CLARE PUBLIC SCHOOL DISTRICT
Clare, Michigan

Financial Statements
With Supplemental Information
June 30, 2015

Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN 48801

Clare Public School District
Table of Contents
June 30, 2015

Page Number

Independent Auditor's Report

Management's Discussion and Analysis .... I - XI

Basic Financial Statements
District-wide Financial Statements:
Statement of Net Position 1
Statement of Activities 2

Fund Financial Statements:
Balance Sheet – Governmental Funds 3

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of the Net Position 4

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 5

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 6

Statement of Fiduciary Net Position 7

Notes to the Financial Statements 8-26

Required Supplemental Information
Budgetary Comparison Schedule 27
Prospective 10-year trend information 28

Other Supplemental Information
Non-Major Governmental Funds:
Combining Balance Sheet 29
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance 30

Schedule of Long-Term Debt 31

Federal Awards Supplemental Information .... Issued Under Separate Cover

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Clare Public Schools

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

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

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

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

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

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

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

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and the prospective 10-year trend information be presented to

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

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

The other supplemental information is the responsibility of management and was derived from and 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Sincerely,

Roslund, Prestage & Company, P.C.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Our discussion and analysis of the Clare School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2015.

Financial Highlights

The School District's net position increased $26,656 or .3%. Program revenues accounted for $1.78 million or 12% of total revenues and general revenues accounted for $13.2 million or 88%.

The General Fund reported a positive fund balance in excess of $970,000.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Clare Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. *The Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's funds - the Major Fund, General Fund, and Non-Major Funds including the Food Service Fund, Capital Projects Funds, and the Debt funds presented in one column. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students activities. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities
One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

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

Reporting the District's Most Significant Funds

Fund Financial Statements
The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

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

Fiduciary Funds
The School District is the trustee, or fiduciary, for its student activity funds and library funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2014 and 2013:

	Governmental Activities	
Exhibit A	2015	2014
Assets		
Current and other assets	$4,100,000	$ 5,400,000
Capital assets - net of accumulated depreciation	11,500,000	12,000,000
Total assets	15,600,000	17,400,000
Liabilities		
Current liabilities	2,600,000	2,900,000
Long-term liabilities	22,700,000	24,200,000
Total liabilities	25,300,000	27,100,000
Net Assets		
Invested in property and equipment - net of related debt	6,200,000	5,200,000
Restricted	500,000	1,300,000
Unrestricted	(16,400,000)	(16,200,000)
Total net position	$(9,700,000)	$ (9,700,000)

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local government.

Effective for fiscal years beginning after June 15, 2014, GASB Statement 68 requires all reporting units in a multi-employer cost sharing pension plan (like MPSERS) to record a balance sheet liability for their proportionate share of the net pension liability of the plan. The School District was required to implement GASB 68 in the year ended June 30, 2015 financial statements. Preliminary unaudited estimates from the State for fiscal year 2013 indicate a potential pension liability exceeding $17,000,000 for the School District, which is referenced in Exhibit A and Note 14 in the Notes to the Financial Statements. Because the State is not expected to release the audited numbers until November, the Financial Statements for June 30, 2015 will remain in a draft version. It is highly unlikely the School District would ever be held responsible to pay the potential pension amount, but the potential liability, however unlikely to materialize, must be reported to satisfy the new federal GASB Statement 68 requirements.

The preceding table focuses on net position (see Exhibit A). The School District's net position was $(9,700,000) at June 30, 2015. For Exhibit A, the June 30, 2014 net position has been adjusted by $(17,400,000) to be restated at $(9,700,000) for net pension liability resulting from GASB 68. Capital assets, net of related debt totaling $6,200,000, compares the original costs, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

The $(16,400,000) in unrestricted net assets of governmental activities represents $1,000,000 *accumulated* results of all past years' operations, less the net pension liability of $17,400,000 that is required reporting by the new GASB 68. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2015 and 2014.

CLARE PUBLIC SCHOOLS

Management's Discussion and Analysis

For the Year Ended June 30, 2015

Exhibit B	Governmental Activities 2015	Governmental Activities 2014
Revenue		
Program revenue:		
Charges for services	$ 370,000	$ 350,000
Grants and categoricals	1,400,000	2,480,000
General revenue:		
Property taxes	2,430,000	2,460,000
State foundation allowance	10,670,000	9,170,000
Other	120,000	400,000
Total revenue	14,990,000	14,860,000
Function/Program Expenses		
Instruction	8,640,000	7,880,000
Support services	4,700,000	4,300,000
Food services	545,000	580,000
Other Expenditures	200,000	1,080,000
Interest on long-term debt	220,000	240,000
Depreciation - unallocated	660,000	630,000
Total expenses	14,965,000	14,710,000
Prior Period Adjustment		–
Change in net position	$ 25,000	$ 150,000

As reported in the statement of activities, the cost of all of our *governmental* activities this year was $15.0 million. Certain activities were partially funded from those who benefited from the programs ($370,000) or by the other governments and organizations that subsidized certain programs with grants and categorical ($1.4 million). We paid for the remaining "public benefit" portion of our governmental activities with $2.4 million in taxes, $10.7 million in State Foundation Allowance and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position of $25,000. The increase was due to the excess of revenues over expenditures. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of $1.5 million, which is below last year's total of $2.5 million. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Change
General	$ 973,196	$ 1,158,487	$ (185,291)
Special Revenue	227,921	177,012	50,909
Debt Service	151,494	915,630	(764,136)
Capital Projects	117,679	209,314	(91,635)
Total	$ 1,470,290	$ 2,460,443	$ (990,153)

The School District completed this year with a combined fund balance decrease of $990,153 from the previous year.

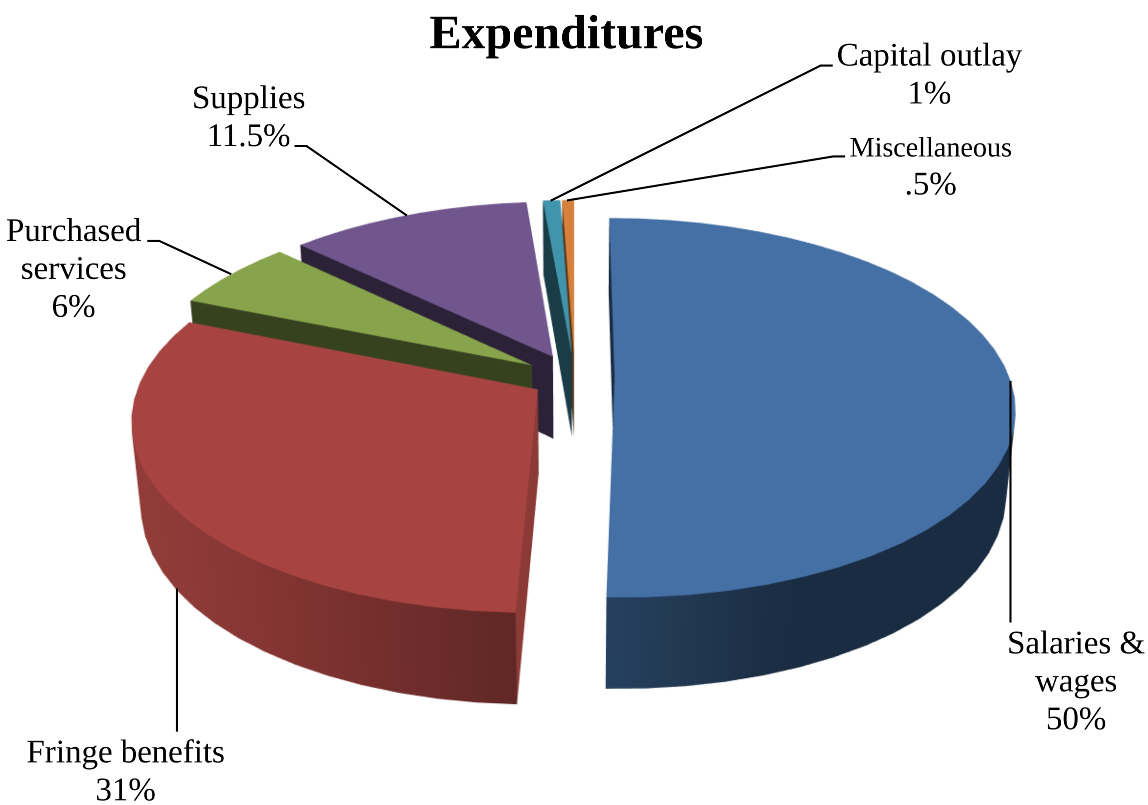
- The General Fund balance decreased by $185,291 due to the planned use of fund balance. Overall, the General Fund activity was within 98.5 percent of budgeted revenues and expenditures.

- Our Special Revenue Fund balance increased by $50,909. Part of the increase resulted from normal operations through our Food Service operations, catering revenue was $20,000 higher than the previous year, and worker wages and maintenance expense were down $20,000.

- Our Debt Service Funds' balances decreased by $764,136, The decrease was mainly due to the last of three principal payments of $930,000 made for the QZAB bonds. The QZAB bonds are paid off.

- Our Capital Projects Funds' balances decreased by $91,635. This decrease was the result of Brookwood 2.0 development (track resurfacing, bleachers, Pioneer statue) paid for with fundraising done in the 2012-13 year.

As the graph below illustrates, the largest portions of General Fund expenditures (excluding fund transfers) are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2015	2014
Expenditures by object		
Salaries and wages	$ 6,928,804	$ 6,979,384
Fringe benefits	4,200,333	3,909,222
Purchased services	824,748	859,070
Supplies	1,570,913	1,546,450
Capital outlay	112,320	113,636
Miscellaneous	77,060	46,370
Total	$13,714,178	$13,454,132

Expenditures (not including transfers) are up $260,046 or 2%. Salaries and wages have decreased by $50,580 or .7%. This change is due to a year of modest salary increases offset by the difference in salaries of several new staff verses retired staff the year before. Fringe benefits are up $291,111 or 7%. This change is due to an increase in retirement expense that was reimbursed by the state. Capital Outlay for 14-15 is comprised of the purchase of four used buses. Miscellaneous expense is up $30,690 due to the 1st year payment of a two year bus loan on two new buses purchased in 2013-14.

General Fund Budgetary Highlights

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

- Final budgeted revenues were $219,485 more than the original budget, mainly due to the State Aid Equity payment of $189,112 not included on the original budget.

- The actual revenues were $3,284 more than the final budgeted revenues. This was due to a combination of small variances within all three major funding sources.

- Final budgeted expenditures were $212,802 above the original budget. This was mainly due to the adding to the transportation budget for 3 used buses and paying retirement stipends to 9 teachers instead of 5.

- The actual expenditures were $207,954 lower than the final budgeted expenditures. This was mainly due to slightly less spending in many areas including legal services, building repairs, utilities, and bus repairs.

Capital Assets

At June 30, 2014, the School District had $12 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of $427,736, or 3.6%, from last year.

	2015	2014
Land	$ 298,977	$ 298,977
Buildings and improvements	16,422,967	16,365,502
Furniture and equipment	7,250,655	7,188,123
Vehicles	784,461	875,186
Total capital assets	24,757,060	24,727,788
Less accumulated depreciation	13,223,373	12,766,365
Net capital assets	$ 11,533,687	$ 11,961,423

This year's additions included $112,320 for four used buses and some Brookwood 2.0 improvements (track resurfacing and Pioneer statue). The additions were offset by depreciation resulting in a net decrease exceeding $400,000. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had $5,025,503 in bonds and loans outstanding versus $6,425,392 in the previous year – a decrease of 22%. The decrease reflects principal payments made on the 2006 refunding bond and the final payment of $$930,000 made on the 2001 QZAB bonds. The second and final payment on the 2013 bus loan will be made by August 31, 2015.

	2015	2014
2006 Refunding Bonds	$ 4,985,000	$ 5,415,000
2001 QZAB Bonds	0	930,000
2013 Bus Loan	40,503	80,392
	$ 5,025,503	$ 6,425,392

The School District has been assigned a General Obligation Bond rating of "A" by Standard & Poor's Ratings Services. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2015-16 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2015-16 fiscal year budget was adopted in June 2015, based on an estimate of students that will be enrolled in October 2015. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2015-16 school year, we anticipate that the fall student count will meet the estimates used in creating the 2015-16 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

On August 18, 2015 the Board of Education and the Superintendent, Doniel Pummell, mutually agreed that the Superintendent would forego the balance of her employment contract ending June 30, 2016. The agreement included her voluntary resignation, effective August 31, 2015. The Board of Education is employing Douglas Fillmore, retired Meridian superintendent, as the interim superintendent for the 2015-16 school year.

.

Requests For Information

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

Office of the Superintendent
Clare Public School District
201 East State Street
Clare, Michigan 48617

DISTRICT-WIDE
FINANCIAL STATEMENTS

Clare Public Schools
Statement of Net Position
June 30, 2015

Assets	
Current assets	
Cash and investments	$ 1,929,869
Accounts receivable	2,411
Due from other governmental units	2,060,879
Inventory	8,794
Other current assets	68,824
Total current assets	4,070,777
Noncurrent assets	
Land	298,977
Capital assets less accumulated depreciation	11,234,710
Total noncurrent assets	11,533,687
Total assets	15,604,464
Deferred Outflows of Resources	
Deferred outflow - retirement contributions	1,428,293
Liabilities	
Current liabilities	
Accounts payable	1,663,964
Due to other governmental units	103,286
Accrued expenditures	813,411
Unearned revenues	19,826
Accrued interest on long-term debt	12,463
Long-term obligations due within one year	490,503
Compensated absences due within one year	30,321
Total current liabilities	3,133,774
Noncurrent liabilities	
Long-term obligations due after one year	4,535,000
Compensated absences due after one year	171,822
Post-employment benefits	146,840
Net pension liability	17,429,523
Total noncurrent liabilities	22,283,185
Total liabilities	25,416,959
Deferred Inflows of Resources	
Deferred inflow - MPSERS plan activity, net of amortization	1,283,593
Net position	
Invested in capital assets, net of related debt	6,209,207
Restricted for:	
Food service	227,921
Debt service	151,494
Capital projects	117,679
Unrestricted	(16,374,096)
Total net position	$ (9,667,795)

Clare Public Schools
Statement of Activities
For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 8,642,376	$ 8,072	$ 1,034,763	$ (7,599,541)
Support services	4,410,191	54,426	-	(4,355,765)
Athletics	281,990	87,613	-	(194,377)
Food service	546,487	200,287	370,413	24,213
Community services	26,937	23,360	-	(3,577)
Payments to other public schools	32,934	-	-	(32,934)
Facilities	138,025	-	-	(138,025)
Interest and fees on long-term debt	224,961	-	-	(224,961)
Depreciation - unallocated	660,053	-	-	(660,053)
Total governmental activities	$ 14,963,954	$ 373,758	$ 1,405,176	(13,185,020)
General revenues:				
Property taxes				2,426,371
State sources				10,671,726
Unrestricted interest and investment earnings				862
Restricted interest and investment earnings				20,801
Miscellaneous				92,916
Total general revenues				13,212,676
Transfers in/(out)				
Transfer out to activities fund				(1,000)
Change in net position				26,656
Net position - beginning, as restated for net pension liability				(9,694,451)
Net position - ending				$ (9,667,795)

The notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Clare Public Schools
Balance Sheet - Governmental Funds
June 30, 2015

	Major Fund General Fund	Total Non-Major Funds	Totals
Assets			
Cash and investments	$ 1,497,771	$ 432,098	$ 1,929,869
Accounts receivable	1,661	750	2,411
Due from other funds	-	300	300
Due from other governmental units	2,057,301	3,578	2,060,879
Inventory	-	8,794	8,794
Other current assets	18,824	50,000	68,824
Total assets	$ 3,575,557	$ 495,520	$ 4,071,077
Liabilities			
Accounts payable	$ 1,663,364	$ 600	$ 1,663,964
Due to other funds	300	-	300
Due to other governmental units	103,286	-	103,286
Accrued expenditures	813,411	-	813,411
Unearned revenues	22,000	(2,174)	19,826
Total liabilities	2,602,361	(1,574)	2,600,787
Fund balance			
Non-spendable			
Inventory	-	8,794	8,794
Restricted	-	488,300	488,300
Unassigned	973,196	-	973,196
Total fund balance	973,196	497,094	1,470,290
Total liabilities and fund balance	$ 3,575,557	$ 495,520	$ 4,071,077

Clare Public Schools
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2015

Total fund balance - governmental funds			$ 1,470,290
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Add:	Cost of capital assets	$ 24,757,060	
Deduct:	Accumulated depreciation	(13,223,373)	
			11,533,687
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. These liabilities consist of:			
Deduct:	2006 Refunding Bonds	(4,985,000)	
Deduct:	2001 School Building & Site Bonds, Series B	-	
Deduct:	2013 School Bus Loan	(40,503)	
			(5,025,503)
Long-term liabilities (and corresponding deferrals) are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:			
Add:	Deferred outflow - retirement contributions		1,428,293
Deduct:	Net pension liability		(17,429,523)
Deduct:	Deferred inflow - MPSERS plan activity (net of amortization)		(1,283,593)
Deduct:	Compensated absences payable		(202,143)
Deduct:	Post-employment benefits		(146,840)
Deduct:	Accrued interest on long-term liabilities		(12,463)
Total net position - governmental activities			$ (9,667,795)

Clare Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

	Major Fund General Fund	Total Non-Major Funds	Totals
Revenues			
Local sources	$ 1,883,929	$ 1,030,779	$ 2,914,708
State sources	10,639,819	31,907	10,671,726
Federal sources	1,034,763	370,413	1,405,176
Total revenues	13,558,511	1,433,099	14,991,610
Expenditures			
Instruction			
Basic programs	7,016,495	-	7,016,495
Added needs	1,836,489	-	1,836,489
Adult / continuing education	65,017	-	65,017
Total instruction	8,918,001	-	8,918,001
Support services			
Pupil	584,285	-	584,285
Instructional staff	383,442	-	383,442
General administration	266,867	-	266,867
School administration	715,211	-	715,211
Business services	320,299	-	320,299
Operation and maintenance	1,107,273	-	1,107,273
Pupil transportation	492,802	-	492,802
Central	540,012	-	540,012
Athletics	281,990	-	281,990
Total support services	4,692,181	-	4,692,181
Food service	-	546,487	546,487
Community services	26,937	-	26,937
Payments to other public schools	32,934	-	32,934
Facilities	-	138,025	138,025
Debt service			
Principal payments	39,889	1,360,000	1,399,889
Interest, fees and other	4,236	221,499	225,735
Other	-	569	569
Total expenditures	13,714,178	2,266,580	15,980,758
Excess (deficiency) of revenues over expenditures	(155,667)	(833,481)	(989,148)
Other financing sources (uses)			
Transfers in	41,078	89,536	130,614
Transfers (out)	(69,700)	(60,914)	(130,614)
Transfer to activities fund	(1,000)	-	(1,000)
Excess (deficiency) of revenues and other sources over expenditures	(185,289)	(804,859)	(990,148)
Fund balances - beginning	1,158,485	1,301,953	2,460,438
Fund balances - ending	$ 973,196	$ 497,094	$ 1,470,290

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

Net change in fund balances - total governmental funds		$	(990,148)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Add:	Capital outlay		232,317
Deduct:	Depreciation expense		(660,053)
Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).			
Add:	2006 Refunding Bonds		430,000
Add:	2001 School Building & Site Bonds, Series B		930,000
Add:	2013 School Bus Loan		39,889
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.			
Add:	Change in deferred outflow - retirement contributions		60,608
Add:	Decrease in net pension liability		1,100,686
Deduct:	Change in deferred inflow - MPSERS plan activity (net of amortization)		(1,283,593)
Add:	Decrease in accrual for compensated absences		17,078
Add:	Decrease in accrual for other post-employment benefits		148,529
Add:	Decrease in accrued interest on long term debt		1,343
Change in net position - governmental activities		$	26,656

	Private Purpose Trust	Agency Fund
Assets		
Cash and cash equivalents	$ 25,000	$ 174,909
Liabilities		
Due to student and other groups	-	174,909
Net position		
Restricted net position	$ 25,000	$ -

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

District-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

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

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

The District reports the following non-major governmental funds:
- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The school service fund maintained by the District is the food service fund.
- The debt service fund is used to record tax, interest, other revenue for payment, principal and other expenditures on bond issues.
- The capital projects fund accounts for financial resources used for the acquisition, construction, and improvement of major capital facilities other than those financed by proprietary funds. These resources are derived from contributions from the general fund and bond proceeds.

Additionally, the District reports the following fund types:
- The District presently maintains a student activity fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.
- The District also maintains a non-expendable trust fund to account for assets of which the principal may not be spent. These funds have been accumulated to pay scholarships and awards to students.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary fund net position and results of operations are not included in the District-wide statements. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

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

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

Property Tax Revenue
Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. For Clare Public Schools taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 3.50 mills on all property in the District for the purpose of debt service.

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

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

Inventory
Inventories are valued at cost, on a first in, first out (FIFO) basis. Fund balance is reserved for the amount of inventories on hand as of June 30th.

USDA donated commodities are recorded as a unearned revenue and inventory when received based on their fair market value as determined by the U.S. Department of Agriculture. Revenues and expenditures are then recognized when the commodities are used. Ending inventory for USDA donated commodities was immaterial and, therefore, was not recorded.

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

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

The District does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

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

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

Assets	Years
Land	Not Depreciated
Buildings & Additions	10 - 50
Machinery & Equipment	5 - 20
Vehicles	7

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

Compensated Absences
Compensated Absences (unused sick pay is calculated using the termination payoff rate of $40 for eligible employees times the number of unused days (maximum 155 days). At June 30, 2015, the amount of $202,143 has been reflected in the District-wide financial statements.

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

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

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

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

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

Fund Balances
The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

- Restricted fund balance—amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Capital Projects and Debt Service fund balances are considered restricted. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position – Restrictions
Net position in the government-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

A detailed comparison of budget to actual revenues and expenses are shown at the back of the report.

NOTE 3. DEPOSITS AND INVESTMENTS

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

Cash, Deposits, And Investments	Amount
Petty Cash	900
Checking, Savings, & Money Market Accounts	1,342,061
State Investment Pool – MILAF	586,908
Total	1,929,869

Deposits with Financial Institutions

At year-end, the carrying amount of the District's deposits was $1,342,061 and the bank balance was $1,400,636. Of the bank balance, $250,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits that exceed FDIC insurance coverage limits are held at local banks.

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

The District voluntarily invests certain excess funds in external pooled investment funds which includes money market funds. One of the pooled investment funds utilized by the District is 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. As of June 30, 2015, MILAF reports the fair value of the District's investments is the same as the value of the pool shares.

Investments

As of June 30th, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (years)	Rating	%
MILAF External Investment pool-MICMC	499,317	0.1269	AAAm	82.4
MILAF External Investment pool-MIMAX	87,591	0.1269	AAAm	17.6
Total fair value	586,908			100.00
Portfolio weighted average maturity: 1 day maturity equals 0.0027, one year equals 1.00				

MILAF investments are rated by Standard and Poor's.

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

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

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

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

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

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

NOTE 4. INTERFUND RECEIVABLES AND PAYABLES
As of June 30th, interfund receivables and payables are comprised of the following amounts:

Due from fund	Amount	Due to fund	Amount
Food Service Fund	300	General Fund	300

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS
As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
General Fund:	
Michigan Department of Ed - Federal Grants	81,338
Clare-Gladwin RESD – Federal Grants	56,739
State of Michigan – State Aid	1,910,970
Other	8,254
Hot Lunch Fund:	
State of Michigan – State Aid	3,578
Totals	2,060,879

NOTE 6. OTHER CURRENT ASSETS
As of June 30th, other current assets is comprised of the following amounts:

Description	Amount
General Fund:	
Prepaid Expenses	18,824
Hot Lunch Fund:	
Chartwells	50,000
Totals	68,824

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

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Land	298,977	-	-	298,977

Buildings & improvements	16,365,502	57,465	-	16,422,967
Furniture and equipment	7,188,123	62,532	-	7,250,655
Vehicles	875,186	112,320	(203,045)	784,461
Total Capital Assets	24,727,788	232,317	(203,045)	24,757,060
Accumulated Depreciation				
Buildings & improvements	(5,864,760)	(296,288)	-	(6,161,048)
Furniture and equipment	(6,197,774)	(320,437)	-	(6,518,211)
Vehicles	(703,831)	(43,328)	(203,045)	(544,114)
Total Accumulated Depreciation	(12,766,365)	(660,053)	(203,045)	(13,223,373)
Net Capital Assets	11,961,423	(427,736)	$ -	11,533,687

Depreciation for the year ended June 30, 2015 totaled $ 660,053. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 8. ACCRUED INTEREST
Accrued interest represents interest accrued on outstanding debt from the date of the last payment to the end of the fiscal year as follows:

Description	Amount
2006 Bonds	12,463

NOTE 9. ACCRUED EXPENDITURES
Accrued expenditures includes salaries payable represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th as well as accrued interest on short-term note payable.

Description	Amount
Salaries Payable	798,333
Accrued interest on short-term note payable	15,078
Total	813,411

NOTE 10. UNEARNED REVENUE
Unearned revenue represents revenues received in advance of the amount expended as follows:

Description	Amount
General Fund	22,000
Food Service Fund	(2,174)
Total	19,826

NOTE 11. SHORT-TERM NOTE PAYABLE
On August 20, 2014, the District borrowed $1,700,000 in three notes ($800,000, $630,000 and $770,000) from the Michigan Finance Authority in the form of State Aid Anticipation Notes for the purpose of providing funds for school operations. The interest rates are stated at 0.42%, 1.235%, and 1.05% respectively. These notes are payable at maturity on July 20, 2015, August 20, 2015 and August 20, 2015 respectively.

On August 20, 2015 (after the end of the current fiscal year), the District borrowed $2,400,000 in four notes ($679,570, $320,430, $599,804, and $800,196) from the Michigan Finance Authority in the form of State Aid

Anticipation Notes for the purpose of providing funds for school operations. The interest rates are stated at 0.76%, 0.64%, 1.08%, and 1.4625% respectively. These notes are payable at maturity on July 20, 2016, July 20, 2016, August 20, 2016 and August 20, 2016 respectively. These loans were acquired after the end of the fiscal year and, therefore, are not shown as current liabilities in the General Fund.

NOTE 12. LONG-TERM DEBT

2001 School Building & Site Bonds, Series B

During 2001, the District issued $2,760,000 of QZAB bonds due in annual installments of $900,000 to $930,000 through May 1, 2015. The interest rate is 0%. This bond was paid off during the current fiscal year.

2006 Refunding Bonds

During 2006, the District refunded $6,680,000 of serial bonds due in annual installments of $20,000 to $455,000 through May 1, 2026. The interest rate varies from 4.0% to 5.0%.

2013 School Bus Loan

During 2013, the District obtained a loan from Firstbank to cover $80,392 of the cost for two new buses. Annual payments of $41,077 are due on August 31, 2014 and August 31, 2015. This payment amount includes interest at 1.40%.

For the terms of the bonds, see the bond payment schedule included in this report.

Summary of Long-term Debt Transactions

The changes in long-term debt during the current fiscal year are as follows:

	Beginning Balance	**Additions**	**(Deletions)**	**Ending Balance**	**Due within one year**	**Due after one year**
Compensated abs	219,221	-	(17,078)	202,143	30,321	171,822
2001 Bond - Series B	930,000	-	(930,000)	-	-	-
2006 Refunding Bond	5,415,000	-	(430,000)	4,985,000	430,000	4,555,000
2013 Bus Loan	80,392	-	(39,889)	40,503	40,503	-
Total	$ 6,644,613	$ -	$(1,416,967)	$ 5,227,646	$ 500,824	$ 4,726,822

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

NOTE 13. FUND BALANCE

Fund balance for the General Fund and Food Service Fund are deemed non-spendable for inventory and prepaid expenditures. Fund balance in the Food Service Fund is restricted for food service. Fund balance in the Debt Service Fund is restricted for debt service. Fund balance in the Capital Projects Fund is restricted for capital outlay.

NOTE 14. EMPLOYEE RETIREMENT SYSTEM

Organization

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pension Contribution Rates

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

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

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

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

Net Pension Liability

Measurement of the MPSERS Net Pension Liability

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

MPSERS (Plan) Net Pension Liability

As of September 30, 2014

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

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

MPSERS (Plan) Net Pension Liability

As of October 1, 2013

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

Proportionate Share of Reporting Unit's Net Pension Liability

At September 30, 2014, the Reporting Unit reported a liability of $17,429,523 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The Reporting Unit's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the Reporting Unit's proportionate share percent was 0.07913 percent.

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

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

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

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

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	**Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%**	**1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%**
$ 22,979,309	$ 17,429,523	$ 12,753,747

Timing of the Valuation

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

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

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

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions
Actuarial Assumptions

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

Mortality:

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

Notes:

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

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2015, the Reporting Unit recognized total pension expense of $1,351,233. At June 30, 2015, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows (Inflows) of Resources

Differences between expected and actual experience	-
Changes of assumptions	643,112
Net difference between projected and actual earnings on pension plan investments	(1,926,841)
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	136
Deferred inflow - MPSERS plan activity, net of amortization	(1,283,593)
Reporting Unit contributions subsequent to the measurement date	1,428,293

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

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

Plan Year Ended Sept. 30	Amount:
2015	(314,446)
2016	(314,446)
2017	(314,446)
2018	(340,255)

The District received $588,091 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2015.

Other Postemployment Benefits

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

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

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

NOTE 15. POST-EMPLOYMENT BENEFITS

Plan Description

The School District provides another post-employment benefit (OPEB), in accordance with contractual language, to all teaching and support personnel who retire with 10 years of service to the School District. The School District will pay $10,000 per retiring teacher up to a maximum of five (5) in any one fiscal year. The School District also pays retiring support personnel, excluding maintenance, custodial and transportation personnel, $100 to $200 per year of service for personnel with 10 years of service. Retiring maintenance and custodial personnel receive $100 to $175 per year of service for personnel with 10 years of service. Retiring transportation personnel receive $50 to $175 per year of service for personnel with 10 years of service. Retiring administrators are no longer eligible for this benefit.

Funding Policy
The required contribution is funded on a cash basis.

Annual OPEB Cost and net OPEB Obligation
The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Description	**Amount**
OPEB obligation – beginning of year	295,369
Increase (decrease) in net OPEB obligation	(148,529)
OPEB obligation – end of year	146,840

Funded Status and Funding Progress
As of June 30, 2015, unfunded actuarial accrued liability (UAAL) for benefits was $146,840, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include years until retirement, turnover rate and discount percentage. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions
Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District 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 plans members to that point. The 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.

The following simplifying assumptions were made:

Turnover – Historical average retirement age for the covered groups and probability that active members would remain employed until the assumed retirement criteria were met were both used to develop an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Benefit growth rate – Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 5.5% was used.

NOTE 16. RISK MANAGEMENT
The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in the SET/SEG risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 17. TRANSFERS
The general fund transferred $69,700 to the capital projects fund for future projects. After the 2001 QZAB Bond Fund was paid off during the current fiscal year, $19,836 of funds remaining in that fund were transferred to the

2006 Bond Fund. The capital projects fund transferred $41,078 to the general fund for the first payment of a two year bus loan.

NOTE 18 – RESTATEMENT OF NET POSITION
As of June 30, 2015, the beginning net position was restated as follows:

Restatement of Net Position	**Balance June 30, 2014 Previously Reported**	**Restatement**	**Balance June 30, 2014 as Restated**
Net Position	7,468,073	(17,162,524)	(9,694,451)

The beginning net position was restated to reflect the implementation of GASB 68. Net position was restated by $(17,162,524) which is the cumulative difference (as of June 30, 2014) between the net pension liability of $(18,530,209) and the deferred outflow – retirement contributions of $1,367,685. Note 14 - Employee Retirement System contains additional information regarding the implementation of GASB 68.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULES

Clare Public Schools
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Local sources	$ 1,854,706	$ 1,872,262	$ 1,883,929	$ 11,667
State sources	10,477,947	10,637,955	10,639,819	1,864
Federal sources	1,003,089	1,045,010	1,034,763	(10,247)
Total revenues	13,335,742	13,555,227	13,558,511	3,284
Expenditures				
Instruction				
Basic programs	6,989,785	7,022,548	7,016,495	6,053
Added needs	1,865,630	1,915,100	1,836,489	78,611
Adult / continuing education	67,773	68,098	65,017	3,081
Total instruction	8,923,188	9,005,746	8,918,001	87,745
Support services				
Pupil	529,542	587,903	584,285	3,618
Instructional staff	263,554	385,700	383,442	2,258
General administration	293,088	284,798	266,867	17,931
School administration	750,249	723,662	715,211	8,451
Business services	439,438	325,946	320,299	5,647
Operation and maintenance	1,187,107	1,147,364	1,107,273	40,091
Pupil transportation	384,700	512,478	492,802	19,676
Central	523,480	541,369	540,012	1,357
Athletics	294,034	283,214	281,990	1,224
Total support services	4,665,192	4,792,434	4,692,181	100,253
Community services	24,824	32,826	26,937	5,889
Payments to other public schools	40,000	35,000	32,934	2,066
Debt service	44,126	44,126	44,125	1
Other	12,000	12,000	-	12,000
Total expenditures	13,709,330	13,922,132	13,714,178	207,954
Excess (deficiency) of revenues over expenditures	(373,588)	(366,905)	(155,667)	211,238
Other financing sources (uses)				
Transfers in	40,196	41,078	41,078	-
Transfers (out)	(69,700)	(69,700)	(69,700)	-
Transfer to activities fund	(1,000)	(1,000)	(1,000)	-
Excess (deficiency) of revenues and other sources over expenditures	(404,092)	(396,527)	(185,289)	211,238
Fund balances - beginning	1,158,485	1,158,485	1,158,485	-
Fund balances - ending	$ 754,393	$ 761,958	$ 973,196	$ 211,238

Clare Public Schools
Required Supplemental Information
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability		**Plan year Sept 30, 2014**
Reporting unit's proportion of net pension liability (%)		0.07913%
Reporting unit's proportionate share of net pension liability	$	17,429,523
Reporting unit's covered employee payroll	$	6,722,422
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)		259.3%
Plan fiduciary net position as a percentage of total pension liability		66.2%

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

Schedule of the Reporting Unit's Contributions		**Fiscal year June 30, 2015**
Statutorily required contributions	$	1,537,475
Contributions in relation to statutorily required contributions		1,537,475
Contribution deficiency (excess)	$	-
Reporting unit’s covered-employee payroll	$	6,757,761
Contributions as a percentage of covered-employee payroll		22.8%

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

Notes to Required Supplementary Information

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

OTHER SUPPLEMENTAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS:
COMBINING BALANCE SHEET
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

SCHEDULE OF LONG-TERM DEBT

Clare Public Schools
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2015

	Food Service	2001 QZAB Issue	2006 Bonds	Brookwood 2.0	Capital Investment	Total Non-Major Governmental Funds
Assets						
Cash and investments	$ 162,925	$ -	$ 151,494	$ 34,613	$ 83,066	$ 432,098
Accounts receivable	750	-	-	-	-	750
Due from other funds	300	-	-	-	-	300
Due from other governmental units	3,578	-	-	-	-	3,578
Inventory	8,794	-	-	-	-	8,794
Other current assets	50,000	-	-	-	-	50,000
Total assets	$ 226,347	$ -	$ 151,494	$ 34,613	$ 83,066	$ 495,520
		-				
Liabilities						
Accounts payable	$ 600	$ -	$ -	$ -	$ -	$ 600
Unearned revenues	(2,174)	-	-	-	-	(2,174)
Total liabilities	(1,574)	-	-	-	-	(1,574)
Fund balance						
Non-spendable						
Inventory	8,794	-	-	-	-	8,794
Restricted	219,127	-	151,494	34,613	83,066	488,300
Total fund balance	227,921	-	151,494	34,613	83,066	497,094
Total liabilities and fund balance	$ 226,347	$ -	$ 151,494	$ 34,613	$ 83,066	$ 495,520

The notes are an integral part of these financial statements.

Clare Public Schools
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015

	Food Service	2001 QZAB Issue	2006 Bonds	Brookwood 2.0	Capital Investment	Total Non-Major Governmental Funds
Revenues						
Local sources	$ 200,408	$ 189,525	$ 623,077	$ 17,755	$ 14	$ 1,030,779
State sources	26,576	1,138	4,193	-	-	31,907
Federal sources	370,413	-	-	-	-	370,413
Total revenues	597,397	190,663	627,270	17,755	14	1,433,099
Expenditures						
Food service	546,487	-	-	-	-	546,487
Facilities	-	-	-	138,025	-	138,025
Debt service						
Principal payments	-	930,000	430,000	-	-	1,360,000
Interest, fees and other	-	300	221,199	-	-	221,499
Other	-	116	453	-	-	569
Total expenditures	546,487	930,416	651,652	138,025	-	2,266,580
Excess (deficiency) of revenues over expenditures	50,910	(739,753)	(24,382)	(120,270)	14	(833,481)
Other financing sources (uses)						
Transfers in	-	-	19,836	7,200	62,500	89,536
Transfers (out)	-	(19,836)	-	-	(41,078)	(60,914)
Excess (deficiency) of revenues and other sources over expenditures	50,910	(759,589)	(4,546)	(113,070)	21,436	(804,859)
Fund balances - beginning	177,011	759,589	156,040	147,683	61,630	1,301,953
Fund balances - ending	$ 227,921	$ -	$ 151,494	$ 34,613	$ 83,066	$ 497,094

Clare Public Schools
Schedule of Long-Term Debt
For the Year Ended June 30, 2015

Fiscal Year Maturity Date	Interest Rate (%)	Annual Principal Due	Annual Interest Due	Total
2006 Refunding Bonds				
Refunded Portion of the original $8,890,000 Bonds.				
Original Issue Amount: $6,680,000				
Due May & Nov 15,				
2016	4.00	$ 450,000	$ 199,400	$ 649,400
2017	4.00	450,000	181,400	631,400
2018	4.00	450,000	163,400	613,400
2019	4.00	450,000	145,400	595,400
2020	4.00	455,000	127,400	582,400
2021	4.00	455,000	109,200	564,200
2022	4.00	455,000	91,000	546,000
2023	4.00	455,000	72,800	527,800
2024	4.00	455,000	54,600	509,600
2025	4.00	455,000	36,400	491,400
2026	4.00	455,000	18,200	473,200
		$ 4,985,000	$ 1,199,200	$ 6,184,200
2013 School Bus Loan				
Original Issue Amount: $80,392				
2016	1.40	$ 40,503	$ 575	$ 41,078
		$ 40,503	$ 575	$ 41,078

Summary

2016	$ 490,503	$ 199,975	$ 690,478
2017	450,000	181,400	631,400
2018	450,000	163,400	613,400
2019	450,000	145,400	595,400
2020	455,000	127,400	582,400
2021	455,000	109,200	564,200
2022	455,000	91,000	546,000
2023	455,000	72,800	527,800
2024	455,000	54,600	509,600
2025	455,000	36,400	491,400
2026	455,000	18,200	473,200
	$ 5,025,503	$ 1,199,775	$ 6,225,278

5 year groupings

1st five years	$ 1,840,503	$ 690,175	$ 2,530,678
2nd five years	2,275,000	455,000	2,730,000
3rd five years	910,000	54,600	964,600
	$ 5,025,503	$ 1,199,775	$ 6,225,278