating with the community related to these issues and is planning to seek approval of a bond issue to address some of these concerns.

- Uncertain student enrollment. The District has budgeted for a decline of 15 FTE students for 2015-2016 fiscal year. Student enrollment has a significant impact on revenues of the District.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, parents, students and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Business Office, Reed City Area Public Schools, 225 W. Church Ave., Reed City, Michigan 49677.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash	\$ 836,440
Investments	1,624,215
Accounts Receivable	11,731
Taxes Receivable	12,240
Due from Other Governments	2,076,923
Inventories	12,355
Prepaid Expenses	<u>108,458</u>

Total Current Assets 4,682,362

NON CURRENT ASSETS

Capital Assets	18,587,205
Less Accumulated Depreciation	<u>(7,427,104)</u>

Total Non Current Assets 11,160,101

TOTAL ASSETS 15,842,463

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Refunding	428,612
Changes of Pension Assumptions	601,622
Changes in Proportion and Differences Between District Pension Contributions and Proportionate Share of Contributions	4,140
District Pension Contributions Subsequent to the Measurement Date	<u>1,021,563</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 2,055,937

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2015

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	52,616
Accrued Expenses	449,049
Accrued Interest Payable	73,490
Salaries Payable	710,950
Note Payable	1,286,423
Due to Other Governments	95,269
Unearned Revenue	69,101
Current Portion of Non Current Liabilities	<u>970,383</u>
 Total Current Liabilities	 <u>3,707,281</u>

NON CURRENT LIABILITIES

Bonds Payable	11,255,000
Deferred Bond Premium - Net	169,749
Employee Early Retirement Obligations	82,000
Compensated Absences	178,223
Installment Purchase Agreement Payable	314,650
Net Pension Liability	16,305,057
Less Current Portion of Non Current Liabilities	<u>(970,383)</u>
 Total Non Current Liabilities	 <u>27,334,296</u>

TOTAL LIABILITIES 31,041,577

DEFERRED INFLOWS OF RESOURCES

Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>1,802,531</u>
--	------------------

NET POSITION

Net Investment (Deficit) in Capital Assets	(150,686)
Restricted for Debt Service	249,013
Restricted for Food Service	104,650
Unrestricted (Deficit)	<u>(15,148,685)</u>
 TOTAL NET POSITION - (DEFICIT)	 <u>\$ (14,945,708)</u>

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 7,515,193	\$ 0	\$ 2,474,819	\$ 0	\$ (5,040,374)
Supporting Services	4,181,236	125,215	232,705	0	(3,823,316)
Community Services	45,280	29,101	16,837	0	658
Food Service Activities	804,704	173,569	628,670	0	(2,465)
Interest on Long-Term Debt	494,132	0	0	0	(494,132)
Other Transactions	43,128	0	0	0	(43,128)
Unallocated Depreciation	388,829	0	0	0	(388,829)
Total Governmental Activities	<u>\$ 13,472,502</u>	<u>\$ 327,885</u>	<u>\$ 3,353,031</u>	<u>\$ 0</u>	<u>(9,791,586)</u>
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					2,258,702
Property Taxes -Levied for Debt Service					1,223,108
Investment Earnings					2,266
State Sources					8,748,554
Other					61,402
Total General Revenues					<u>12,294,032</u>
Change in Net Position					2,502,446
<u>NET POSITION</u> - Beginning of Year - (Deficit) - as restated					<u>(17,448,154)</u>
<u>NET POSITION</u> - End of Year - (Deficit)					<u>\$ (14,945,708)</u>

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2015

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 262,181	\$ 574,259	\$ 836,440
Investments	1,624,215	0	1,624,215
Accounts Receivable	4,238	7,493	11,731
Taxes Receivable	8,014	4,226	12,240
Due from Other Governments	2,071,273	5,650	2,076,923
Due from Other Funds	7,563	1,997	9,560
Inventories	2,898	9,457	12,355
Prepaid Expenditures	35,350	73,108	108,458
TOTAL ASSETS	\$ 4,015,732	\$ 676,190	\$ 4,691,922
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 52,616	\$ 52,616
Accrued Expenses	449,049	0	449,049
Salaries Payable	710,950	0	710,950
Note Payable	1,286,423	0	1,286,423
Due to Other Funds	3,243	6,317	9,560
Due to Other Governments	95,269	0	95,269
Unearned Revenue	37,180	31,921	69,101
Total Liabilities	2,582,114	90,854	2,672,968
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	2,898	9,457	12,355
Prepaid Expenditures	35,350	73,108	108,458
Restricted for:			
Debt Service	0	322,503	322,503
Food Service	0	104,650	104,650
Assigned to:			
Community Services	0	9,373	9,373
Future Capital Projects	0	66,245	66,245
Unassigned	1,395,370	0	1,395,370
Total Fund Balances	1,433,618	585,336	2,018,954
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,015,732	\$ 676,190	\$ 4,691,922

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

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

JUNE 30, 2015

Total Governmental Fund Balances	\$ 2,018,954
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$18,587,205
Accumulated depreciation is	<u>(7,427,104)</u> 11,160,101
Other long-term assets are not available for pay for current period expenditures and, therefore, are deferred in the funds. These assets consist of:	
Deferred Loss on Refunding	428,612
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(11,255,000)
Bond Premium	(169,749)
Employees Early Retirement	(82,000)
Compensated Absences	(178,223)
Installment Purchase Agreement	(314,650)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	(73,490)
Some liabilities, including net pension obligations, are not due and payable payable in the current period and, therefore, are not reported in the funds.	
Net Pension Liability	(16,305,057)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Changes in Pension Assumptions	601,622
Changes in Proportionate and Differences Between District Pension Contributions and Proportionate Share of Contributions	4,140
District Pension Contributions Subsequent to the Measurement Date	1,021,563
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>(1,802,531)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (14,945,708)</u></u>

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	<u>GENERAL</u> <u>FUND</u>	<u>NONMAJOR</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>REVENUES</u>			
Local Sources	\$2,457,590	\$ 1,431,542	\$ 3,889,132
State Sources	10,502,251	19,020	10,521,271
Federal Sources	585,333	609,650	1,194,983
Other Transactions	368,262	0	368,262
	<hr/>		
Total Revenues	13,913,436	2,060,212	15,973,648
<hr/>			
<u>EXPENDITURES</u>			
Instruction	8,324,875	0	8,324,875
Supporting Services	4,385,719	0	4,385,719
Community Services	16,837	30,676	47,513
Food Service Activities	0	822,453	822,453
Capital Projects	0	37,404	37,404
Debt Service			
Principal	0	877,068	877,068
Interest and Other	0	474,980	474,980
Other Transactions	43,128	0	43,128
	<hr/>		
Total Expenditures	12,770,559	2,242,581	15,013,140
<hr/>			
Excess (Deficiency) of Revenues Over Expenditures	1,142,877	(182,369)	960,508
<hr/>			
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	(157,344)	157,344	0
Proceeds from Sale of Capital Assets	1,000	800	1,800
	<hr/>		
Total Other Financing Sources (Uses)	(156,344)	158,144	1,800
<hr/>			
Net Change in Fund Balance	986,533	(24,225)	962,308
<hr/>			
<u>FUND BALANCE</u> - Beginning of Year - As Restated	447,085	609,561	1,056,646
<hr/>			
<u>FUND BALANCE</u> - End of Year	\$1,433,618	\$ 585,336	\$ 2,018,954
<hr/>			

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

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

YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances Total Governmental Funds \$ 962,308

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the statement of activities.

Capital Outlay	72,843
Depreciation Expense	(388,829)
Net Cost of Capital Assets Sold	(1,865)

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	78,958
Accrued Interest Payable - End of Year	(73,490)

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of Long-Term Debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

The net changes in long-term liabilities are:

Repayment of Debt Principal	877,068
Amortization of Deferred Charges	(24,620)

Employees Early Retirement and Accumulated Sick Pay 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:

Employees Early Retirement - Beginning of Year	214,000
Employees Early Retirement - End of Year	(82,000)
Accumulated Sick Pay - Beginning of Year	182,330
Accumulated Sick Pay - End of Year	(178,223)

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

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

YEAR ENDED JUNE 30, 2015

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense:

Net Pension Liability - Beginning of Year	17,344,229
Net Pension Liability - End of Year	(16,305,057)
Change in Changes of Pension Assumptions	601,622
Change in Proportion and Differences Between District Pension Contributions Proportionate Share of Contributions	4,140
Change in District Pension Contributions Subsequent to Measurement Date	1,021,563
Change in Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>(1,802,531)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,502,446</u>

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2015

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 74,701	\$ 178,292
Notes Receivable (net of allowance for doubtful accounts)	42,443	0
	<hr/>	<hr/>
TOTAL ASSETS	117,144	178,292
 <u>LIABILITIES</u>		
Due to Groups and Organizations	0	178,292
	<hr/>	<hr/>
 <u>NET POSITION</u>		
Restricted for Scholarships and Memorials	\$ 117,144	\$ 0
	<hr/> <hr/>	<hr/> <hr/>

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2015

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Donations	\$ 835
Interest and Dividends	1,430
	<hr/>
Total Additions	2,265
 <u>DEDUCTIONS</u>	
Scholarship Awards	1,050
	<hr/>
Change in Net Position	1,215
 <u>NET POSITION</u> - Beginning of Year	<hr/> 115,929
 <u>NET POSITION</u> - End of Year	<hr/> <hr/> \$ 117,144

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Reed City Area Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

A. Reporting Entity

The School District (the "District") is located in Osceola, Lake, Newaygo and Mecosta Counties with its administrative offices located in Reed City, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

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

Other non-major funds:

The *special revenue (School Service) fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and community services activities in the special revenue funds.

The *capital projects fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary funds:

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

The *private purpose trust funds* are accounted for using the accrual method of accounting. Private purpose funds account for contributions earmarked for scholarships available to qualifying students of the District.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

Prior to May, the various principals, directors and supervisors review operating budgets by program or building for the fiscal year commencing the following July 1, and submit them to the business manager.

This information is used to develop a budget and resolution for the General Fund and Special Revenue Funds. This includes proposed expenditures and the means of financing them and is compiled on a basis consistent with accounting principles generally accepted in the United

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

States of America. In June, the budget resolution is subjected to a public hearing before the full Board and is adopted within seven days after this hearing and before July 1, the first day of the budgeted fiscal year.

Any revisions which increase or decrease expenditures for a program must be approved by the Board. The superintendent is authorized to transfer budgeted amounts between functions within any fund. The final budget reflects all revisions approved by the Board during the year. Unexpended appropriations lapse to the next fiscal year.

The budget is integrated with the accounting system of the District and is used as a management control device during the year.

Budgeted amounts are as originally adopted on June 16, 2014, or as amended by the School Board of Education at various times throughout the year.

2. *Excess of Expenditures Over Appropriations*

There was no excess of expenditures over appropriations as of June 30, 2015.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash and Investments*

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2. *Inventory and Prepaid Items*

Inventories are recorded at cost and consist primarily of food, teaching and office supplies. USDA donated commodities are recorded at fair value. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

3. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings	20-50 years
Land Improvements	10-20 years
Machinery and Equipment	5-20 years
Vehicles	8 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

4. *Compensated Absences*

District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time does not accumulate from year-to-year. Sick leave is accumulated at different rates for various categories of employees. Unused sick leave accumulates from year-to-year to a maximum described in the contract. In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported on the district-wide financial statements.

5. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt. The other three are related to the pension plan for its employees. Details can be found in footnote 3.F.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote 3.F.

7. *Pension*

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

8. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. *Fund Balance Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the superintendent or his designee to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Use of Estimates

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

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2015 the foundation allowance was based on pupil membership counts taken in February of 2015 and October of 2014. For fiscal year ended June 30, 2015, the per pupil foundation allowance was \$7,126 for Reed City Area Public Schools.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2014 to August 2015. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. *Federal Revenue*

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

3. *Program Revenues*

Amounts reported as program revenue 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. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

4. *Property Taxes*

Properties are assessed as of December 31. Taxes are levied and become a lien on December 1. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county delinquent tax rolls. Delinquent real property taxes are purchased by the counties of Mecosta, Newaygo, Osceola and Lake and remitted to the District after settlement.

For the year ended June 30, 2015, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principal Residence Exemption (PRE)	18.00
General Fund - Non-PRE Commercial PPT	6.00
Debt Service Fund - PRE and Non-PRE	3.91

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

There were no budgetary violations that occurred for the year ended June 30, 2015.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2015, the District's bank balance was \$1,390,992 and \$261,177 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The majority of this risk is in the General Fund. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Foreign Currency Risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

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At June 30, 2015, the District had the following investments:

	Fair Value
MILAF External Investment Pool - MICMS	\$ 37
MILAF External Investment Pool - MILAX	1,624,178
Total	\$ 1,624,215

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2015, the fair value of the District’s investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 836,440	\$ 0	\$ 252,993	\$ 1,089,433
Investments	0	1,624,215	0	1,624,215
	\$ 836,440	\$ 1,624,215	\$ 252,993	\$ 2,713,648

B. Receivables

Receivables as of year end for the government’s individual major funds and nonmajor are as follows:

	General Fund	Nonmajor Funds	Total
Receivables			
Accounts	\$ 4,238	\$ 7,493	\$ 11,731
Taxes	8,014	4,226	12,240
Due from Other Governments	2,071,273	5,650	2,076,923
Total Receivables	\$ 2,083,525	\$ 17,369	\$ 2,100,894

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

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C. Capital Assets

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Assets Not Being Depreciated:				
Land	\$ 284,694	\$ 0	\$ 0	\$ 284,694
Construction in Progress	0	37,404	0	37,404
Total Capital Assets, Not Being Depreciated	284,694	37,404	0	322,098
Other Capital Assets:				
Buildings	15,912,267	0	0	15,912,267
Land Improvements	239,206	0	0	239,206
Machinery and Equipment	652,840	17,749	0	670,589
Transportation Equipment	1,444,007	17,690	18,652	1,443,045
Subtotal	18,248,320	35,439	18,652	18,265,107
Accumulated Depreciation				
Buildings	5,494,823	273,686	0	5,768,509
Land Improvements	204,950	6,037	0	210,987
Machinery and Equipment	456,212	34,804	0	491,016
Transportation Equipment	899,077	74,302	16,787	956,592
Total Accumulated Depreciation	7,055,062	388,829	16,787	7,427,104
Net Other Capital Assets	11,193,258	(353,390)	1,865	10,838,003
Net Capital Assets	\$11,477,952	\$ (315,986)	\$ 1,865	\$11,160,101

Depreciation for the fiscal year ended June 30, 2015 amounted to \$388,829. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Post-Retirement Benefits

Plan Description - The District participates in the statewide Michigan Public School Employees' Retirement System (MPERS) which is a cost-sharing, multiple employer, state-wide, defined benefit

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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. Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2013 Comprehensive Annual Financial Report, available here:
<http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>

Benefit Provisions – Pension

Introduction

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 services through repayment of the refund upon satisfaction of certain requirements.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence of September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension 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 February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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Option 1 – members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 – members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future services as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their *total* years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a Defined Contribution (DC) plan that provides 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan.

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If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012 and is shown below:

Option 1: $FAC \times \text{total years of service} \times 1.5\%$

Option 2: $FAC \times 30 \text{ years of service} \times 1.5\% + FAC \times \text{years of service beyond 30} \times 1.25\%$

Option 3: $FAC \times \text{years of service as of transition date} \times 1.5\% + FAC \times \text{years of service after transition date} \times 1.25\%$

Option 4: $FAC \text{ as of transition date} \times \text{years of service as of transition date} \times 1.5\%$

A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member who became a member of MPSERS after June 30, 2010 may retire at age 60 with 10 or more years of credited service.

A Basic Plan member may retire at:

- age 55 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service.

There is no mandatory retirement age.

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Early Retirement

A member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension, but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc).

Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the

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date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

Straight Life Pension – The Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of a retiree’s death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

Survivor Options – Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount (“pop-up” provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree’s death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree’s death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree’s death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan – The Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor Pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree’s pension to decrease at age 62 by approximately the same amount as that person’s Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

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NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated, or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of the death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

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Contributions

The majority of the members currently participate on a contributory basis, as described above under “Benefits Provided”. Districts 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 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	0.0-4.0%	18.34-19.61%
Member Investment Plan	3.0-7.0%	18.34-19.61%
Pension Plus	3.0-6.4%	18.11%
Defined Contribution	0.0%	15.44-16.61%

The System may reconcile with actuarial requirement 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

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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.

Benefit Provisions – Other Postemployment

Introduction

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

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

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, 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% employee contribution into their 457 account as of their transition date, earning them 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.

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Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they choose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the healthcare funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the

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PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

Other Information

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree healthcare trust as MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus member. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

E. Net Pension Liabilities

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 requirements).

MPSERS (Plan) Net Pension Liability

As of September 30, 2014

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

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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.

As of October 1, 2013

Total Pension Liability	\$	62,859,499,994
Plan Fiduciary Net Pension		39,427,686,072
Net Pension Liability	\$	23,431,813,922
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		62.72%

Proportionate Share of District's Net Pension Liability

At September 30, 2014, the District reported a liability of \$16,305,057 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 proportion 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 .07402.

Long-Term Expected Rate of Return on Investments

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>Investment Category</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 & Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	15.50%	6.30%
Short-Term Investment Pools	2.00%	-0.20%
	100%	

*Long-term rate does not include 2.5% inflation

REED CITY AREA PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 the discount rate of 8.0 percent (7% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 21,496,798	\$ 16,305,057	\$ 11,930,939

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 as of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

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NOTES TO FINANCIAL STATEMENTS
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Actuarial Valuations and Assumptions

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

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% year 12

Mortality: RP-2000 Male and Female 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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

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

For the year ended June 30, 2015, the District recognized pension expense of \$1,321,831. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	601,622	0
Net difference between projected and actual earnings on pension plan investments	0	1,802,531
Changes in proportion and differences between District contributions and proportionate share of contributions	4,140	0
District contributions subsequent to the measurement date	1,021,563	0
Total	\$ 1,627,325	\$ 1,802,531

\$1,021,563 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (293,117)
2017	(293,117)
2018	(293,117)
2019	(317,418)
	\$ (1,196,769)

REED CITY AREA PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

G. Payables to the Pension Plan

As of June 30, 2015, the District had payables in the amount of \$279,161 to the pension plan. \$184,063 of this amount represents the amount the District is legally required to contribute on behalf of its employees. The balance, \$95,098, represents the amount the District is required to remit to the pension plan as required by Public Act 196 of 2014.

H. Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for all such risks of loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

I. Lease Information

Operating Leases

The lease consists of a lease agreement on a combination of 24 copiers and printers located throughout the District. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	
2016	\$ 86,400
2017	86,400
2018	86,400
2019	<u>86,400</u>
	<u>\$ 345,600</u>

J. Long-Term Liabilities

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

REED CITY AREA PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The following is a summary of the governmental long-term liability transactions for the School District for the year ended June 30, 2015:

	BONDS PAYABLE	EARLY RETIREMENT OBLIGATIONS	INSTALLMENT PURCHASE AGREEMENT	COMPENSATED ABSENCES	NET PENSION LIABILITY	TOTAL
Balance, July 1, 2014	\$ 12,025,000	\$ 214,000	\$ 421,718	\$ 182,330	\$ 17,344,229	\$ 30,187,277
Additions	0	0	0	0	1,312,195	1,312,195
Deletions	(770,000)	(132,000)	(107,068)	(4,107)	(2,351,367)	(3,364,542)
Balance, June 30, 2015	\$ 11,255,000	\$ 82,000	\$ 314,650	\$ 178,223	\$ 16,305,057	\$ 28,134,930
Total due within one year	\$ 800,000	\$ 82,000	\$ 88,393	\$ 0	\$ 0	\$ 970,393

The District's liability obligations at June 30, 2015, are comprised of the following issues:

\$3,030,000 2012 Refunding Bonds due in annual installments of \$260,000 to \$710,000 , plus interest, through May 1, 2020. Interest rate of 3.0%.

\$ 2,690,000

\$5,100,000 2001 Refunding Bonds due in annual installments of \$425,000, plus interest, through May 1, 2016. Interest rate of 5.0%.

425,000

\$8,400,000 2005 Refunding Bonds due in annual installments of \$45,000 to \$835,000 plus interest, through May 1, 2029. Interest rates range from 4.00% to 4.35%.

8,140,000

Early retirement obligations paid annually without interest per individual contracts.

82,000

\$530,500 installment purchase agreement for the purchase of 6 buses. Due in semi- annual installments of \$46,172, including interest, at 1.35%, through October 26, 2018.

314,650

Net Pension Liability

16,305,057

Compensated Absences

178,223

Total Long-Term Debt

\$ 28,134,930

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Year Ending June 30,	Bonds Payable		Early Retirement Obligation	Installment Purchase Agreement		Amounts Payable
	Principal	Interest		Principal	Interest	
2016	\$ 800,000	\$ 436,990	\$ 82,000	\$ 88,393	\$ 3,951	\$ 1,411,334
2017	740,000	404,040	0	89,591	2,753	1,236,384
2018	750,000	381,340	0	90,804	1,540	1,223,684
2019	765,000	358,340	0	45,862	310	1,169,512
2020	785,000	334,840	0	0	0	1,119,840
2021-2025	4,120,000	1,199,190	0	0	0	5,319,190
2026-2029	3,295,000	351,544	0	0	0	3,646,544
	<u>\$ 11,255,000</u>	<u>\$ 3,466,284</u>	<u>\$ 82,000</u>	<u>\$ 314,650</u>	<u>\$ 8,554</u>	<u>\$ 15,126,488</u>

The annual requirements to amortize the compensated absences are uncertain because it is unknown when the employees will use the sick leave. The annual requirements to amortize the net pension liability are uncertain because it is unknown when the liability will be paid.

Compensated absences, early retirement benefits, and the net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

K. Short-Term Debt

The District has borrowed on state aid anticipation notes in order to meet its cash flow needs as follows:

	<u>STATE AID NOTES</u>
Balance, July 1, 2014	\$ 1,167,149
Additions	2,925,000
Deletions	<u>(2,817,149)</u>
Balance, June 30, 2015	<u>\$ 1,275,000</u>

The notes were issued August 20, 2014, one note of \$550,000 carries an interest rate of 1.05% the other note of \$450,000 carries an interest rate of 1.235%. Additionally, the District borrowed \$1,925,000 at 0.42% interest and made payments into a non-refundable escrow account. As such, the remaining balance at June 30, 2015 was \$1,275,000. The portion paid to escrow is considered defeased and is not shown on the District's financial statements at year end. Of the remaining balance, \$275,000 was repaid on July 20, 2015 and the remainder of \$1,000,000 will be repaid August 20, 2015. Also, on August 20, 2015 the District issued new State Aid Notes totaling \$2,063,000 due August 20, 2016.

REED CITY AREA PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

L. Interfund Receivables and Payables

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 7,563	\$ 0
Community Services Fund	0	44
Capital Project Fund	0	6,273
Food Service Fund	0	1,246
	\$ 7,563	\$ 7,563

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All Interfund balances outstanding at June 30, 2015 are expected to be repaid within one year.

M. Interfund Transfers

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 157,344
Other Debt Retirement	92,344	0
Capital Projects Fund	65,000	0
	\$ 157,344	\$ 157,344

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

N. Defeased Debt

During 2001, the District defeased certain capital appreciation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2015, \$118,698 of bonds outstanding are considered defeased.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

O. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

The District has an uncompleted contract in progress related to the Middle School boiler. The total contract is for \$52,800 and the uncompleted portion at June 30, 2015 is \$22,500.

P. Accounting Change/Prior Period Adjustment

Effective July 1, 2014 the District adopted GASB Statement 68 Accounting and Financial Reporting for Pensions. This Statement amends GASB Statement 27 and GASB Statement 50 and is designed to improve accounting and financial reporting by state and local governments for pensions. It is also designed to provide decision-useful information, support assessments of accountability and interperiod equity, and create additional transparency. Accordingly, the District's financial statements have been restated to appropriately account for this change. The restatement of the net position as of June 30, 2014 is summarized in the table below:

Net Position - Governmental Activities - As previously reported as of June 30, 2014	\$ (103,925)
Net Pension Liability - Restated to Conform with GASB 68	<u>(17,344,229)</u>
Net Position - Governmental Activities - Restated as of June 30, 2014	<u><u>\$ (17,448,154)</u></u>

Q. Subsequent Events

On July 22, 2015 the District purchased two 2010 Thomas school buses totaling \$69,000.

On July 24, 2015 the District purchased two 2015 Bluebird buses totaling \$154,424. The District has been approved to receive a federal EPA grant in the amount of \$40,000 to partially offset the cost of this purchase.

On August 4, 2015 the District issued \$7,645,000 of Refunding Bonds to advance refund \$8,140,000 of 2005 Refunding Bonds.

No adjustment was made to the financial statements for the year ending June 30, 2015, related to these subsequent events.

REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2015

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 2,549,126	\$ 2,557,453	\$ 2,457,590
State Sources	9,166,047	10,344,647	10,502,251
Federal Sources	633,412	821,979	585,333
Other Transactions	372,851	364,012	368,262
Total Revenues	<u>12,721,436</u>	<u>14,088,091</u>	<u>13,913,436</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Instruction	6,430,140	6,942,368	6,731,936
Added Needs	1,615,412	1,824,779	1,592,939
Supporting Services			
Pupil	354,076	388,503	368,600
Instructional Staff	278,853	349,953	286,216
General Administration	359,075	394,500	373,518
School Administration	874,513	877,945	847,690
Business	286,935	299,548	227,578
Operating and Maintenance	1,055,159	1,075,413	1,050,879
Pupil Transportation	720,551	745,699	654,338
Central Services	194,480	256,889	239,932
Athletic Activities	339,445	347,995	336,968
Community Services			
Community Activities	0	1,263	1,263
Non Public School Pupils	0	15,574	15,574
Capital Outlay	0	100,000	0
Other Transactions	54,140	55,684	43,128
Total Expenditures	<u>12,562,779</u>	<u>13,676,113</u>	<u>12,770,559</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>158,657</u>	<u>411,978</u>	<u>1,142,877</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers (In) Out	(157,344)	(157,344)	(157,344)
Proceeds from Sale of Capital Assets	0	0	1,000
Total Other Financing Sources (Uses)	<u>(157,344)</u>	<u>(157,344)</u>	<u>(156,344)</u>
Net Change in Fund Balance	1,313	254,634	986,533
<u>FUND BALANCE</u> - Beginning of Year - As Restated	<u>197,510</u>	<u>413,100</u>	<u>447,085</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 198,823</u>	<u>\$ 667,734</u>	<u>\$ 1,433,618</u>

REED CITY AREA PUBLIC SCHOOLS
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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2015

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)										0.07402%
District's proportionate share of net pension liability										\$ 16,305,057
District's covered-employee payroll										\$ 6,292,956
District's proportionate share of net pension liability as a percentage of its covered-employee payroll										259.10%
Plan fiduciary net position as a percentage of total pension liability										66.20%

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

JUNE 30, 2015

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions										\$ 1,312,195
Contributions in relation to statutorily required contributions *										1,312,195
Contribution deficiency (excess)										\$ 0
Covered-Employee Payroll										\$ 6,004,562
Contributions as a percentage of covered-employee payroll										21.85%

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2015

A. Changes of Benefit Terms

There were no changes of benefit terms in 2015.

B. Changes of Assumptions:

There were no changes of benefit assumptions in 2015.

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REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	SPECIAL REVENUE			DEBT RETIREMENT					TOTAL
	FOOD SERVICE FUND	COMMUNITY SERVICES FUND	CAPITAL PROJECT FUND	OTHER DEBT RETIREMENT FUND	2001 DEBT RETIREMENT FUND	2004 DEBT RETIREMENT FUND	2005 DEBT RETIREMENT FUND	2012 DEBT RETIREMENT FUND	
ASSETS									
Cash	117,436	\$ 34,164	\$ 104,382	\$ 0	\$ 51,020	\$ 0	\$ 184,235	\$ 83,022	\$ 574,259
Accounts Receivable	7,441	52	0	0	0	0	0	0	7,493
Taxes Receivable	0	0	0	0	1,558	0	1,303	1,365	4,226
Due from Other Funds	1,997	0	0	0	0	0	0	0	1,997
Due from Other Governments	5,650	0	0	0	0	0	0	0	5,650
Inventory	9,457	0	0	0	0	0	0	0	9,457
Prepaid Expenditures	72,333	775	0	0	0	0	0	0	73,108
TOTAL ASSETS	\$ 214,314	\$ 34,991	\$ 104,382	\$ 0	\$ 52,578	\$ 0	\$ 185,538	\$ 84,387	\$ 676,190
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts Payable	\$ 20,752	\$ 0	\$ 31,864	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 52,616
Due to Other Funds	0	44	6,273	0	0	0	0	0	6,317
Unearned Revenue	7,122	24,799	0	0	0	0	0	0	31,921
Total Liabilities	27,874	24,843	38,137	0	0	0	0	0	90,854
FUND BALANCE									
Nonspendable:									
Inventory	9,457	0	0	0	0	0	0	0	9,457
Prepaid Expenditures	72,333	775	0	0	0	0	0	0	73,108
Restricted:									
Debt Retirement	0	0	0	0	52,578	0	185,538	84,387	322,503
Food Service	104,650	0	0	0	0	0	0	0	104,650
Assigned:									
Community Services	0	9,373	0	0	0	0	0	0	9,373
Future Capital Projects	0	0	66,245	0	0	0	0	0	66,245
Total Fund Balance	186,440	10,148	66,245	0	52,578	0	185,538	84,387	585,336
TOTAL LIABILITIES AND FUND BALANCE	\$ 214,314	\$ 34,991	\$ 104,382	\$ 0	\$ 52,578	\$ 0	\$ 185,538	\$ 84,387	\$ 676,190

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	<u>SPECIAL REVENUE</u>			<u>DEBT RETIREMENT</u>					<u>TOTAL</u>
	<u>FOOD SERVICE FUND</u>	<u>COMMUNITY SERVICES FUND</u>	<u>CAPITAL PROJECT FUND</u>	<u>OTHER DEBT RETIREMENT FUND</u>	<u>2001 DEBT RETIREMENT FUND</u>	<u>2004 DEBT RETIREMENT FUND</u>	<u>2005 DEBT RETIREMENT FUND</u>	<u>2012 DEBT RETIREMENT FUND</u>	
<u>REVENUES</u>									
Local Sources	\$ 178,823	\$ 29,101	\$ 51	\$ 0	\$ 450,973	\$ 58	\$ 377,389	\$ 395,147	\$ 1,431,542
State Sources	19,020	0	0	0	0	0	0	0	19,020
Federal Sources	609,650	0	0	0	0	0	0	0	609,650
 Total Revenues	 807,493	 29,101	 51	 0	 450,973	 58	 377,389	 395,147	 2,060,212
<u>EXPENDITURES</u>									
Community Services	0	30,676	0	0	0	0	0	0	30,676
Food Service Activities	822,453	0	0	0	0	0	0	0	822,453
Capital Projects	0	0	37,404	0	0	0	0	0	37,404
Debt Service	0	0	19,855	92,344	457,048	0	382,576	400,225	1,352,048
 Total Expenditures	 822,453	 30,676	 57,259	 92,344	 457,048	 0	 382,576	 400,225	 2,242,581
 Excess of Revenues Over (Under) Expenditures	 (14,960)	 (1,575)	 (57,208)	 (92,344)	 (6,075)	 58	 (5,187)	 (5,078)	 (182,369)
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In (Out)	0	0	65,000	92,344	0	(29,302)	0	29,302	157,344
Proceeds from Sale of Capital Assets	0	0	800	0	0	0	0	0	800
Total Other Financing Sources (Uses)	0	0	65,800	92,344	0	(29,302)	0	29,302	158,144
 Net Change in Fund Balance	 (14,960)	 (1,575)	 8,592	 0	 (6,075)	 (29,244)	 (5,187)	 24,224	 (24,225)
<u>FUND BALANCE</u> - Beginning of Year	201,400	11,723	57,653	0	58,653	29,244	190,725	60,163	609,561
<u>FUND BALANCE</u> - End of Year	\$ 186,440	\$ 10,148	\$ 66,245	\$ 0	\$ 52,578	\$ 0	\$ 185,538	\$ 84,387	\$ 585,336

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND TYPES

JUNE 30, 2015

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 74,701	\$ 178,292	\$ 252,993
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	42,443	0	42,443
 TOTAL ASSETS	 117,144	 178,292	 295,436
 <u>LIABILITIES</u>			
Due to Groups and Organizations	0	178,292	178,292
 <u>NET POSITION</u>			
Restricted for:			
Scholarships and Memorials	\$ 117,144	\$ 0	\$ 117,144

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2015

	<u>JEWELL</u>	<u>EMPLOYEE</u>	<u>TOTAL</u>
	<u>SCHOLARSHIP</u>	<u>SCHOLARSHIP</u>	
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 74,639	\$ 62	\$ 74,701
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	42,443	0	42,443
 TOTAL ASSETS	 117,082	 62	 117,144
 <u>LIABILITIES</u>	 0	 0	 0
 <u>NET POSITION</u>			
Restricted for:			
Scholarships and Memorials	\$ 117,082	\$ 62	\$ 117,144

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

YEAR ENDED JUNE 30, 2015

	<u>JEWELL</u> <u>SCHOLARSHIP</u>	<u>EMPLOYEE</u> <u>SCHOLARSHIP</u>	<u>TOTAL</u>
<u>ADDITIONS</u>			
Donations	\$ 0	\$ 835	\$ 835
Interest and Dividends	1,430	0	1,430
Total Additions	1,430	835	2,265
 <u>DEDUCTIONS</u>			
Scholarship Awards	0	1,050	1,050
Change in Net Position	1,430	(215)	1,215
 <u>NET POSITION</u> - Beginning of Year	115,652	277	115,929
<u>NET POSITION</u> - End of Year	\$ 117,082	\$ 62	\$ 117,144

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

JUNE 30, 2015

	NORMAN ELEMENTARY ACCOUNT	MIDDLE SCHOOL ACCOUNT	HIGH SCHOOL ACCOUNT	ATHLETIC FUNDRAISING ACCOUNT	BEVERAGE CONSORTIA ACCOUNT	TOTAL
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 21,736	\$ 38,165	\$ 39,385	\$ 76,418	\$ 2,588	\$ 178,292
<u>LIABILITIES</u>						
Due to Groups and Organizations	21,736	38,165	39,385	76,418	2,588	178,292
<u>NET POSITION</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
AGENCY FUND - NORMAN ELEMENTARY SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2015

	BALANCE 7/1/2014	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2015
1st Grade	\$ 100	\$ 0	\$ 0	\$ 100
2nd Grade	2	0	0	2
3rd Grade	520	0	0	520
4th Grade	0	150	0	150
5th Grade	8	0	0	8
Accelerated Reader	38	0	0	38
Activity	2,927	15,350	10,053	8,224
Dollar General/Hop Sports MS	7,000	0	6,943	57
Family Fun Night	5,181	25	4,974	232
Family School Service	314	0	0	314
Fitness Program	70	0	0	70
Fun Fours	30	0	0	30
General Mills Foundation / Jo Knack	1,000	0	0	1,000
General Mills Foundation	4,002	0	0	4,002
Interest Fund	191	26	0	217
Library	8	6,847	6,705	150
LIFT	12	0	0	12
Meemic Foundation / Guiney	43	700	500	243
Nutrition Grant	557	0	0	557
Osceola County Foundation Grant	3,847	4,290	6,487	1,650
Pop	1	0	0	1
PTO Fund	241	0	0	241
Safety Patrol	20	0	0	20
Target	1,580	0	0	1,580
TransCanada	1,116	0	0	1,116
United Way Grant	1,689	351	838	1,202
	<u>\$ 30,497</u>	<u>\$ 27,739</u>	<u>\$ 36,500</u>	<u>\$ 21,736</u>

Represented by

Assets

Cash

\$ 30,497

\$ 21,736

Liabilities

Due to Groups and Organizations

\$ 30,497

\$ 21,736

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
AGENCY FUND - MIDDLE SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2015

	BALANCE 7/1/2014	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	BALANCE 6/30/2015
		(Including Transfers)		
6th Grade	\$ 2,730	\$ 2,259	\$ 2,516	\$ 2,473
7th Grade	229	3,415	3,415	229
8th Grade	6,754	16,813	16,360	7,207
ACT Aspire	0	2,004	1,293	711
Art Club	371	30	0	401
Band Sales	100	13,804	13,904	0
Candy Machine	593	0	593	0
Counseling	86	72	118	40
EGG	239	674	196	717
Finance Class	0	9,077	4,650	4,427
Grant Money	190	300	185	305
Interest	1,143	37	1,004	176
Language Arts Books	424	400	0	824
Math Counts	0	2,681	2,560	121
Math Department	29	800	512	317
Osceola Foundation	590	565	861	294
Peer to Peer	167	0	0	167
Pencils	672	0	672	0
Pep Club	2,690	0	103	2,587
Pop Fund	352	2,541	2,103	790
RCMS Green	0	210	48	162
Science Department	1,162	0	0	1,162
Shop Department	235	1,124	1,067	292
Ski Club	583	2,075	1,270	1,388
Student Activity Fund	203	0	0	203
Student Council	11,022	9,851	10,111	10,762
Track	120	0	0	120
Yearbook	2,095	2,547	2,352	2,290
	<u>\$ 32,779</u>	<u>\$ 71,279</u>	<u>\$ 65,893</u>	<u>\$ 38,165</u>
Represented by				
Assets				
Cash	<u>\$ 32,779</u>			<u>\$ 38,165</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 32,779</u>			<u>\$ 38,165</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
AGENCY FUND - HIGH SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2015

	BALANCE 7/1/2014	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2015
Advance Placement English	\$ 43	\$ 0	\$ 0	\$ 43
Annual (Yearbook)	2,752	10,665	9,487	3,930
Bailey Scholarship	240	0	0	240
Chicago Trip	773	8,124	8,339	558
Choral Music	95	3,900	3,988	7
Class of 1962 Scholarship	1,024	0	1,024	0
Class of 2006	1,177	0	0	1,177
Class of 2007	526	0	0	526
Class of 2009	30	0	0	30
Class of 2010	2,303	0	0	2,303
Class of 2011	150	0	0	150
Class of 2013	232	0	0	232
Class of 2014	431	0	17	414
Class of 2015	949	2,114	1,948	1,115
Class of 2016	1,569	7,124	6,853	1,840
Class of 2017	390	3,813	2,643	1,560
Class of 2018	0	1,719	1,326	393
Coke Account	1,864	2,500	2,468	1,896
Counseling	1,212	2,371	1,445	2,138
Dance Team	203	455	600	58
E.G.G.	261	144	318	87
English/Math	654	0	0	654
Equestrian Team	766	820	1,009	577
Fees	177	0	0	177
FIRST Robotic Team	686	8,255	7,855	1,086
Gen Mills P.E. Grant	69	0	53	16
Grant Fund	1,337	0	248	1,089
GRBS Scholarship	2,000	1,000	1,000	2,000
Health Education - Drug Free	1,772	583	983	1,372
High School Improvement	4,359	1,021	1,771	3,609
Industrial Arts	602	2,456	2,154	904
Interest	346	33	163	216
Leadership	656	0	0	656
National Art	627	1,214	293	1,548
National Honor Society	786	3,412	4,160	38

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
AGENCY FUND - HIGH SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2015

	BALANCE 7/1/2014	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2015
Pepsi Cola Fund	710	462	54	1,118
Quizbowl	80	365	202	243
Restitution Account	0	25	0	25
Science	409	521	552	378
Science Dome	1,230	1,430	1,540	1,120
Ski Club	518	0	50	468
Spanish Club	69	0	0	69
Student Council	741	7,693	5,701	2,733
Student Parking Permit	0	637	250	387
Vending Machine	325	1,345	1,570	100
Welding	100	0	0	100
Youth Advisory Committee	7	300	302	5
	<u>\$ 35,250</u>	<u>\$ 74,501</u>	<u>\$ 70,366</u>	<u>\$ 39,385</u>
 Represented by				
Assets				
Cash	<u>\$ 35,250</u>			<u>\$ 39,385</u>
 Liabilities				
Due to Groups and Organizations	<u>\$ 35,250</u>			<u>\$ 39,385</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
AGENCY FUND - ATHLETIC FUNDRAISING ACCOUNT

YEAR ENDED JUNE 30, 2015

	BALANCE 7/1/2014	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2015
Athletic Director	\$ 2,292	\$ 26,327	\$ 11,905	\$ 16,714
Baseball	762	3,869	4,489	142
Boys Basketball	3,228	9,256	9,668	2,816
Boys Soccer	2,768	3,093	3,796	2,065
Cheer	1,714	2,562	2,158	2,118
Cross Country	61	0	0	61
Football	1,195	20,087	19,799	1,483
Girls Basketball	2,368	4,743	6,088	1,023
Girls Soccer	2,084	100	514	1,670
Golf	20	1,882	1,849	53
Invitational	11,293	6,777	3,362	14,708
Little League	270	8,662	8,674	258
MHSAA Tournament	12,368	4,335	1,769	14,934
School Store	570	0	0	570
Softball	1,015	4,322	3,961	1,376
Track	2,301	5,197	3,706	3,792
Volleyball	255	1,385	1,373	267
Wrestling	1,780	1,090	1,224	1,646
Annual Golf Outing	10,582	11,192	11,598	10,176
Unclassified	718	76	248	546
	<u>\$ 57,644</u>	<u>\$ 114,955</u>	<u>\$ 96,181</u>	<u>\$ 76,418</u>
Represented by				
Assets				
Cash	<u>\$ 57,644</u>			<u>\$ 76,418</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 57,644</u>			<u>\$ 76,418</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE
AGENCY FUND - BEVERAGE CONSORTIA ACCOUNT

YEAR ENDED JUNE 30, 2015

	BALANCE 7/1/2014	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	BALANCE 6/30/2015
		(Including Transfers)		
Beverage Consortia	\$ 1,524	\$ 3,632	\$ 2,568	\$ 2,588
Represented by				
Assets				
Cash	<u>\$ 1,524</u>			<u>\$ 2,588</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 1,524</u>			<u>\$ 2,588</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2015

2001 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2001 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of the 1991 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 5,100,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2016	5.000 %	\$ 446,250	\$ 10,625	\$ 10,625	\$ 425,000

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2015

2005 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2005 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of the 2004 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 8,400,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2016	4.000 %	\$ 380,040	\$ 167,520	\$ 167,520	\$ 45,000
2017	4.000 %	383,240	166,620	166,620	50,000
2018	4.000 %	381,240	165,620	165,620	50,000
2019	4.000 %	384,240	164,620	164,620	55,000
2020	4.000 %	852,040	163,520	163,520	525,000
2021	4.000 %	1,126,040	153,020	153,020	820,000
2022	4.000 %	1,108,240	136,620	136,620	835,000
2023	4.000 %	1,069,840	119,920	119,920	830,000
2024	4.050 %	1,026,640	103,320	103,320	820,000
2025	4.100 %	988,430	86,715	86,715	815,000
2026	4.150 %	975,016	70,008	70,008	835,000
2027	4.200 %	930,362	52,681	52,681	825,000
2028	4.300 %	890,712	35,356	35,356	820,000
2029	4.350 %	850,454	17,727	17,727	815,000
		<u>\$ 11,346,534</u>	<u>\$ 1,603,267</u>	<u>\$ 1,603,267</u>	<u>\$ 8,140,000</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2015

2012 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2012 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of a portion of the 2004 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 3,030,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2016	3.000 %	\$ 410,700	\$ 40,350	\$ 40,350	\$ 330,000
2017	3.000 %	760,800	35,400	35,400	690,000
2018	3.000 %	750,100	25,050	25,050	700,000
2019	3.000 %	739,100	14,550	14,550	710,000
2020	3.000 %	267,800	3,900	3,900	260,000
		\$ 2,928,500	\$ 119,250	\$ 119,250	\$ 2,690,000

