ISHPEMING PUBLIC SCHOOL DISTRICT NO. 1
ISHPEMING, MICHIGAN

FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Ishpeming Public School District No. 1
319 E. Division Street
Ishpeming, Michigan 49849

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 the Ishpeming Public School District No. 1, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Ishpeming Public School District No. 1'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 Ishpeming Public School District No. 1, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note W to the financial statements, in 2015, the School District adopted the following new accounting guidance: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an Amendment of GASB No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB No. 68).* Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ishpeming Public School District No. 1's basic financial statements. The other supplemental information as listed on 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Education of the
Ishpeming Public School District No. 1

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, on our consideration of the Ishpeming Public School District No. 1'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 Ishpeming Public School District No. 1's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2015

Ishpeming Public School District No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Ishpeming Public School District No. 1 (School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

<u>FINANCIAL HIGHLIGHTS</u>

- Net position for Ishpeming Public School District No. 1 as a whole was reported at $(4,989,920). Net position is comprised of 100% governmental activities.
    - As enumerated upon in the notes to the financial statements the School District adopted GASB No. 68 to record its proportionate share of the net pension liability resulting in an overall net position deficit.

- During the year, Ishpeming Public School District No. 1 expenses were $8,815,297, while revenues from all sources totaled $8,932,910, resulting in an increase in net position of $117,613.

- The general fund reported a net decrease of $256,735. This is $238,006 lower than the forecasted decrease of $494,741. This was a result of revenues being $15,793 higher than forecasted and expenses being $157,556 lower than forecasted, and other financing sources (uses) being $64,657 higher than forecasted.

<u>USING THIS ANNUAL REPORT</u>

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* Statement of Net Position and the Statement of Activities (as listed in the table of contents) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds (as listed in Note A), with all other funds presented in one column as non-major funds. 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 and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Ishpeming Public School District No. 1 as a whole begins in the section titled "The School District as a Whole". One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition 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 way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in it. The School District's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position – as reported in the Statement of Activities – is an indicator of whether its financial health *is* improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do.

One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the Ishpeming Public School District No. 1, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the Ishpeming Public School District No. 1's major funds begins in the section titled "The School District's Funds". The fund financial statements begin as listed in the table of contents and provide detailed information on 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. However, the School District's Board of Education has established other funds to help it control and manage money for particular purposes. The School District has only governmental funds which use the following accounting method.

- *Governmental Funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into 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 that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

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

The Ishpeming Public School District No. 1 is the trustee, or fiduciary, for its student activity funds and auditorium fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the School District's net position as of June 30, 2015:

Table 1
Net Position

	Governmental Activities – 2015	Governmental Activities – 2014
Current and other assets	$9,971,175	$12,454,593
Capital assets, net	7,933,885	5,366,869
Total Assets	17,905,060	17,821,462
Deferred outflows of resources	1,465,301	20,881
Current liabilities	2,685,863	2,255,926
Long-term liabilities	20,491,133	11,047,609
Total Liabilities	23,176,996	13,303,535
Deferred inflows of resources	1,183,285	8,536
Net Position:		
Net investment in capital assets	(2,439,800)	(5,491,855)
Restricted	6,726,225	9,654,548
Unrestricted	(9,276,345)	367,579
Total Net Position	$(4,989,920)	$4,530,272

The Ishpeming Public School District No. 1's net position was $(4,989,920) at June 30, 2015. Net investment in capital assets of $(2,439,800), compares the original cost, 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 position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. There is an unrestricted net position balance of $(9,276,345).

The $(9,276,345) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. During the current year, the School District adopted GASB No. 68 to record its proportionate share of the net pension liability totaling $9,928,237. The adoption of GASB No. 68 was the main perpetrator of the large swing in the School District's unrestricted net position as compared to the prior year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal year 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities – 2015	Governmental Activities – 2014
Revenues:		
Program Revenues:		
Charges for services	$255,578	$199,173
Operating grants and contributions	1,742,363	1,599,742
General Revenues:		
Property taxes	2,024,473	1,135,268
State sources not restricted to specific program	4,715,405	5,329,912
Investment earnings	84,883	17,645
Gain on sale of capital assets	801	155,000
Miscellaneous	109,407	184,666
Total Revenues	8,932,910	8,621,406
Program Expenses:		
Instruction	4,871,953	4,679,484
Supporting services	2,939,723	3,137,161
Community services	58,634	91,627
Payments to other governmental agencies	1,948	-
Interest on long-term debt	600,686	227,109
Depreciation – unallocated	342,353	263,238
Total Expenses	8,815,297	8,398,619
Increase (decrease) in net position	117,613	222,787
Net position, beginning, as restated	(5,107,533)	-
Net position, beginning	-	4,307,485
Net Position, Ending	$(4,989,920)	$4,530,272

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $8,815,297. Certain activities were partially funded from those who benefited from the programs $255,578 or by other governments and organizations that subsidized certain programs with grants and contributions $1,742,363. We paid for the remaining "public benefit" portion of our governmental activities with $2,024,473 in taxes, $4,715,405 in State Aid, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position for the year of $117,613.

Key reasons for the change in net position were as follows:

- Net change in governmental fund balances of $(2,876,104).
- Depreciation charged to expense of $(342,353).
- Purchase of capital assets in the amount of $2,909,369.
- Proceeds from borrowing totaling $(1,805,665).
- Principal payment on debt in the amount of $2,261,287 including the defeasance of the 2005 Refunding Bonds.
- Deferred amounts on debt in the amount of $(138,955).
- Change in accrued interest of $(37,251).
- Change in employee benefit obligations of $69,987.
- Change in pension expense related to timing of contributions $77,298.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$4,871,953	$2,993,022
Supporting services	2,939,723	2,820,713
Interest on retirement of debt	600,686	600,686

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

The School District's Funds

As noted earlier, 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.

As the School District completed the year, its governmental funds (as presented in the balance sheet as listed on the table of contents) reported a combined fund balance of $7,342,290, a decrease of $2,876,104 from the beginning of the year.

General Fund Budgetary Highlights

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

Changes to the General Fund original budget occurred during the annual budget reviews in January and June 2015.

BUDGETED REVENUES

General Fund revenues changed from original to final budget during the year as follows:

	Revenues		Variance Positive / (Negative)	
	Original Budget	Final Budget	Amount	Percentage
Total revenues	$7,018,492	$7,162,772	$144,280	2.06%
Other financing sources	587,665	612,665	25,000	4.25%
Total	$7,606,157	$7,775,437	$169,280	2.23%

Property tax revenue during the year was higher than originally budgeted by approximately $460,000. The change was due to the assessed value of property within the School District increasing significantly. As such, the budget was adjusted to increase the amount due from local sources; conversely the State takes property taxes into account when determining State Aid and as such the amount due from the State was reduced (approximately $335,000).

Transfers from other government units accounts for special education payments received from the intermediary school district as well as tuition and charges to other districts for courses offered to students by the School District. The original budget was increased $25,000 due to an increased number of students from other districts partaking in classes offered at the School District.

The net effect of these adjustments improved the district's budgeted final revenue by $169,280.

BUDGETED EXPENDITURES

General Fund expenditures changed from the original to final budget during the year as follows:

	Expenditures		Variance Positive / (Negative)	
	Original Budget	Final Budget	Amount	Percentage
Total expenditures	$7,914,111	$8,268,178	$(354,067)	(4.47)%
Other financing uses	1,000	2,000	(1,000)	(100.00)%
Total	$7,915,111	$8,270,178	$(355,067)	(4.49)%

General Fund budgeted original to final expenditures increased due to a number of factors. Mainly, the District began a new special education program, had an increase to a current special education program (of over 100%), and began a new student testing program during the year.

ACTUAL REVENUES

The General Fund actual revenues differed from the final budget as follows:

	Revenues		Variance Positive / (Negative)	
	Final Budget	Actual	Amount	Percentage
Total revenues	$7,162,772	$7,178,565	$15,793	0.22%
Other financing sources	612,665	677,270	64,605	10.54%
Total	$7,775,437	$7,855,835	$80,398	1.03%

Total actual revenues came in higher than the final forecast because the revenue from local, state, and federal sources came in slightly higher than expected.

The increase in revenue from other financing sources was mainly attributable to transfers from other government units which was $64,605 higher than the final budget.

ACTUAL EXPENDITURES

General Fund actual expenditures differed from the final budget as follows:

	Expenditures		Variance Positive / (Negative)	
	Final Budget	Actual	Amount	Percentage
Total expenditures	$8,268,178	$8,110,622	$157,556	1.91%
Other financing uses	2,000	1,948	52	2.60%
Total	$8,270,178	$8,112,570	157,608	1.91%

Actual expenditures as compared to the final budget were decreased due to cost savings efforts made by the and close monitoring of expenditures by the School District.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015, the School District had $7,933,885 invested in a variety of capital assets including land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and buses and other vehicles. (See Table 4 below)

Table 4
Capital Assets at Year-End
(Net of depreciation)

	Governmental Activities – 2015	Governmental Activities – 2014
Land	$14,301	$14,301
Construction in progress	2,504,423	-
Land improvements	945,433	1,016,062
Buildings and improvements	4,243,142	4,085,769
Equipment	8,527	17,594
Buses and other vehicles	218,059	233,143
Total	$7,933,885	$5,366,869

This year's additions were $2,909,369 included a school bus and various building improvement utilizing the Sinking Fund millage. During the year construction also began on the construction projects related Proposal 1 and Proposal 2 millage funded with the 2014 School Building and Site Bonds issued in June 2014. Further information on the project can be found in the construction in progress note to the financial statements.

During the year various equipment was disposed of along with one school bus.

Further information on capital assets can be found in the notes to the financial statements.

Debt

At the end of this year, the School District had $10,414,581 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year End

	Governmental Activities – 2015	Governmental Activities – 2014
Vehicle notes	$203,685	$199,307
General obligation bonds	10,210,896	10,629,176
Total	$10,414,581	$10,828,483

During the year the School District entered into an installment agreement for the purchase of one school bus. The School District also issued the 2015 Refunding Bonds during the year to advance refund the 2005 Refunding Bonds. The School District completed the advance refunding to reduce its total debt service payments over the next 7 years by $145,579 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $263,306.

Further information on debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2016 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 2016 fiscal year budget was adopted in June 2015, based on an estimate of students that will be enrolled in September 2015. Approximately 75 - 80 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations.

Since the State routinely determines the amount of foundation allowance in an untimely manner and often chances the amount mid-year, the revenue estimates do not become facts until the end of October – when an official pupil count is taken and verified.

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.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ishpeming Public School District No. 1 Administration, 319 E. Division Street, Ishpeming, Michigan 49849.

Ishpeming Public School District No. 1

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 8,598,877
Investments	27,762
Receivables:	
Accounts receivable	13,959
Due from other governmental units	1,330,577
Non-current Assets:	
Capital assets:	
Land and construction in progress	2,518,724
Other capital assets, net	5,415,161
TOTAL ASSETS	17,905,060
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding bonds	-
Deferred outflows related to proportionate share of net pension liability	369,869
District's contributions made subsequent to pension measurement date	1,095,432
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,465,301
LIABILITIES	
Current Liabilities:	
Accounts payable	540,824
Accrued payroll and other liabilities	267,358
Accrued interest	56,978
Due to other governmental units	318,692
State aid notes payable	1,500,000
Unearned revenue	2,011
Non-current Liabilities:	
Due or payable within one year	
Notes payable	62,813
Bonds payable	385,000
Employee benefit obligations	10,800
Due or payable after one year	
Notes payable	140,872
Bonds payable	9,825,896
Employee benefit obligations	137,515
Proportionate share of net pension liability	9,928,237
TOTAL LIABILITIES	23,176,996
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding bonds	85,714
Deferred inflows related to proportionate share of net pension liability	1,097,571
TOTAL DEFERRED INFLOWS OF RESOURCES	1,183,285
NET POSITION	
Net investment in capital assets	(2,439,800)
Restricted	6,726,225
Unrestricted	(9,276,345)
TOTAL NET POSITION	$ (4,989,920)

The accompanying notes are an integral part of these financial statements.

Ishpeming Public School District No. 1

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Function / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instruction	$ 4,871,953	$ 180,228	$ 1,698,703	$ (2,993,022)
Supporting services	2,939,723	75,350	43,660	(2,820,713)
Community services	58,634	-	-	(58,634)
Payments to other governmental agencies	1,948	-	-	(1,948)
Interest on retirement of debt	600,686	-	-	(600,686)
Depreciation - unallocated	342,353	-	-	(342,353)
TOTAL GOVERNMENTAL ACTIVITIES	$ 8,815,297	$ 255,578	$ 1,742,363	(6,817,356)

General Revenues:	
Taxes	
Property taxes, levied for general purposes	996,103
Property taxes, levied for debt services	721,377
Property taxes, levied for building and site fund	306,993
State Aid not restricted to specific purposes	4,715,405
Interest and investment earnings	84,883
Gain on sale of capital assets	801
Miscellaneous	109,407
TOTAL GENERAL REVENUES	6,934,969
CHANGES IN NET POSITION	117,613
Net Position, July 1, as restated	(5,107,533)
NET POSITION, JUNE 30	$ (4,989,920)

The accompanying notes are an integral part of these financial statements.

Ishpeming Public School District No. 1

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2015

	General Fund	Special Revenue Scholarship Fund	Debt Service Fund	Capital Projects Proposal #1 Fund	Other Non-major Governmental Funds	Total
ASSETS						
Cash and cash equivalents	$ 1,386,613	$ 1,295,450	$ 120,917	$ 5,464,667	$ 331,230	$ 8,598,877
Investments	-	27,762	-	-	-	27,762
Receivables:						
Accounts receivable	7,809	-	-	-	-	7,809
Due from other governmental units	1,330,577	-	-	-	-	1,330,577
Due from other funds	22,150	-	-	-	-	22,150
Prepaids	-	-	-	-	-	-
TOTAL ASSETS	2,747,149	1,323,212	120,917	5,464,667	331,230	9,987,175
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,747,149	$ 1,323,212	$ 120,917	$ 5,464,667	$ 331,230	$ 9,987,175
LIABILITIES						
Accounts payable	$ 43,023	$ -	$ -	$ 408,711	$ 89,090	$ 540,824
Accrued liabilities	267,358	-	-	-	-	267,358
Due to other governmental units	318,692	-	-	-	-	318,692
Due to other funds	-	-	-	16,000	-	16,000
State aid notes payable	1,500,000	-	-	-	-	1,500,000
Unearned revenue	2,011	-	-	-	-	2,011
TOTAL LIABILITIES	2,131,084	-	-	424,711	89,090	2,644,885
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-
FUND BALANCES						
Non-spendable	-	978,336	-	-	-	978,336
Restricted	-	344,876	120,917	5,039,956	242,140	5,747,889
Committed	-	-	-	-	-	-
Assigned	371,012	-	-	-	-	371,012
Unassigned	245,053	-	-	-	-	245,053
TOTAL FUND BALANCES	616,065	1,323,212	120,917	5,039,956	242,140	7,342,290
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,747,149	$ 1,323,212	$ 120,917	$ 5,464,667	$ 331,230	$ 9,987,175

The accompanying notes are an integral part of these financial statements.

Ishpeming Public School District No. 1

GOVERNMENTAL FUNDS

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

June 30, 2015

Total Fund Balances for Governmental Funds		$ 7,342,290
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.		
Cost of capital assets	$ 26,987,634	
Accumulated depreciation	(19,053,749)	7,933,885
Proportionate share of net pension liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Proportionate share of net pension liability	9,928,237	
Deferred outflows related to proportionate share of net pension liability	(369,869)	
District's contributions made subsequent to pension measurement date	(1,095,432)	
Deferred inflows related to proportionate share of net pension liability	1,097,571	(9,560,507)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:		
Unamortized bond discount	(8,580)	
Deferred loss on refunding bonds	-	
Accrued interest	56,978	
Notes payable - current portion	62,813	
Notes payable - long-term portion	140,872	
Bonds payable - current portion	385,000	
Bonds payable - long-term portion	9,785,000	
Employee benefit obligations - current portion	10,800	
Employee benefit obligations - long-term portion	137,515	
Unamortized bond premium	49,476	
Deferred gain on refunding bonds	85,714	(10,705,588)
Net Position of Governmental Activities		$ (4,989,920)

Ishpeming Public School District No. 1

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2015

	General Fund	Special Revenue Scholarship Fund	Debt Service Fund	Capital Projects Proposal #1 Fund	Other Non-major Governmental Funds	Total
REVENUES:						
Local sources	$ 1,171,368	$ 51,612	$ 722,304	$ 15,875	$ 310,999	$ 2,272,158
State sources	5,701,336	-	-	-	-	5,701,336
Federal sources	305,861	-	-	-	-	305,861
TOTAL REVENUES	7,178,565	51,612	722,304	15,875	310,999	8,279,355
EXPENDITURES:						
Current:						
Instruction	4,995,662	-	-	-	-	4,995,662
Supporting services	2,959,938	32,612	-	-	-	2,992,550
Community services	58,838	-	-	-	-	58,838
Debt Service:						
Principal	71,287	-	460,000	-	-	531,287
Interest	21,866	-	346,600	-	-	368,466
Issuance costs	3,031	-	51,697	1,286	-	56,014
Facilities acquisition	-	-	-	1,696,525	1,183,389	2,879,914
TOTAL EXPENDITURES	8,110,622	32,612	858,297	1,697,811	1,183,389	11,882,731
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(932,057)	19,000	(135,993)	(1,681,936)	(872,390)	(3,603,376)
OTHER FINANCING SOURCES (USES):						
Proceeds from borrowing	75,665	-	1,730,000	-	-	1,805,665
Premium on bond issuance	-	-	51,950	-	-	51,950
Proceeds from sale of capital assets	801	-	-	-	-	801
Proceeds from insurance	-	-	-	-	-	-
Transfers from other government units	600,804	-	-	-	-	600,804
Payments to refunded bond escrow agen	-	-	(1,730,000)	-	-	(1,730,000)
Payments to other governments	(1,948)	-	-	-	-	(1,948)
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	675,322	-	51,950	-	-	727,272
NET CHANGE IN FUND BALANCES	(256,735)	19,000	(84,043)	(1,681,936)	(872,390)	(2,876,104)
Fund Balance, July 1	872,800	1,304,212	204,960	6,721,892	1,114,530	10,218,394
FUND BALANCE, JUNE 30	$ 616,065	$ 1,323,212	$ 120,917	$ 5,039,956	$ 242,140	$ 7,342,290

The accompanying notes are an integral part of these financial statements.

Ishpeming Public School District No. 1

GOVERNMENTAL FUNDS

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

For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds		$ (2,876,104)
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 are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation expense	$ (342,353)	
Capital outlays	2,909,369	
Net book value of disposed assets	-	2,567,016
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		(1,805,665)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,261,287
Deferred gain/(loss) on refunding bonds is reported as revenue/(expenditure) in the governmental funds when incurred. However, for governmental activities it is shown in the statement of net position and amortized over the life of the bond.		
Amortized deferred loss on defeased bonds	(11,521)	
Deferred gain on 2015 Refunding Bonds	(85,714)	(97,235)
Premium and discounts are recognized in the financial statements as other financing sources or uses but, they are amortized over the term of the bonds in the government-wide financial statements.		
Amortized bond discount	(780)	
Amortized bond premium	8,536	
Premium on 2015 Refunding Bonds	(49,476)	(41,720)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(37,251)
Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		69,987
Change in proportionate share of net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.		
Pension expense	(104,188)	
Change in deferred outflows related to timing of pension contributions	181,486	77,298
Change in Net Position of Governmental Activities		$ 117,613

The accompanying notes are an integral part of these financial statements.

Ishpeming Public School District No. 1

FIDUCIARY FUNDS

STATEMENTS OF FIDUCIARY NET POSITION

June 30, 2015

	Private-Purpose Trust Funds	Agency Funds
	Auditorium Fund	**Student Activity Fund**
ASSETS		
Cash and equivalents	$ 6,506	$ 140,478
Due from other funds	-	-
TOTAL ASSETS	6,506	$ 140,478
DEFERRED OUTFLOWS OF RESOURCES	-	
LIABILITIES		
Due to groups, organizations and activities	-	$ 134,430
Due to other funds	102	6,048
TOTAL LIABILITIES	102	$ 140,478
DEFERRED INFLOWS OF RESOURCES	-	
NET POSITION		
Held in trust for individuals, organizations, and other governments	6,404	
TOTAL NET POSITION	$ 6,404	

The accompanying notes are an integral part of these financial statements.

Ishpeming Public School District No. 1

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2015

	Private-Purpose Trust Fund
	Auditorium Fund
ADDITIONS:	
Contributions:	
Gifts, bequests and endowments	$ 750
Total Contributions	750
Investment Income:	
Interest and dividends	3
Net Investment Income (Loss)	3
TOTAL ADDITIONS (DEDUCTIONS)	753
DEDUCTIONS:	
Payments in accordance with trust agreements	102
TOTAL DEDUCTIONS	102
CHANGE IN NET POSITION	651
Net position, beginning of year	5,753
NET POSITION, END OF YEAR	$ 6,404

The accompanying notes are an integral part of these financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Ishpeming Public School District No. 1 (School District) was organized in 1869. The School District operates under a Board-Superintendent form of government. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

FINANCIAL REPORTING ENTITY

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the basic financial statements of the School District contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

BASIS OF PRESENTATION

District-Wide Financial Statements:
The Statement of Net Position and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:
The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The available

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major fund categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and

b. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund, the Scholarship Fund, the Debt Service Fund, and the Proposal #1 Capital Projects Fund as its major governmental funds in accordance with the above criteria. The funds of the School District are described below:

<u>Governmental Fund Types</u>

General Fund – The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the Scholarship Fund.

Debt Retirement Funds – Debt Retirement Funds are used to record tax, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

<u>Fiduciary Fund Types</u>

Trust and Agency Fund – The Student Activity Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Auditorium Fund – The Auditorium Fund is a private-purpose trust fund used to account for assets held by the School District in a trustee capacity for operations of the Auditorium.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus

On the district-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, sets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Cash Equivalents

The School District considers cash and cash equivalents to be cash on hand, demand deposits and certificates of deposit.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include land, construction in progress, land improvements, buildings, machinery and equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than $5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	10 – 20 years
Buildings and improvements	20 – 50 years
Equipment	5 – 10 years
Buses and other vehicles	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

Deferred Outflows 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category:

> On the district-wide financial statements, changes in assumptions, differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions for the pension plan create a deferred outflow of resources.
>
> On the district-wide financial statements, the district's contributions made into the pension plan subsequent to the plan's fiscal year end creates a deferred outflow of resources.

Long-Term Liabilities

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet 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 government has two items that qualify for reporting in this category:

> On the district-wide financial statements, a deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. For district-wide financial statement purposes the amount of the gain on refunding bonds is deferred and amortized over the shorter of the life of the refunded or refunding debt using straight line amortization.
>
> On the district-wide financial statements, the net difference between projected and actual pension plan investment earnings, differences between expected and actual experience, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions create a deferred inflow of resources.

Equity Classification

District-Wide Statements
Equity is classified as net position and displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

1. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Governmental Fund Statements
Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned, if appropriate.

<u>Revenues</u>

District-Wide Statements
In the district-wide Statement of Activities, revenues are segregated by activity, and are classified as either program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements
In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District’s policy to use the restricted resources first.

<u>Property Taxes</u>

Property taxes are levied on July 1 on behalf of the District by various taxing units and are payable without penalty by September 14. The School District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year.) Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

<u>Expenses/Expenditures</u>

District-Wide Statements
In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements
In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

<u>Interfund Activity</u>

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Position.

Budgets and Budgetary Accounting

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

a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is approved by the Board of Education.

d. Budgets for all governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as approved and amended by the Board of Education.

e. All annual appropriations lapse at fiscal year-end.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 26, 2015, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2015, the School District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and equivalents	$8,598,877	$146,984	$8,745,861
Investments	27,762	-	27,762
Total	$8,626,639	$146,984	$8,773,623

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. State law does not require and the School District does not have a deposit policy for custodial credit risk. The carrying amounts of the School District's deposits with financial institutions were $8,745,861 and the bank balance was $8,902,201. The bank balance is categorized as follows.

Amounts insured by FDIC	$750,604
Amount uncollateralized and uninsured	8,151,597
Total	$8,902,201

<u>Investments</u>

As of June 30, 2015, the School District had the following investments.

		Investment in Maturities (In Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Mutual Funds	$27,762	$27,762	$-	$-	$-
Total	$27,762	$27,762	$-	$-	$-

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School District's investments The School District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the School District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School District's investment policy does not further limit its investment choices. The School District's investment in General Motors Corporate Fixed Income was rated B3 by Moody's Investors Service and B by Standard & Poor's. Ratings are not required for the School District's investment in Michigan Liquid Asset Fund-Mutual Funds. The School District's investments are in accordance with statutory authority.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. All of the School District's investments are in the Franklin Income Fund.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments totaled $1,330,577. Of that balance, $1,037,566 is due from the State of Michigan for State Aid.

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The School District reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS			
	General Fund	School Lunch Fund	Debt Service Fund	Total Due To Other Funds
General Fund	$-	$-	$-	$-
Proposal #1 Fund	16,000	-	-	16,000
Auditorium Fund	102	-	-	102
Student Activity Fund	6,048	-	-	6,048
Total Due From Other Funds	$22,150	$-	$-	$22,150

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRANSFERS IN TO OTHER FUNDS	TRANSFERS OUT TO OTHER FUNDS		
	General Fund	Sinking Fund	Total Transfers In From Other Funds
General Fund	$-	$-	$-
Debt Service Fund	-	-	-
Sinking Fund	-	-	-
Total Transfers Out To Other Funds	$-	$-	$-

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

NOTE E – CAPITAL ASSETS:

Capital asset activity of the School District's governmental activities was as follows:

	Balance 6/30/14	Additions	Deductions	Balance 6/30/15
Capital assets not being depreciated:				
Land	$14,301	$-	$-	$14,301
Construction in progress	-	2,504,423	-	2,504,423
Subtotal	14,301	2,504,423	-	2,518,724
Capital assets being depreciated:				
Land improvement	1,434,947	-	-	1,434,947
Buildings and improvements	19,848,480	329,281	-	20,177,761
Equipment	2,238,482	-	(101,200)	2,137,282
Buses and other vehicles	700,224	75,665	(56,969)	718,920
Subtotal	24,222,133	404,946	(158,169)	24,468,910
Total Capital Assets	24,236,434	2,909,369	(158,169)	26,987,634
Less accumulated depreciation:				
Land improvement	(418,885)	(70,629)		(489,514)
Buildings and improvements	(15,762,711)	(171,908)		(15,934,619)
Equipment	(2,220,888)	(9,067)	101,200	(2,128,755)
Buses and other vehicles	(467,081)	(90,749)	56,969	(500,861)
Total Accumulated Depreciation	(18,869,565)	(342,353)	158,169	(19,053,749)
CAPITAL ASSETS, NET	$5,366,869	$2,567,016	$-	$7,933,885

Depreciation expense charged to governmental activities was $342,353.

NOTE F – CONSTRUCTION IN PROGRESS:

In May 2014 the School District proposal for two bond offering was approved for building and site improvements to the Middle/High School and Birchview Elementary School. The first proposal, which included a levy of 2.9500 mills, was passed by voters for improvements to the Middle/High School building, the addition of a cafeteria, and two new computer labs at Birchview Elementary School. The second proposal, which included a levy of 0.4200 mills, was passed by voters for improvements to Birchview including two new classrooms. On June 26, 2014 the General Obligation School Building and Site Serial Bond was issued for $7,840,000 to fund the projects.

As of June 30, 2015 construction in progress relating to the project totaled $2,504,423; the project is approximately 32% complete and it is expected to be completed by March 2016. Details on the expenditures according to bond proposals are as follows:

Total project cost		$7,840,000
Project costs incurred as of 6/30/15:		
Proposal 1	$1,696,525	
Proposal 2	807,898	
		(2,504,423)
Balance to completion		$5,335,577

NOTE G – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2015 is as follows:

	Governmental Activities
Accrued wages	$171,991
Accrued fringes	78,368
Other accrued expenses	16,999
Total	$267,358

NOTE H – SHORT-TERM DEBT:

The School District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of changes in short-term debt for the year ended June 30, 2015, is as follows:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
State Anticipation Note:				
2013-2014	$1,650,000	$-	$1,650,000	$-
2014-2015	-	1,500,000	-	1,500,000
Total	$1,650,000	$1,500,000	$1,650,000	$1,500,000

NOTE I – LONG-TERM DEBT:

A summary of long-term obligations at June 30, 2015, and transactions related thereto for the year then ended as follows:

	Balance 6/30/14	Additions	Deductions	Balance 6/30/15	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Notes Payable:					
Bus Installment, 7/20/2009	$13,600	$-	$(13,600)	$-	$-
Vehicle Note, 11/8/2012	10,000	-	(10,000)	-	-
Bus Installment, 7/15/2010	31,800	-	(15,900)	15,900	15,900
Bus Installment, 8/28/2012	60,000	-	(15,000)	45,000	15,000
Bus Installment, 8/1/2013	83,907	-	(16,787)	67,120	16,780
Bus Installment, 7/1/2014	-	75,665	-	75,665	15,133
Total Notes Payable	199,307	75,665	(71,287)	203,685	62,813
Bonds Payable:					
2005 Refunding Bonds	2,040,000	-	(2,040,000)	-	-
Plus: deferred premium	8,536		(8,536)	-	-
2006 Serial Bonds	750,000	-	(45,000)	705,000	50,000
Plus: deferred discount	(9,360)	-	780	(8,580)	-
2014 Building and Site Bonds	7,840,000	-	(105,000)	7,735,000	140,000
2015 Refunding Bonds	-	1,730,000	-	1,730,000	195,000
Plus: deferred premium	-	51,950	(2,474)	49,476	-
Total Bonds Payable	10,629,176	1,781,950	(2,200,230)	10,210,896	385,000
Total Notes and Bonds Payable	10,828,483	1,857,615	(2,271,517)	10,414,581	447,813

NOTE I – LONG-TERM DEBT (Continued):

	Balance 6/30/14	Additions	Deductions	Balance 6/30/15	Due Within One Year
Employee Benefit Obligations:					
Compensated absences	$131,102	$2,575	$(9,562)	$124,115	$-
Early Retirement Incentive	7,200	27,200	(10,200)	24,200	10,800
Voluntary Severance Plan	80,000	-	(80,000)	-	-
Total Employee Benefit Obligations	218,302	29,775	(99,762)	148,315	10,800
TOTAL	$11,046,785	$1,887,390	$(2,371,279)	10,562,896	$458,613

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

Bus Installment dated July 15, 2010
June 30, 2015

	July 15		
Fiscal Year	Principal	Interest	Total
2016	$15,900	$634	$16,534
Total	$15,900	$634	$16,534

Bus note payable originally issued for $79,681 and dated July 15, 2010 matures annually as scheduled above on the 15th of July, 2011 through July 15, 2015 bearing an interest rate of 3.99% per annum.

Bus Installment dated August 28, 2012
June 30, 2015

	July 15		
Fiscal Year	Principal	Interest	Total
2016	$15,000	$896	$15,896
2017	15,000	597	15,597
2018	15,000	298	15,298
Total	$45,000	$1,791	$46,791

Bus note payable originally issued for $75,298 and dated August 28, 2012 matures annually as scheduled above on the 28th of August, 2013 through August 28, 2017 bearing an interest rate of 1.99% per annum.

Bus Installment dated August 1, 2013
June 30, 2015

	July 15		
Fiscal Year	Principal	Interest	Total
2016	$16,780	$1,443	$18,223
2017	16,780	1,082	17,862
2018	16,780	722	17,502
2019	16,780	361	17,141
Total	$67,120	$3,608	$70,728

Bus note payable originally issued for $83,907 and dated August 1, 2013 matures annually as scheduled above on the 15th of July, 2014 through July 15, 2018 bearing an interest rate of 2.15% per annum.

NOTE I – LONG-TERM DEBT (Continued):

Bus Installment dated July 1, 2014
June 30, 2015

Fiscal Year	July 15 Principal	July 15 Interest	Total
2016	$15,133	$1,305	$16,438
2017	15,133	1,005	16,138
2018	15,133	754	15,887
2019	15,133	502	15,635
2020	15,133	251	15,384
Total	$75,665	$3,817	$79,482

Bus note payable originally issued for $75,665 and dated July 1, 2014 matures annually as scheduled above on the 15th of July, 2015 through July 15, 2019 bearing an interest rate of 1.66% per annum.

School Building and Site Bonds, Series 2006
June 30, 2015

Fiscal Year	November 1 Interest	May 1 Interest	May 1 Principal	Total
2016	$14,854	$14,854	$50,000	$79,708
2017	13,841	13,841	50,000	77,682
2018	12,816	12,816	55,000	80,632
2019	11,689	11,689	55,000	78,378
2020	10,547	10,547	60,000	81,094
2021-2025	32,255	32,255	355,000	419,510
2026	1,720	1,720	80,000	83,440
Total	$97,722	$97,722	$705,000	$900,444

General Obligation School Building and Site Serial Bonds originally issued for $1,040,000 and dated June 28, 2006 mature annually on May 1, 2008 through May 1, 2026 and bear interest at a rate of 4.0% to 4.3% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

School Building and Site Bonds, Series 2014
June 30, 2015

Fiscal Year	November 1 Interest	May 1 Interest	May 1 Principal	Total
2016	$131,495	$131,495	$140,000	$402,990
2017	129,115	129,115	145,000	403,230
2018	126,650	126,650	150,000	403,300
2019	124,100	124,100	150,000	398,200
2020	121,550	121,550	155,000	398,100
2021-2025	554,030	554,030	1,570,000	2,678,060
2026-2030	373,830	373,830	2,755,000	3,502,660
2031-2035	115,345	115,345	2,670,000	2,900,690
Total	$1,676,115	$1,676,115	$7,735,000	$11,087,230

General Obligation School Building and Site Serial Bonds originally issued for $7,840,000 and dated June 26, 2014 mature annually on May 1, 2015 through May 1, 2034 and bear interest at a rate of 3.4% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

NOTE I – LONG-TERM DEBT (Continued):

2015 Refunding Bonds
June 30, 2015

	November 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2016	$24,586	$19,325	$195,000	$238,911
2017	17,375	17,375	220,000	254,750
2018	15,175	15,175	240,000	270,350
2019	12,775	12,775	265,000	290,550
2020	10,125	10,125	270,000	290,250
2021-2025	11,475	11,475	540,000	562,950
Total	$91,511	$86,250	$1,730,000	$1,907,761

On March 12, 2015, the School District issued $1,730,000 in General Obligation Bonds with an average interest rate of 2.2% to advance refund $1,820,000 of outstanding 2005 Refunding Bonds with an average interest rate of 4.2%. The net proceeds of $1,858,753 (after payment of $51,697 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2005 Refunding Bonds. As a result, the 2005 Refunding Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $90,000. This difference, reported in the accompanying financial statements as a deferred inflow of resources (deferred gain on refunding), is being charged to operations through the year 2022 using the effective-interest method. The School District completed the advance refunding to reduce its total debt service payments over the next 7 years by $145,579 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $263,306.

The irrevocable trust accounts for the assets and the liability for the defeased 2005 Refunding Bonds are not included in the School District’s financial statements. On June 30, 2015, $1,820,000 of the bonds outstanding are considered defeased.

On April 28, 2005, the School District issued $3,365,000 in General Obligation Bonds with an average interest rate of 4.2% to advance refund $3,340,000 of outstanding 1997 Serial Bonds with an average interest rate of 5.1%. The net proceeds of $3,307,500 (after payment of $57,500 in underwriting fees, insurance, and other issuance costs) plus an additional $197,000 of 1997 series Debt Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 series bonds. As a result, the 1997 series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The irrevocable trust accounts for the assets and the liability for the defeased 1997 Serial Bonds are not included in the School District’s financial statements. On June 30, 2015, $1,895,000 of the bonds outstanding are considered defeased.

As of June 30, 2015 the aggregate maturities of long-term debt for the next succeeding five years are as follows:

NOTE I – LONG-TERM DEBT (Continued):

Fiscal Year	Principal	Interest	Total
2016	$447,813	$340,887	$788,700
2017	461,913	323,346	785,259
2018	491,913	311,056	802,969
2019	501,913	297,991	799,904
2020	500,133	284,695	784,828
2021-2025	2,465,000	1,195,520	3,660,520
2026-2030	2,835,000	751,100	3,586,100
2031-2035	2,670,000	230,690	2,900,690
Total	$10,373,685	$3,735,285	$14,108,970

NOTE J – EMPLOYEE BENEFIT OBLIGATIONS:

COMPENSATED ABSENCES
Upon severing employment with the School District, a teacher has the option of selecting one of the following as severance pay:

1. Unused sick leave to be paid at $35.00 per day up to a maximum of $4,800 per employee.

2. An employee who has been employed for ten years or more shall be paid one week of current salary plus one day of current salary for each year of employment of the School District in excess of ten years to a maximum of $1,500.

Upon retirement (qualifying the employee for immediate payment of benefits pursuant to the School Employees Retirement Plan) while an active employee of the School District, the support personnel employee will be paid a sum equal to their accumulated sick leave days times $25.00 per day, not to exceed a maximum of $4,000.

A practicing administrator, after a minimum of ten (10) years of administrative service in the School District, will be entitled to a retirement benefit, computed by taking 1.0% of the administrator's final salary, multiplied by the years of administrative service in the School District, not to exceed a maximum of $4,800.

EARLY RETIREMENT INCENTIVE
Full-time teachers who meet requirements as established by the Michigan Public Schools Retirement System and who have taught a minimum of fifteen (15) years in the School District may also qualify for the Early Retirement Incentive (ERI) Plan. The ERI payment will be $200 per month for a maximum period of seven years (or until earlier qualification for reduced old age insurance and benefits under Title II of the Social Security Act, or death).

VOLUNTARY SEVERANCE PLAN
On December 14, 2009 the Board of Education approved the offering of the 2010 Voluntary Severance Plan. The Plan offered to pay out $10,000 per year for a total of five years to participants. Payments according to the plan were payable January of each year beginning in 2010. A total of eight teachers opted into the Voluntary Severance Plan.

As of June 30, 2015 the composition of the liability for employee benefits is as follows:

NOTE J – EMPLOYEE BENEFIT OBLIGATIONS (Continued):

	Total	Current Portion	Long-term Portion
Compensated absences:			
Teachers	$121,464	$-	$121,464
Support personnel	2,651	-	2,651
Administration	-	-	-
Subtotal	124,115	-	124,115
Early retirement incentive	24,200	10,800	13,400
Voluntary severance plan	-	-	-
Total	$148,315	$10,800	$137,515

NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS:

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Education. Board of Education is the highest level of decision-making authority for the School District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Education.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the School District's adopted policy, only the Board of Education may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of June 30, 2015, fund balances are composed of the following:

	General Fund	Scholarship Fund	Debt Service Fund	Proposal #1 Fund	Non-major Governmental Funds	Total Governmental Funds
Non-spendable:						
Pat Potter corpus	$-	$978,336	$-	$-	$-	$978,336
Restricted:						
Scholarships	-	328,876	-	-	-	328,876
Debt Service	-	-	120,917	-	-	120,917
Proposal #1 & #2	-	-	-	5,039,956	246,874	5,286,830
Construction Projects	-	-	-	-	(4,734)	(4,734)
FY15/16 Budgeted Shortfall	-	16,000	-	-	-	16,000
Subtotal	-	344,876	120,917	5,039,956	242,140	5,747,889
Committed:	-	-	-	-	-	-
Assigned:						
FY15/16 Budgeted Shortfall	371,012	-	-	-	-	371,012
Unassigned	245,053	-	-	-	-	245,053
Total fund balances	$616,065	$1,323,212	$120,917	$5,039,956	$242,140	$7,342,290

NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Superintendent through amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

NOTE L – ECONOMIC DEPENDENCY:

The School District receives approximately 73 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of the Ishpeming Public School District No. 1.

NOTE M – STATE REVENUE:

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2014 – August 2015.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE N – PROPERTY TAXES:

The taxable value of real and personable property located in the School District for the 2014 tax year which represents approximately 50% of the estimated current value, totaled $119,853,472 ($63,274,480 designated as Homestead, $50,663,343 designated as Non-Homestead, $5,288,848 designated as Commercial personal property, and $626,801 as Industrial personal property). The total tax levy consists of 18.0000 mills on all non-homestead property (one mill is equal to $1.00 per $1,000 of taxable value), 6.0000 mills on all commercial personal property for the General Fund, 2.4870 mills for the Building Sinking Fund, and 5.8500 mills the Debt Service Fund.

NOTE O – CONTINGENT LIABILITIES:

Grant Assistance
The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management
The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

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 Governor appointed board members consist of:

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

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

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

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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

Benefits Provided

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

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

Member Contributions

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

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

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

Employer Contributions

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

Summary of Significant Accounting Policies
Basis of Accounting and Presentation

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

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

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

Reserves

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

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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

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

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

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

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

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

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

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

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

Reporting Entity

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

Benefit Protection

Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy or other legal process except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an "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,

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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 ten years. As of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Related Party Transactions

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

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

Contributions and Funding Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Members 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.

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Pension Contribution Rates

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

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

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

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

Net Pension Liability—Non-University

Measurement of the MPSERS Net Pension Liability

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

MPSERS (Plan) Net Pension Liability – Non-University

As of September 30, 2014

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

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

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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

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

Proportionate Share of the District's Net Pension Liability

At September 30, 2014, the District reported a liability of $9,928,237 its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all members statutorily required contributions for the measurement period. At September 30, 2014, the District's proportionate share percent was 0.04507 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%	

*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.

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Discount Rate

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

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

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

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
$13,089,516	$9,928,237	$7,264,813

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

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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 Plans (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—Non-University

For the year ended June 30, 2015, the District recognized total pension expense of $804,215**.** At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	$-	$-
Changes of assumptions	366,331	-
Net difference between projected and actual earnings on pension plan investments	-	(1,097,571)
Changes in proportion and differences between the District contributions and proportionate share of contributions	3,538	-
Subtotal	369,869	(1,097,571)
District contributions subsequent to the measurement date	1,095,432	-
Total	$1,465,301	$(1,097,571)

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 September 30:	Amount:
2015	$(178,215)
2016	(178,215)
2017	(178,215)
2018	(193,057)

During the fiscal year, the School District recognized revenue in the amount of $340,180 from the State for the unfunded actuarial accrued liability.

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

Employees of the School District who began working for a Michigan public school July 1, 2010, or later, are members of the Pension Plus plan or Defined Contribution (DC) plan, defined contribution pension plans. Under Public Act 300 of 2012, eligible members of MPSERS had the option to increase, maintain, or stop their contributions to the pension fund as of the transition date. Members of MPSERS who elected to stop their contributions became participants in the DC plan as of their transition date.

Pension Plus Plan

The Pension Plus Plan is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Within the plan employees have three options to choose from: 1) Pension Plus with Premium Subsidy, 2) Pension plus to DC with PHF, and 3) Basic/MIP to DC with Premium Subsidy. The School District's required to contribute ranges 1% to 4% of annual salary for plan members based on the type of plan the employee is participating in. Employees are permitted to make contributions up to applicable Internal Revenue Service Code limits. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after

NOTE Q – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS (Continued):

four years of service. Employees are eligible to receive benefits from the Plan in accordance with IRS regulations for 401(k) plans.

Defined Contribution Plan

The Defined Contribution Plan, is a defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Employee contributions are 8% of wages with the employer matching contributions dollar for dollar on the first 2% of wages and 50 cents on the dollar on the next 6% of wages. Employee contributions are made into the 457 Plan while employer matching contributions are made in the 401(k) Plan. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

Contributions

The total amount contributed to the Plan for the year ended June 30, 2015 was $13,605 which consisted of $6,348 from the School District and $7,257 from employees.

NOTE R – EMPLOYEE RETIREMENT SYSTEM – POST-EMPLOYMENT BENEFITS:

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees electing this coverage contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.45% (of the total 24.79% required contribution) of covered payroll for the period from July 1, 2014 through September 30, 2014 and 6.83% (of the total 24.78% required contribution) from October 1, 2014 through June 30, 2015. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System at 7150 Harris Drive, PO Box 30171, Lansing, Michigan, 48909.

NOTE S – NET POSITION RESTATEMENT:

The following net position restatement were made resulting from the adoption of GASB No. 68 and GASB No. 71. The adjustment records the beginning proportionate share of net pension liability and related deferred outflows of resources as listed below.

NOTE S – NET POSITION RESTATEMENT (Continued):

	Governmental Activities
Net position, beginning of year	$4,530,272
Prior period adjustments:	
Proportionate share of net pension liability	(10,551,751)
District's contributions made subsequent to pension measurement date	913,946
Net position, beginning of year, as restated	$(5,107,533)

NOTE T – DEFICIT FUND BALANCE:

As of June 30, 2015 the Capital Projects Sinking Fund had a fund balance deficit of $4,734. The Michigan Department of Education considers a district to have a deficit fund balance if it has adopted a deficit budget or incurred an operating deficit as evidenced by the following:

1. Its total General Fund balance is negative, or projected to be negative at the end of the current fiscal year;

   or

2. Other funds have negative fund balances or projected negative fund balances that are greater than the General Fund Balance.

The Sinking Fund's deficit fund balance is not greater than the General Fund's fund balance at the end of the year; therefore, the District is not considered to be in a deficit position and no deficit elimination plan is required.

NOTE U – SUBSEQUENT EVENT:

On July 29, 2015, the School District issued General Obligation Limited Tax Energy Conservation Improvement Bonds, Series 2015 in the amount of $1,630,000 at an interest rate of 2.55%. The Bonds were issued to make energy conservation improvements at the District. The bonds mature annually on May 1, 2016 through May 1, 2024. Interest is paid semi-annually on May 1 and November 1 each year.

On July 1, 2015 the School District entered into a one-year leasing agreement with Saint John the Evangelist Parish for additional classroom space. The amount of the lease is $8,400 per year.

NOTE V – SINGLE AUDIT:

The School District's audited financial statements report a total of $305,861 in federal expenditures. As the amount is less than the single audit threshold of $500,000, the District is not required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2015.

NOTE W – NEW GASB STANDARDS:

Recently Issued and Adopted Accounting Pronouncements
In March 2012, the GASB issued Statement No. 66, *2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)*. GASB No. 66 eliminates conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees. This Statement is effective for periods beginning after December 15, 2013. The adoption of GASB No. 66 does not have any impact on the District's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system. It also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. This information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan. This Statement is effective for periods beginning after June 15, 2014. The adoption of GASB No. 68 required the District to record a prior period adjustment for the District's portion the net pension liability at the beginning of the year as detailed in Note S of the financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB Statement No. 68).* This standard is an amendment to GASB 68, and seeks to clarify implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. This Statement is effective at the same time GASB 68 is adopted. The adoption of GASB No. 71 required the District to record a prior period adjustment resulting from timing differences between the District's fiscal year and the actuarial valuation measurement date as detailed in Note S of the financial statements.

Other Recently Issued Accounting Pronouncements
In June 2012, the GASB issued Statement No. 67 *Financial Reporting for Pension Plans*. GASB No. 67 establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary. This Statement is effective for periods beginning after June 15, 2013. The adoption of GASB No. 67 does not have any impact on the District's financial statements as the District does not have a pension plan administered by trusts.

NOTE W – NEW GASB STANDARDS (Continued):

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. GASB No. 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. This Statement is effective for periods beginning after December 15, 2013. The adoption of GASB No. 69 does not have any impact on the District's financial statements.

In April 2013, the GASB issued Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB No. 70 addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is "more likely than not" that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements. This Statement is effective for periods beginning after June 15, 2013. The District has no such arrangements, therefore the adoption of GASB No. 70 does not have any impact on the District's financial statements.

NOTE X – UPCOMING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the School District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the School District.

<u>GASB 72: Fair Value Measurement and Application</u>
Effective for fiscal years beginning after June 15, 2015 (District's fiscal year 2016)

This standard addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

<u>GASB 73: Accounting and Financial Reporting for Pension and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68</u>
Effective for fiscal years beginning after June 15, 2015 (District's fiscal year 2016)

This standard establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes.

NOTE X – UPCOMING STANDARDS (Continued):

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

<u>GASB 74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</u>
Effective for fiscal years beginning after June 15, 2016 (District's fiscal year 2017)

This standard replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement 43, and Statement No. 50, *Pension Disclosures.*

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet certain criteria. It also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

<u>GASB 75: Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</u>
Effective for fiscal years beginning after June 15, 2017 (District's fiscal year 2018)

This standard replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

NOTE X – UPCOMING STANDARDS (Continued):

GASB 75 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The particular accounting and financial reporting requirements and footnote disclosures are dependent upon the type of plan being used (defined benefit, defined contribution, or special funding situations) and whether the OPEB plans are administered through trusts meeting certain criteria.

<u>GASB 76: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments</u>
Effective for fiscal years beginning after June 15, 2015 (District's fiscal year 2016)

This standard supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

<u>GASB 77: Tax Abatement Disclosures</u>
Effective for fiscal years beginning after December 15, 2015 (District's fiscal year 2017)

This standard requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Governments will be required to disclose information about tax abatement agreements including the taxes being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanisms by which taxes ae abated, provisions for recapturing abated taxes, and the types of commitments being made by tax abatement recipients. Additionally the gross dollar amount of taxes abated during the period will have to be disclosed along with any other commitments made by a government, other than to abate taxes, as part of the tax abatement agreement.

REQUIRED SUPPLEMENTARY INFORMATION

Ishpeming Public School District No. 1

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Fiscal Year Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily required contributions	$ 1,332,436									
Contributions in relation to statutorily required contributions	1,332,436									
Contributions deficiency (excess)	$ -									
District's covered-employee payroll	$ 3,938,411									
Contributions as a percentage of covered-employee payroll	33.83%									

Ishpeming Public School District No. 1

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Plan Year Ended September 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of net pension liability	0.04507%									
District's proportionate share of net pension liability	$ 9,928,237									
District's covered-employee payroll	$ 3,931,261									
District's proportionate share of net pension liability as a percentage of covered-employee payroll	252.55%									
Plan fiduciary net position as a percentage of total pension liability	66.20%									

Ishpeming Public School District No. 1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (GAAP Basis)	Variances Positive (Negative) Original Budget to Final Budget	Variances Positive (Negative) Final Budget to Actual
REVENUES:					
Local sources	$ 710,000	$ 1,168,600	$ 1,171,368	$ 458,600	$ 2,768
State sources	6,029,354	5,693,648	5,701,336	(335,706)	7,688
Federal sources	279,138	300,524	305,861	21,386	5,337
TOTAL REVENUES	7,018,492	7,162,772	7,178,565	144,280	15,793
EXPENDITURES:					
Instruction:					
Basic programs	3,391,628	3,535,287	3,519,448	(143,659)	15,839
Added needs	1,393,674	1,493,119	1,476,214	(99,445)	16,905
Total Instruction	4,785,302	5,028,406	4,995,662	(243,104)	32,744
Supporting Services:					
Student services	369,445	334,141	329,322	35,304	4,819
Instructional staff	284,208	330,734	320,324	(46,526)	10,410
General administration	313,762	328,043	311,296	(14,281)	16,747
School administration	395,066	403,788	401,034	(8,722)	2,754
Business services	228,472	228,550	208,916	(78)	19,634
Operation and maintenance of plant	746,332	751,818	708,939	(5,486)	42,879
Pupil transportation	353,797	369,456	358,798	(15,659)	10,658
Central services	33,846	50,652	45,606	(16,806)	5,046
Other supporting services	243,110	283,317	275,703	(40,207)	7,614
Total Supporting Services	2,968,038	3,080,499	2,959,938	(112,461)	120,561
Community Services:					
Community recreation	25,515	40,592	41,520	(15,077)	(928)
Community activities	9,864	9,689	10,359	175	(670)
Childcare center	-	-	-	-	-
Other	8,562	7,162	6,959	1,400	203
Total Community Services	43,941	57,443	58,838	(13,502)	(1,395)
Debt Service:					
Principal	86,420	71,420	71,287	15,000	133
Interest	25,410	25,410	21,866	-	3,544
Issuance cost	5,000	5,000	3,031	-	1,969
Total Debt Service	116,830	101,830	96,184	15,000	5,646
Facilities Acquisition:					
Capital outlay	-	-	-	-	-
Total Facilities Acquisition	-	-	-	-	-
TOTAL EXPENDITURES	7,914,111	8,268,178	8,110,622	(354,067)	157,556
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(895,619)	(1,105,406)	(932,057)	(209,787)	173,349
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	75,665	75,665	75,665	-	-
Proceeds from sale of capital assets	1,000	1,000	801	-	(199)
Proceeds from insurance	-	-	-	-	-
Transfers from other government units	511,000	536,000	600,804	25,000	64,804
Payments to other governments	(1,000)	(2,000)	(1,948)	(1,000)	52
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	586,665	610,665	675,322	24,000	64,657
NET CHANGE IN FUND BALANCE	(308,954)	(494,741)	(256,735)	(185,787)	238,006
Fund Balance, July 1	872,800	872,800	872,800	-	-
FUND BALANCE, JUNE 30	$ 563,846	$ 378,059	$ 616,065	$ (185,787)	$ 238,006

Ishpeming Public School District No. 1

SPECIAL REVENUE FUND - SCHOLARSHIP FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	$ 8,500	$ 45,250	$ 51,612	$ 36,750	$ 6,362
TOTAL REVENUES	8,500	45,250	51,612	36,750	6,362
EXPENDITURES:					
Supporting Services:					
Agency Activities:					
Scholarships granted	25,000	33,585	32,585	(8,585)	1,000
Other	-	-	27	-	(27)
Total Supporting Services	25,000	33,585	32,612	(8,585)	973
TOTAL EXPENDITURES	25,000	33,585	32,612	(8,585)	973
NET CHANGE IN FUND BALANCE	(16,500)	11,665	19,000	28,165	7,335
Fund Balance, July 1	1,304,212	1,304,212	1,304,212	-	-
FUND BALANCE, JUNE 30	$ 1,287,712	$ 1,315,877	$ 1,323,212	$ 28,165	$ 7,335

Ishpeming Public School District No. 1

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local Sources:					
Property taxes	$ 704,200	$ 721,200	$ 721,377	$ 17,000	$ 177
Interest income	1,000	1,000	927	-	(73)
Total Local Sources	705,200	722,200	722,304	17,000	104
TOTAL REVENUES	705,200	722,200	722,304	17,000	104
EXPENDITURES:					
Debt Service:					
Principal payments	360,000	460,000	460,000	(100,000)	-
Interest and fiscal charges	355,878	345,680	346,600	10,198	(920)
Bond issuance costs	1,958	917	51,697	1,041	(50,780)
Total Debt Service	717,836	806,597	858,297	(88,761)	(51,700)
TOTAL EXPENDITURES	717,836	806,597	858,297	(88,761)	(51,700)
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing - refunding bonds	-	-	1,730,000	-	1,730,000
Premium on bond issuance	-	-	51,950	-	51,950
Payments to refunded bond escrow agen	-	-	(1,730,000)	-	(1,730,000)
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	51,950	-	51,950
NET CHANGE IN FUND BALANCE	(12,636)	(84,397)	(84,043)	(71,761)	354
Fund Balance, July 1	204,960	204,960	204,960	-	-
FUND BALANCE, JUNE 30	$ 192,324	$ 120,563	$ 120,917	$ (71,761)	$ 354

OTHER SUPPLEMENTAL INFORMATION

Ishpeming Public School District No. 1

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2015

	Capital Projects		
	Sinking Fund	Proposal 2 Fund	Total
ASSETS			
Cash and cash equivalents	$ 5,525	$ 325,705	$ 331,230
Due from other funds	-	-	-
TOTAL ASSETS	5,525	325,705	331,230
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,525	$ 325,705	$ 331,230
LIABILITIES			
Accounts payable	10,259	78,831	$ 89,090
Due to other funds	-	-	-
TOTAL LIABILITIES	10,259	78,831	89,090
DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCES			
Non-spendable	-	-	-
Restricted	(4,734)	246,874	242,140
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	(4,734)	246,874	242,140
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 5,525	$ 325,705	$ 331,230

Ishpeming Public School District No. 1

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2015

	Capital Projects		
	Sinking Fund	**Proposal 2 Fund**	**Total**
REVENUES:			
Local sources	$ 307,142	$ 3,857	$ 310,999
Federal sources	-	-	-
TOTAL REVENUES	307,142	3,857	310,999
EXPENDITURES:			
Supporting services	-	-	-
Debt Service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Issuance costs	-	-	-
Capital outlay	375,491	807,898	1,183,389
TOTAL EXPENDITURES	375,491	807,898	1,183,389
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(68,349)	(804,041)	(872,390)
OTHER FINANCING SOURCES (USES):			
Proceeds from borrowing	-	-	-
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	(68,349)	(804,041)	(872,390)
Fund Balance, July 1	63,615	1,050,915	1,114,530
FUND BALANCE, JUNE 30	$ (4,734)	$ 246,874	$ 242,140

COMPLIANCE SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
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PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

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

To the Board of Education of the
Ishpeming Public School District No. 1
319 E. Division Street
Ishpeming, Michigan 49849

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ishpeming Public School District No. 1 (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2015

COMMUNICATIONS SECTION

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PARTNERS
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Ishpeming Public School District No. 1
Report to Management Letter
For the Year Ended June 30, 2015

To the Board of Education of the
Ishpeming Public School District No. 1
319 E. Division Street
Ishpeming, Michigan 49849

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ishpeming Public School District No. 1 (the School District) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

This communication is intended solely for the information and use of management, the Board of Education, others within the organization, and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2015

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Ishpeming Public School District No. 1
Communication with Those Charged with Governance
For the Year Ended June 30, 2015

October 26, 2015

To the Board of Education of the
Ishpeming Public School District No. 1
319 E. Division Street
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ishpeming Public School District No. 1 (the School District) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 14, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the table of contents to the financial statements. As described in Note W to the financial statements, the School District adopted the following new accounting guidance: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an Amendment of GASB No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB No. 68),* in 2015. Accordingly, the cumulative effect of the new accounting changes as of the beginning of the year is reported as a prior period adjustment on the Statement of Activities as enumerated upon in Note S to the financial statements. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

Management's estimate of accumulated depreciation is based on historical cost. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of employee benefit obligations is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the District's proportionate share of Net Pension Liability is based on an actuarial performed for the Michigan Public Employees' Retirement System (MPSERS) to determine its liability. We evaluated the key factors and assumptions used to develop the District's proportionate share of Net Pension Liability, based on information provided by the Michigan Department of Technology, Management and Budget Office of Retirement Services, in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the District's proportionate share of the Defined Benefit Pension Plan includes significant actuarial assumptions used in calculating the valuation. Gabriel, Roeder, Smith & Company was the actuarial company hired by the Retirement Board of the Michigan Public Employees' Retirement System (MPSERS) and the Michigan Department of Technology, Management and Budget Office of Retirement Services for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MPSERS' Comprehensive Annual Financial Report of the Fiscal Year Ended September 30, 2014.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the Require Supplementary Information listed in the audited financial statements table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Other Supplemental Information as listed in the audited financial statements table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Board of Education of the
Ishpeming Public School District No. 1

Restriction on Use

This information is intended solely for the use of the Board of Education and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants