St. Joseph Public Schools

Financial Report

With Supplementary Information

June 30, 2015

ST. JOSEPH PUBLIC SCHOOLS
St. Joseph, Michigan
June 30, 2015

BOARD OF EDUCATION

SUPERINTENDENT

Ann M. Cardon

CHIEF FINANCIAL OFFICER

Kathleen B. Hamilton

Single Audit Information

Management Compliance Letters

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Schaffer & Layher
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
St. Joseph Public Schools

Report to the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 18 to the financial statements, the District changed its method for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary information, as described in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Schaffer & Layher

Schaffer & Layher
October 27, 2015

St. Joseph Public Schools, a K-12 School District located in Berrien County, Michigan, has adopted the provisions of Governmental Accounting Standards Board Statement 34 ("GASB 34"). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2015 of the management of St. Joseph Public Schools (the "District").

Generally accepted accounting principles ("GAAP") and GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-wide financial statements are full accrual basis statements. They report all of the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Capital Projects Funds, Debt Service Funds, and the School Service Funds.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

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

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

The Private Purpose Trust fund is an unbudgeted fund which is used to provide for general education needs and to pay scholarships for selected high school students. The Agency Fund is an unbudgeted fund that accounts for the activities of student groups and other types of clearing accounts.

Summary of Net Position

The District had a deficit net position of $18,679,634 and $19,424,317 as of June 30, 2015 and 2014, respectively. The net deficit of the District is summarized in the table below:

	June 30, 2015	June 30, 2014*
Assets:		
Cash and cash equivalents	$ 2,175,485	$ 3,590,122
Investments	13,149	307,655
Receivables	3,482,040	3,328,806
Net capital assets	62,304,378	64,599,394
Other assets	198,592	229,355
Total Assets	$ 68,173,644	$ 72,055,332
Deferred Outflows of Resources:		
Deferred interest charges on bond issuance	$ 2,108,650	$ 831,576
Deferred outflows of resources from pensions	2,614,808	2,111,056
Total Deferred Outflows of Resources	$ 4,723,458	$ 2,942,632
Total Assets and Deferred Outflows of Resources	$ 72,897,102	$ 74,997,964
Liabilities:		
Accounts payable and other accrued liabilities	$ 2,869,298	$ 5,673,725
Bonds payable	51,056,765	51,465,889
Net pension liability	35,067,772	37,282,667
Total Liabilities	$ 88,993,835	$ 94,422,281
Deferred Inflows of Resources:		
Deferred inflows of resources from pensions	2,582,901	-
Total Liabilities and Deferred Inflows of Resources	$ 91,576,736	$ 94,422,281
Net Position (Deficit):		
Net investment in capital assets	$ 13,356,263	$ 13,965,081
Restricted for:		
Food service	66,820	78,578
Debt service	405,185	851,412
Unrestricted	(32,507,902)	(34,319,388)
Total Net Position (Deficit)	$ (18,679,634)	$ (19,424,317)

*June 30, 2014 has been restated for GASB 68 and 71 implementation

Analysis of Financial Position

During fiscal year ended June 30, 2015, the District's net position increased by $744,683. A few of the significant factors affecting net position during the year are discussed on the following page:

Analysis of Financial Position, Concluded

A. General Operations

The District's total revenues increased by $1,083,022 for the fiscal year ended June 30, 2015. The increase is mainly due to $937,280 of increased funding through the State of Michigan through state aid and a $100,000 contribution from the Upton Foundation. Capital grants and contributions decreased due to the refunding of the Build American Bonds which resulted in less federal revenue received. Total expenses decreased by $278,998 for the fiscal year ended June 30, 2015. This decrease is mainly due to the net change of many expenditure categories. Depreciation is up due to the Bond Project being completed and instruction is up due to increased retirement expense. Support services are down due to higher earning staff retiring and being replaced by lower salary staff and there is less interest expense this year due to the refunded debt obligations.

B. Debt Activity

The District made principal payments on bonds and note payable long-term debt obligations which reduced the amount of the District's long-term liabilities. Principal payments made during the year ended June 30, 2015 totaled $1,415,000 which reduced the 2010 Series A Bonds, 2010 Refunding Bonds and the 2005 Refunding Bonds. The remaining 2005 Refunding Bonds and the remaining 2010 School Building and Site Bonds, Series B were refunded during the fiscal year. Bonds totaling $28,995,000 were issued and recorded in the 2015 Refunding Debt Fund. The refundings were done for a present value savings of $1,786,513. In August, to help fund the building projects the District issued a $750,000 of a Capital Improvement Tax Anticipation Note, containing interest of .65% which matures November 1, 2015. The note was issued in anticipation of collecting a Building and Site Sinking Fund Levy of 1 mill.

C. Capital Projects

The projects in the Capital Projects Bond Fund were completed this fiscal year.

D. Net Investment in Capital Assets

The District's capital assets, net of accumulated depreciation decreased by $2,295,016 during the year. The net activity for the year is summarized in the following table:

	Balance July 1, 2014	Additions	Deletions and Adjustments and Reclassifications	Balance June 30, 2015
Capital Assets	$ 84,614,656	$ 109,791	$ (314,684)	$ 84,409,763
Less: accumulated depreciation	(20,015,262)	(2,090,123)	-	(22,105,385)
Net investment capital outlay	$ 64,599,394	$ (1,980,332)	$ (314,684)	$ 62,304,378

This year, the School District's additions of $109,791 included multiple building improvements in all of the schools, a van and a lift. The District's deletions were from an excess of retainage that was over accrued as an estimate in the 2014 fiscal year.

Results of Operations

The District-wide results of operations for the fiscal years ended June 30, is summarized in the table below:

	June 30, 2015	June 30, 2014
Revenues:		
General Revenues:		
Property taxes levied for general operations	$ 5,678,169	$ 5,631,428
Property taxes levied for debt service	3,449,867	3,435,740
Property taxes levied for capital projects	971,506	972,282
State of Michigan unrestricted foundation aid	15,559,374	15,428,954
Interest and investment earnings	2,786	27,608
Other general revenues	248,405	157,047
Total general revenues	$ 25,910,107	$ 25,653,059
Capital Grants and Contributions:		
Contributions	$ -	$ 27,239
Federal - Build American Bonds	295,339	636,312
Total capital grants and contributions	$ 295,339	$ 663,551
Operating Grants and Contributions:		
Federal	$ 696,503	$ 715,125
State of Michigan	2,583,794	1,776,934
Other operating grants	814,568	478,062
Total operating grants	$ 4,094,865	$ 2,970,121
Charges for Services:		
Food service	$ 727,011	$ 703,146
Athletics	184,521	220,726
Other charges for services	129,861	48,079
Total charges for services	$ 1,041,393	$ 971,951
Total revenues	$ 31,341,704	$ 30,258,682
Expenses:		
Instruction and instructional support	$ 15,502,125	$ 14,606,057
Support services	9,156,261	9,820,986
Community services	79,516	107,787
Food service	1,114,934	1,092,068
Athletics	764,129	772,204
Interest on long-term debt	1,889,933	2,857,604
Depreciation	2,090,123	1,619,313
Total expenses	$ 30,597,021	$ 30,876,019
Change in Net Position	$ 744,683	$ (617,337)
Beginning Net Position	(19,424,317)	16,364,631
GASB 68 & 71 Implementation effect	-	(35,171,611)
Ending Net Position	$ (18,679,634)	$ (19,424,317)

State of Michigan Unrestricted Aid (Net State Foundation Grant)

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

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of the current year winter count, and
3. The District's non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The St. Joseph Public Schools' foundation allowance, paid by the State of Michigan, for the fiscal year 2015 was $7,257 per student which is a $50 increase from the fiscal year 2014 foundation allowance of $7,207.

The State of Michigan has announced the per pupil foundation at $7,397 for fiscal year 2016.

Student Enrollment

The District's enrollment increased from the prior year's student count. The following summarizes blended student enrollments in the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2014-2015	2,917	6
2013-2014	2,911	76
2012-2013	2,835	35
2011-2012	2,800	(39)
2010-2011	2,839	(4)

Subsequent to year end June 30, 2015, preliminary student enrollments for 2015-2016 indicate that enrollments may increase by about 13 students from 2014-2015.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The District levies property taxes for operations (General Fund) of 18 mills on Non-Personal Residence exemption properties and 6 mills on Commercial Personal Property. Under Michigan law, the taxable levy is based on the taxable valuation of the properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of market value. The District's non-homestead property levy for the 2014-2015 fiscal year was $5,637,635. The non-homestead tax levy increased by .43 percent from the prior year.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes), Concluded

The following summarizes the District's non-homestead levy over the past five years:

Fiscal Year	Non-Homestead Tax Levy	% Increase (decrease) from Prior Year
2014-2015	$ 5,637,635	0.43%
2013-2014	5,613,469	-0.80%
2012-2013	5,658,592	1.63%
2011-2012	5,567,593	0.70%
2010-2011	5,528,796	-2.83%

Debt Administration and Capital Projects Sinking Fund

The District's debt and capital projects sinking fund levies are based on the taxable valuation of all properties: homestead and non-homestead. The debt fund levy is used to pay principal and interest on bond obligations and the capital projects sinking fund is for capital improvements in the District. The taxpayers have authorized debt levies that will fund the debt payments of $51,056,765 through 2035.

For 2014-2015, the District's debt millage levy was 3.55 mills that generated a levy of $3,460,832. The capital projects sinking fund levy was .9946 mills and generated a levy of $974,295.

During fiscal year 2015, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, effective July 1, 2014. The District is a participating employer in the Michigan Public School Employees' Retirement System ("MPSERS"), a cost-sharing multi-employer plan. In connection with the implementation of these new standards, the District recorded a net pension liability, and net position as of June 30, 2014 was required to be restated to reflect the required adjustments (See Note 18 to the basic financial statements).

Food Sales to Students & Adults (School Lunch Program)

The District's food and milk sales to students and adults increased by $6,340 from the prior fiscal year. The total expenditures and transfers out exceeded revenues for the year by $11,758. Food costs have increased due to new nutrition guidelines that require the District to provide healthier food choices to the students. The District continues to strive to offer the best pricing and service possible.

General Fund Expenditures Budget Vs. Actual—Five Year History

	Expenditures Preliminary Budget	Expenditures Final Budget	Expenditures Final Audit	Variance: Audit vs. Prelim Budget	Variance: Audit vs. Final Budget
2014-2015	$ 24,352,938	$ 25,382,557	$ 25,543,293	-4.89%	-0.63%
2013-2014	24,440,077	24,730,819	24,579,819	-0.57%	0.61%
2012-2013	23,568,042	24,094,417	23,901,497	-1.41%	0.80%
2011-2012	22,968,265	24,047,312	23,281,357	-1.36%	3.19%
2010-2011	23,163,273	23,669,900	23,367,045	-0.88%	1.28%
	Five Year Average (Over/-Under) Budget			-1.82%	1.05%

General Fund Revenues Budget Vs. Actual—Five Year History

	Revenues Preliminary Budget	Revenues Final Budget	Revenues Final Audit	Variance: Audit vs. Prelim Budget	Variance: Audit vs. Final Budget
2014-2015	$ 24,444,945	$ 25,389,746	$ 25,532,672	4.45%	0.56%
2013-2014	23,671,405	24,192,010	24,067,672	1.67%	-0.51%
2012-2013	22,268,095	23,876,155	23,377,153	4.98%	-2.09%
2011-2012	22,369,303	23,448,350	23,095,248	3.25%	-1.51%
2010-2011	23,186,923	23,352,562	23,199,104	0.05%	-0.66%
	Five Year Average (Over/-Under) Budget			2.88%	-0.84%

Original vs. Final Budget

The Uniform Budget and Accounting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, St. Joseph Public Schools amends its budget during the school year. For the fiscal year June 30, 2015, the budget was amended in March of 2015.

Factors Bearing on the District's Future

Our elected officials and administration considered many factors when setting the District's June 30, 2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The State Foundation Allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is 10 percent and 90 percent of the February 2015 and September 2015 student counts, respectively. The 2016 fiscal year budget was adopted in June 2015, based on an estimated number of students that will be enrolled in September 2015. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under State law, the District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the, 2016 fiscal year, we anticipate that the fall student count could be slightly higher than the estimate used in creating the 2016 fiscal year operating budget. Once the final count and related per pupil funding is validated, the budget will then be amended.

Due to the fact that funding does not begin for the 2016 fiscal year until October, the District conducted a cash flow analysis for operations. A short-term note was entered into on July 1, 2015, for $825,000 at an interest rate of 1.27% to fund operations.

Contacting the District's Financial Management

The financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have questions about this report or need additional financial information, contract or Business Department of St. Joseph Public Schools at 3275 Lincoln Avenue, St. Joseph, Michigan.

STATEMENT OF NET POSITION
JUNE 30, 2015

		Governmental Activities
Assets		
Current assets:		
Cash and cash equivalents	$	2,175,485
Investments		13,149
Receivables		85,096
Due from other governmental units		3,394,038
Due from fiduciary funds		2,906
Inventories		11,139
Prepaid expenditures		187,453
Total current assets	$	5,869,266
Noncurrent assets:		
Capital assets, not being depreciated	$	1,077,901
Capital assets, depreciated		83,331,862
Less: accumulated depreciation		(22,105,385)
Total noncurrent assets	$	62,304,378
Deferred Outfows of Resources		
Deferred interest charges on bond issuance	$	2,108,650
Pension contributions after measurement date		2,614,808
Total deferred outflows of resources	$	4,723,458
Total Assets and Deferred Outflows of Resources	$	72,897,102
Liabilities		
Current liabilities:		
Accounts payable	$	115,545
Accrued payroll and other liabilities		2,654,411
Unearned revenue		1,876
Notes and bonds payable, due within one year		2,132,208
Compensated absences - current		9,747
Total current liabilities	$	4,913,787
Noncurrent liabilities:		
Notes and bonds payable, due in more than one year	$	48,924,557
Net pension liability		35,067,772
Compensated absences		87,719
Total noncurrent liabilities	$	84,080,048
Total Liabilities	$	88,993,835
Deferred Inflows of Resources		
Deferred inflows of resources from pensions		2,582,901
Total Liabilities and Deferred Inflows of Resources	$	91,576,736
Net Position (Deficit)		
Net investment in capital assets	$	13,356,263
Restricted for:		
Food Service		66,820
Debt Service		405,185
Unrestricted		(32,507,902)
Total Net Position (Deficit)	$	(18,679,634)

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Revenues				Governmental Activities
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Primary government -					
Governmental activities:					
Instruction	$ 15,502,125	$ 22,678	$ 2,417,045	$ -	$ (13,062,402)
Support services	9,156,261	107,183	1,258,269	-	(7,790,809)
Community services	79,516	-	-	-	(79,516)
Food services	1,114,934	727,011	419,551	-	31,628
Athletics	764,129	184,521	-	-	(579,608)
Interest on long-term debt	1,889,933	-	-	295,339	(1,594,594)
Depreciation (unallocated)	2,090,123	-	-	-	(2,090,123)
	$ 30,597,021	$ 1,041,393	$ 4,094,865	$ 295,339	$ (25,165,424)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	$ 5,678,169
Property taxes, levied for debt purposes	3,449,867
Property taxes, levied for capital project purposes	971,506
State aid not restricted to specific purposes	15,559,374
Interest and investment earnings	2,786
Other	248,405
Total general revenues	$ 25,910,107
Change in Net Position	$ 744,683
Net Position- beginning of year, as restated (Note 18)	(19,424,317)
Net Position- end of year	$ (18,679,634)

See accompanying notes to the financial statements.

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	2005/2010 Debt Service Fund	2010/2013 Debt Service - Series A and B Fund	2015 Refunding Debt Fund	Other Non-Major Governmental Funds	Total
Assets						
Cash and cash equivalents	$ 1,388,633	$ 99,591	$ 175,678	$ -	$ 511,583	$ 2,175,485
Investments	13,149	-	-	-	-	13,149
Accounts receivable	85,096	-	-	-	-	85,096
Due from other governmental funds	-	6,799	8,773	-	25,589	41,161
Due from other governmental units	3,268,391	-	114,344	-	11,303	3,394,038
Due from fiduciary funds	2,906	-	-	-	-	2,906
Inventory	-	-	-	-	11,139	11,139
Prepaid expenditures	50,106	-	-	-	-	50,106
Total Assets	$ 4,808,281	$ 106,390	$ 298,795	$ -	$ 559,614	$ 5,773,080
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	$ 115,545	$ -	$ -	$ -	$ -	$ 115,545
Accrued payroll and related liabilities	2,185,743	-	-	-	-	2,185,743
Unearned revenue	-	-	-	-	1,876	1,876
Due to other governmental funds	41,161	-	-	-	-	41,161
Total Liabilities	$ 2,342,449	$ -	$ -	$ -	$ 1,876	$ 2,344,325
Deferred Inflows of Resources						
Receivables for use in subsequent year "unavailable revenue"	$ 15,813	$ -	$ -	$ -	$ -	$ 15,813
Fund Balances						
Non-spendable - prepaid expenditures	$ 50,106	$ -	$ -	$ -	$ -	$ 50,106
Non-spendable - inventory	-	-	-	-	11,139	11,139
Restricted for debt retirement	-	106,390	298,795	-	-	405,185
Restricted for capital projects	-	-	-	-	490,918	490,918
Restricted for food service	-	-	-	-	55,681	55,681
Assigned for 2015-2016 budgeted deficit	13,792	-	-	-	-	13,792
Unassigned	2,386,121	-	-	-	-	2,386,121
Total Fund Balances	$ 2,450,019	$ 106,390	$ 298,795	$ -	$ 557,738	$ 3,412,942
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,808,281	$ 106,390	$ 298,795	$ -	$ 559,614	$ 5,773,080

See accompanying notes to the financial statements.

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET POSITION
JUNE 30, 2015

Total Fund Balances - Governmental Funds	$	3,412,942
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred interest charges from bond refundings not capitalized in the governmental funds		2,108,650
Contributions receivable earned but not received within 60 days.		15,813
Deferred outflows of resources related to pension contributions made after measurement date		2,614,808
Prepaid bond insurance costs		137,347
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
Cost of the capital assets		84,409,763
Accumulated depreciation		(22,105,385)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Notes and bonds payable		(46,520,000)
Bond premium associated with bonds		(4,536,765)
Compensated absences		(97,465)
Net pension liability		(35,067,772)
Deferred inflows of resources related to pension changes in assumptions and changes in differences actual earnings on plan investments		(2,582,901)
Accrued interest payable is not included as a liability in governmental funds		(468,669)
Total Net Position - Governmental Activities	**$**	**(18,679,634)**

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	2005/2010 Debt Service Fund	2010/2013 Debt Service - Series A and B Fund	2015 Refunding Debt Fund	Other Non-Major Governmental Funds	Total
Revenues						
Property taxes	$ 5,678,169	$ 1,500,358	$ 1,949,509	$ -	$ 971,506	$ 10,099,542
Local sources	656,124	-	-	-	727,011	1,383,135
State sources	18,090,423	-	-	-	52,745	18,143,168
Federal sources	329,697	-	393,318	-	366,806	1,089,821
Interdistrict sources	553,261	-	-	-	-	553,261
Athletic sources	184,521	-	-	-	-	184,521
Earnings on investments	477	791	1,055	-	463	2,786
Total Revenues	$ 25,492,672	$ 1,501,149	$ 2,343,882	$ -	$ 2,118,531	$ 31,456,234
Expenditures						
Instruction and instructional support services	$ 15,594,004	$ -	$ -	$ -	$ -	$ 15,594,004
Supporting services	9,034,451	-	-	-	1,118,328	10,152,779
Community services	79,652	-	-	-	-	79,652
Athletics	766,980	-	-	-	-	766,980
Debt service:						
Principal on long-term debt	-	965,000	450,000	-	-	1,415,000
Interest on long-term debt	-	383,994	1,228,264	-	-	1,612,258
Capital outlay capitalized	28,835	-	-	-	2,320,561	2,349,396
Capital outlay not capitalized	-	-	-	-	78,188	78,188
Intergovernmental payments	39,371	-	-	-	-	39,371
Total Expenditures	$ 25,543,293	$ 1,348,994	$ 1,678,264	$ -	$ 3,517,077	$ 32,087,628
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (50,621)	$ 152,155	$ 665,618	$ -	$ (1,398,546)	$ (631,394)
Other Financing Sources (Uses)						
Operating transfers in	$ 40,000	$ 7,833,428	$ 26,621,742	$ 1,264,000	$ -	$ 35,759,170
Operating transfers out	-	(101,000)	(1,163,000)	(34,455,170)	(40,000)	(35,759,170)
Payment to bond escrow agent:						
Principal	-	(7,680,000)	(25,380,000)	-	-	(33,060,000)
Interest & Fees	-	(153,428)	(1,241,742)	(313,553)	-	(1,708,723)
Face value of debt issued	-	-	-	28,995,000	750,000	29,745,000
Premium on debt issued	-	-	-	4,509,723	-	4,509,723
Total Other Financing Sources (Uses)	$ 40,000	$ (101,000)	$ (1,163,000)	$ -	$ 710,000	$ (514,000)
Net Change in Fund Balances	$ (10,621)	$ 51,155	$ (497,382)	$ -	$ (688,546)	$ (1,145,394)
Fund Balances - Beginning of year	2,460,640	55,235	796,177	-	1,246,284	4,558,336
Fund Balances - End of year	$ 2,450,019	$ 106,390	$ 298,795	$ -	$ 557,738	$ 3,412,942

See accompanying notes to the financial statements.

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds			$	(1,145,394)
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.				
Depreciation expense	$	(2,090,123)		
Capitalized capital outlay		2,349,396		
Total				259,273
Increase in accrued interest.				(34,873)
Increase in the liability for compensated absences not reported in the governmental funds.				(34,871)
Current year use of deferred interest charges associated with the issuance of 2005, 2010, 2013 and 2015 advance refunding bonds.				(77,094)
Current year increase in the deferred interest charges from the issuance of the 2015 refunding bonds.				1,354,168
Current year decrease in accrued federal receivable for interest payments related to the 2010 School Building and Site Bonds.				(97,979)
Governmental funds report prepaid bond insurance costs as expenditures; in the statement of activities, these costs are allocated over the life of the bonds.				(6,867)
Bond and note proceeds are reported as an other financing source revenue item in the governmental funds, but is recorded as a long-term liability in the statement of activities.				(29,745,000)
Bond premiums associated with the 2015 refunding bonds is reported as an other financing source revenue item in the governmental funds, but is recorded as a long-term liability in the statement of activities.				(4,509,723)
Current year change in contributions not available within 60 days after year-end.				(16,550)
Amortization of bond premiums for 2013 and 2015 refunding bonds.				188,847
Change in pension expense related to pension				135,746
Repayment of bond and note payable principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).				34,475,000
Change in Net Position of Governmental Activities			**$**	**744,683**

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position

June 30, 2015

	Private-Purpose Trusts Scholarship Fund		Agency Fund-Student Activities		Total	
Assets:						
Cash and cash equivalents	$	48,732	$	440,293	$	489,025
Total assets	$	48,732	$	440,293	$	489,025
Liabilities:						
Due to student groups	$	-	$	437,387	$	437,387
Payable to General Fund		-		2,906		2,906
Total liabilities	$	-	$	440,293	$	440,293
Net Position:						
Reserved for scholarships	$	48,732	$	-	$	48,732
Total net position	$	48,732	$	-	$	48,732

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2015

	Private-Purpose Trusts Scholarship Fund	
Additions:		
Interest	$	4
Donations		1,000
Deductions:		
Scholarships awarded		(3,250)
Fees		(13)
Change in net position	$	(2,259)
Net Position-Beginning		50,991
Net Position-Ending	$	48,732

See accompanying notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of St. Joseph Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

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

District-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements – The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-Wide Statements (concluded) – Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

The 2005/2010 Debt Service Fund is the fund that accounts for the accumulation of resources for, and the payment of, the long-term debt principal, interest, and other related costs of the 2005/2010 Debt Service Bonds. The 2005/2010 Debt Service Bonds were refunded with the 2015 Refunding Bonds.

The 2010/2013 Debt Service - Series A and B Fund is the fund that accounts for the accumulation of resources for, and the payment of, the long-term debt principal, interest, and other related costs of the 2010/2013 Series A and B Bonds. The 2010/2013 Series A and B Bonds were refunded with the 2015 Refunding Bonds.

The 2015 Refunding Debt Fund is the fund that accounts for the refunding transaction for the 2010/2013 Series A & B Bonds and the 2005/2010 Debt Service Bonds that occurred during the 2015 fiscal year. This fund will be collapsed into the 2010/2013 Debt Service - Series A and B Fund and the 2005/2010 Debt Service Fund in the 2016 fiscal year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the School District reports the following fund types:

Special Revenue Funds are used to account for the specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. As of June 30, 2015, the special revenue fund maintained by the School District is the Food Services Fund.

Capital Projects Funds are used to account for financial resources that are restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets. As of June 30, 2015, the capital projects fund maintained by the School District are the Capital Projects Sinking Fund and the Capital Projects Bond Fund.

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

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents. The School District also maintains a Scholarship Fund to pay for scholarships for selected high school students. These scholarships are paid from the principal and investment earnings of the fund, and are treated as private-purpose trusts.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For St. Joseph Public Schools, taxpayers in the City of St. Joseph and St. Joseph, Royalton, and Lincoln Townships, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes which are due September 15. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables (Concluded)

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

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

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the District-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The School District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years
Land Improvements	10-20 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualifies for reporting in this category. It is the deferred outflow related to the pension plan and deferred outflow of charges for the bond refunding.

Compensated Absences – The liability for compensated absences reported in the District-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments. The amount reported is salary related and includes fringe benefits.

Long-Term Obligations – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Where applicable, premiums and discounts, are capitalized and amortized over the life of the bonds using the effective interest method. Bond issuance costs except for prepaid insurance is expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are unavailable and recognized as an inflow of resources in the period that amounts become available. The School District only has one item that qualifies for reporting in this category. It is the deferred inflows related to the pensions plan.

Comparative Data – Comparative data is not included in the School District's financial statements.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amount of expenditures during the reported period. Actual results may differ from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity – The School District has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The following are the School District's fund balance classifications:

Non-spendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. As of June 30, 2015, the following fund balances were classified as non-spendable: $11,139 for inventories and $50,106 for prepaid expenditures.

Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers. As of June 30, 2015, the following fund balances have been restricted: $490,918 for capital projects, $405,185 for debt retirement, and $55,681 for food service.

Committed Fund Balance – includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally. As of June 30, 2015, none of the School District's governmental fund balances were classified as committed.

Assigned Fund Balance – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. As of June 30, 2015, $13,792 of the School District's governmental fund balance has been assigned for a fiscal 2016 budgeted deficit.

Unassigned Fund Balance – is the residual classification for General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances. As of June 30, 2015, $2,386,121 of the governmental fund balances was classified as unassigned.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Fund Equity - (concluded)

GASB Statement No. 54 also changed the fund definition of a special revenue fund. Before GASB Statement No. 54, the special revenue fund's purposes was to account for the proceeds of revenue sources (other than trusts for individual, private organizations, or other governments or for major capital projects) that are *legally restricted* to expenditure for *specified purposes*. The standard's new definition of a special revenue fund is a fund established to account for and report the proceeds of specific revenue sources that are *restricted or committed to expenditures* for specific purposes other than debt service or capital projects. A special revenue fund must now have a specific restricted or committed revenue source which comprises a substantial portion of fund's resources on an ongoing basis. If a current fund does not have this trait the fund is now reported in the General Fund.

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

Net Position Flow Assumption – Sometimes the School District will fund outlays for particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information — Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONCLUDED)

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no encumbrances at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds — The School District had expenditures that exceeded appropriations in the following budgeted functions:

General Fund		
Instruction - Basic programs	$	393,209
Support Services - School administration		18,122
Support Services - Operations and maintenance		97,920
Support Services - Transportation		32,504
Capital Outlay		8,900
Intergovernmental payments		10,664

Funds sufficient to provide for excess expenditures were made available from other functions in the fund, and the excess had no impact on the financial results of the School District.

Net Positon Deficit – As of June 30, 2015, the Government-wide Statement of Net Position had a cumulative net position deficit of $18,679,634.

NOTE 3. DEPOSITS AND INVESTMENTS

As of June 30, 2015, the School District's deposits and investments include the following:

	Cash and Cash Equivalents	Investments	Fiduciary Funds	Total
Cash on hand	$ 2,020	$ -	$ -	$ 2,020
Deposits	2,173,465	-	489,025	2,662,490
Investments	-	13,149	-	13,149
	$ 2,175,485	$ 13,149	$ 489,025	$ 2,677,659

Bank Deposits: All cash of the School District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

Custodial Credit Risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2015, $2,562,481 of the School District's bank balance of $2,813,583 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

NOTE 3. DEPOSITS AND INVESTMENTS (CONCLUDED)

Investments: Michigan law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker's acceptance of the United States Bank, and 6) Certain mutual funds. The School District has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

			Investment Maturities		
Investment Type	Fair Value	Current	1 - 5 years	6 - 10 years	More than 10
Investment Pools	$ 13,149	$ 13,149	$ -	$ -	$ -
Total Investments	$ 13,149	$ 13,149	$ -	$ -	$ -

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

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations ("NRSRO's"). As of June 30, 2015, the School District's investments were rated AAAm by Standard's & Poors.

Concentration of Credit Risk: The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The majority of the school's investments are held in multiple asset backed securities and U.S. Treasury/Agency securities.

Custodial Credit Risk—Investments: For an investment, this is the risk that in the event of bank failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in the investment pool of $13,149, the School District has a custodial credit risk exposure of $13,149, because the related securities are uninsured, unregistered, and held by the School District's brokerage firm which is also the counterparty for these particular securities.

NOTE 4. RECEIVABLES AND PAYABLES

Receivables as of year-end for the School District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund	2005/2010 Debt Service Fund	2010/2013 Debt Service Fund - Series A and B	2015 Refunding Debt Fund	Non-Major	Total
Receivables:						
Intergovernmental	$ 3,268,391	$ -	$ 114,344	$ -	$ 11,303	$ 3,394,038
Trade	85,096	-	-	-	-	85,096
Fiduciary funds	2,906	-	-	-	-	2,906
	$ 3,356,393	$ -	$ 114,344	$ -	$ 11,303	$ 3,482,040

Payables as of year-end for the School District's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

	General Fund	2005/2010 Debt Service Fund	2010/2013 Debt Service Fund - Series A and B	2015 Refunding Debt Fund	Non-Major	Total
Payables:						
Trade	$ 115,545	$ -	$ -	$ -	$ -	$ 115,545

NOTE 5. RISK MANAGEMENT

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

NOTE 6. CAPITAL ASSETS

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

	July 1, 2014	Additions	Disposals	Reclassifications & Adjustments	June 30, 2015
Assets not being depreciated:					
Land	$ 1,077,901	$ -	$ -	$ -	$ 1,077,901
Construction in progress	2,554,289	-	-	(2,554,289)	-
Subtotal	$ 3,632,190	$ -	$ -	$ (2,554,289)	$ 1,077,901
Capital assets being depreciated:					
Building and building improvements	$ 77,330,906	$ 72,206	$ -	$ 2,239,605	$ 79,642,717
Land improvements	1,151,878	8,750	-	-	1,160,628
Buses and other vehicles	1,361,862	19,935	-	-	1,381,797
Furniture and equipment	1,137,820	8,900	-	-	1,146,720
Subtotal	$ 80,982,466	$ 109,791	$ -	$ 2,239,605	$ 83,331,862
Accumulated depreciation:					
Building and building improvements	$ 17,223,180	$ 1,924,858	$ -	$ -	$ 19,148,038
Land improvements	763,159	58,104	-	-	821,263
Buses and other vehicles	1,103,371	46,550	-	-	1,149,921
Furniture and equipment	925,552	60,611	-	-	986,163
Subtotal	$ 20,015,262	$ 2,090,123	$ -	$ -	$ 22,105,385
Net capital assets being depreciated	$ 60,967,204				$ 61,226,477
Net capital assets	$ 64,599,394				$ 62,304,378

Depreciation expense of $2,090,123 was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Significant Due To/From Other Fund Descriptions:

The General Fund owes the Food Service Fund $21,222 for cash receipts that was collected and deposited in the General Fund during the year.

The General Fund owes the 2010/2013 Debt Service Fund A & B $8,773, Capital Projects Sinking Fund $4,367, and the 2005/2010 Debt Service Fund $6,799 for taxes collected during the year.

Interfund Transfers Descriptions

The Food Service Fund transferred $40,000 to the General Fund for the indirect costs associated with running the Food Service Fund.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONCLUDED)

Interfund Transfers Descriptions (concluded)

The 2010/2013 Debt Service Fund – Series A&B transferred $1,163,000 to the 2015 Refunding Debt Fund in compliance with the refunding closing statements.

The 2005/2010 Debt Service Fund – Series A&B transferred $101,000 to the 2015 Refunding Debt Fund in compliance with the refunding closing statements.

The 2015 Refunding Debt Fund transferred $7,833,428 to the 2005/2010 Debt Service Fund to refund the 2005/2010 Debt Service Bonds.

The 2015 Refunding Debt Fund transferred $26,621,742 to the 2005/2010 Debt Service Fund – Series A&B to refund the 2010/2013 School Building and Site Bonds, Series A.

The composition of interfund balances is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds - Food Service Fund	General Fund	$ 21,222
Other Governmental Funds - Capital Projects Sinking	General Fund	$ 4,367
2010/2013 Debt Service - Series A and B Fund	General Fund	$ 8,773
2005/2010 Debt Service Fund	General Fund	$ 6,799

Interfund Transfers:

Transfer In:	Transfer Out:	Amount
General Fund	Other Governmental Funds - Food Service	$ 40,000
2015 Refunding Debt Fund	2005/2010 Debt Service Fund	$ 101,000
2015 Refunding Debt Fund	2010/2013 Debt Service Fund - Series A & B Fund	$ 1,163,000
2005/2010 Debt Service Fund	2015 Refunding Debt Fund	$ 7,833,428
2010/2013 Debt Service - Series A & B Fund	2015 Refunding Debt Fund	$ 26,621,742

NOTE 8. FOUNDATION

The School District has established a Foundation that has a 501(c)(3) status with the Internal Revenue Service. As of June 30, 2015, the School District's transactions with the Foundation were as follows:

Donations recognized in current period	$ 261,308
Donations received for future periods	-
Total	$ 261,308

NOTE 9. LONG-TERM DEBT

The School District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds	$ 51,250,000	$ 29,745,000	$ (34,475,000)	$ 46,520,000	$ 1,875,000
Unamortized Premium	215,889	4,509,723	(188,847)	4,536,765	257,208
Total Long-Term Debt Worth	$ 51,465,889	$ 34,254,723	$ (34,663,847)	$ 51,056,765	$ 2,132,208

Governmental Activities:

General obligation bonds consist of:

$3,035,000 - 2010 School Building and Site Bonds, Series A, (general obligation-unlimited tax); payable in annual installments of $570,000 to $735,000 beginning 5/1/2013 through 5/1/2018; interest at 2.0% to 3.5%.	$ 2,010,000
$22,100,0000 - 2015 Refunding Bonds, Series A; payable in annual installments of $305,000 to $3,205,000 beginning 5/1/2027 through 5/1/2035; interest at 3.0% to 5.0%.	22,100,000
$5,335,000 - 2010 Refunding Bonds; payable in annual installments of $1,300,000 to $1,365,000 beginning 5/1/2023 through 5/1/2026; interest at 3.5% to 3.75% .	5,335,000
$6,895,000 - 2015 Refunding Bonds, Series B; payable in annual installments of $555,000 to $1,135,000 beginning 5/1/2016 through 5/1/2022; interest at 5.0%.	6,895,000
$9,430,000 - 2013 Refunding Bonds; payable in annual installments of $785,000 to $1,895,000 beginning 5/1/2019 through 5/1/2027; interest at 2.0% to 4.0%.	9,430,000
	$ 45,770,000

NOTE 9. LONG-TERM DEBT, CONTINUED

Long-term notes consist of:	
$750,000 - Capital Improvement Tax Anticipation Note (general obligation-limited tax); original issue date 10/1/2014 and payable 11/1/2015; interest at .65%.	$ 750,000

Annual debt service requirements to maturity for the above Governmental bond and note obligations are as follows:

Governmental Activities:

	Principal	Interest	Total
2016	$ 1,875,000	$ 2,410,878	$ 4,285,878
2017	1,590,000	1,964,894	3,554,894
2018	1,775,000	1,897,731	3,672,731
2019	1,850,000	1,820,006	3,670,006
2020	1,920,000	1,751,056	3,671,056
2021-2025	11,035,000	7,566,306	18,601,306
2026-2030	11,885,000	5,363,150	17,248,150
2031-2035	14,590,000	2,258,500	16,848,500
Unamortized premium	4,536,765	-	4,536,765
	$ 51,056,765	$ 25,032,521	$ 76,089,286

Interest expense of $1,889,933 was not charged to activities as the School District considers its debt and related assets to impact multiple activities and allocation was not practical.

Compensated absences at June 30, 2015 consist of the following:

	Beginning Balance	Net Change	Ending Balance	Due Within One Year
Compensated absences which are payable upon termination of employment.	$ 62,594	$ 34,871	$ 97,465	$ 9,747

NOTE 9. LONG-TERM DEBT, CONTINUED

Advance Refunding – The School District has defeased in 2005, 2010, 2013 and 2015 certain unlimited tax school improvement bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for defeased bonds are not included in the School District's financial statements. As of June 30, 2015, $54,535,000 of bonds considered defeased are still outstanding.

During the fiscal year 2005, the School District issued $8,905,000 of unlimited tax refunding bonds plus premium on capital appreciation bonds to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of $14,608,050 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District-wide financial statements.

During fiscal year 2011, the School District issued $8,195,000 of unlimited tax refunding bonds less a discount on capital appreciation bonds to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of $11,632,774 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District-wide financial statements.

During fiscal year 2014, the School District issued $9,430,000 of unlimited tax refunding bonds plus a premium on capital appreciation bonds to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of $13,455,655 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District-wide financial statements.

During fiscal year 2015, the School District issued $25,380,000 of unlimited tax refunding bonds plus a premium on capital appreciation bonds to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of $44,412,129 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District-wide financial statements.

NOTE 9. LONG-TERM DEBT, CONCLUDED

During fiscal year 2015, the School District issued $7,680,000 unlimited tax refunding bonds plus a premium on capital appreciation bonds to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of $9,092,600 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District-wide financial statements.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description – The School District is a participating employer in the Michigan Public School Employees' Retirement System ("MPSERS" or "System"), a cost-sharing multi-employer plan, of which substantially all of the School District's employees are covered. MPSERS's pension plan was established by the State of Michigan to provide retirement, survivor and disability benefits to public school employees. In addition, MPSERS's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

Financial statements, required supplementary information, and full actuarial assumptions of the MPSERS plan are included in the MPSERS's comprehensive annual financial report. Copies of the report can be obtained by writing to 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

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.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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. 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.

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

Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

Pension Contribution Rates

Benefit Structure	**Member**	**Employer**
Basic	0.0-4.0%	18.34-19.61%
Member Investment Plan	3.0-7.0%	18.34-19.61%
Pension Plus	3.0-6.4%	18.11%
Defined Contribution	0.00%	15.44-16.61%

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Proportionate Share of Reporting Unit's Net Pension Liability – At June 30, 2015, the School District reported a liability of $35,067,772 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the School District's proportionate share percent was .15921 percent.

Year one MPSERS GASB Statement No. 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

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

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

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

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

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, 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 reporting unit's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the reporting unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
$ 46,233,804	$ 35,067,772	$ 25,660,226

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.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions	
Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2015, the School District recognized total pension expense of $2,840,570. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	(1,293,926)
Net difference between projected and actual earnings on pension plan investments	-	3,876,756
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	71
School District contributions subsequent to the measurement date*	2,614,808	-
Total	$ 2,614,808	$ 2,582,901

*This amount, reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year Ending June 30	Amount:
2016	$ 632,747
2017	632,747
2018	632,747
2019	684,660
	$ 2,582,901

Payables to the Pension Plan – As of June 30, 2015, the School District has payables to the MPSERS pension plan of $323,199 for the outstanding amount of contributions due to the pension plan required for the year ended June 30, 2015.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONCLUDED

Post-Employment Benefits Other than Pensions - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost for Part B Medicare and 20 percent of the monthly premium amount for the health, dental and vision coverages. 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. The School District's contribution rates vary depending on which plan the employee is enrolled in. For the period of July 1, 2014 to September 30, 2014 the contribution rates ranged from 5.52% to 6.45% of covered payroll. For the period of October 1, 2014 to June 30, 2015, the contribution rates ranged from 2.20% to 2.71% of covered payroll. The School District's contributions to the MPSERS plan for retiree healthcare benefits for the years ended June 30, 2015, 2014, and 2013 were $577,636, $1,077,625, and $1,275,055, respectively.

NOTE 11. OTHER BENEFITS

In addition to the pension benefits described in Note 10, the School District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The School District is also able to offer a tax deferred "buy-in" program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee's contribution was calculated based on the previous year's salary and age.

NOTE 12. CAPITAL PROJECTS SINKING FUND

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 13. CAPITAL PROJECTS BOND EXPENDITURES

The Capital Projects Bond Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code.

Beginning with the year of bond issuance, the School District reported the annual construction activity in the Capital Projects Bond Fund. The project which the 2010 School Building and Site Bonds, Series A and B, were issued was considered complete on February 28, 2014, and the cumulative expenditures recognized for the construction period were $39,918,590.

NOTE 14. OPERATING LEASES

The School District leases copiers under operating leases. These leases were entered into in June 2010 and April 2008. Rent expense was $49,320 for the fiscal year ended June 30, 2015.

In July 2012, the School Board authorized a two year lease for a handicap lift school bus. Rent expense was $10,965 for the fiscal year ended June 30, 2015. In August 2014, the

School Board renewed this lease to a two-year lease through June 2016. Annual payments of $10,965 are payable in August 2014 and August 2015.

In August, 2012, the School Board approved a new seven year lease agreement with the St. Joseph Lincoln Senior Citizen Center. The lease is "rent free" for the duration and ends August 31, 2019. The School District estimates the estimated value of the "rent free" space is $1,500 per month. Rent expense of $18,000 was expensed for the fiscal year ended June 30, 2015.

In January 2013, the School District entered into a three year lease (#1) of 245 MacBook Air computers for one to one use by the sixth graders (class of 2019) during their time at Upton Middle School. Rent expense was $91,827 for the year ended June 30, 2015.

In July 2013, the School District entered into a three year lease of (#2) 235 MacBook Air computers for one to one use by the sixth graders (class of 2020) during their time at Upton Middle School. An initial payment of $94,871 was made in July 2013. Rent expense was $94,871 for the year ended June 30, 2015.

In July, 2014, the school district entered into a three-year lease of (#3) 180 MacBook Pro computers for classroom use by the teaching staff. Rent expense was $65,054. Future payments of $65,054 are due in July 2016 and July 2017.

In August, 2014, the school district entered into a three-year lease of (#4) 50 MacBook Air computers for one to one use by the sixth graders (class of 2021) during their time at Upton Middle School. Rent expense was $80,959. Future payments of $80,959 are due in August 2016.

NOTE 15. UNEARNED/UNAVAILABLE REVENUE

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

Liability - Unearned Revenue		
Funds in students' lunch accounts at year-end	$	1,876
Total	$	1,876
Deferred Inflow - Unavailable		
Booster contributions for donated scoreboards	$	15,813

NOTE 16. REVENUE ANTICIPATION NOTES

At June 30, 2015, the School District did not have a revenue anticipation note (state-aid note) outstanding.

NOTE 17. SUBSEQUENT EVENTS

On July 1, 2015, the School District borrowed $825,000 State Aid Anticipation Note at 1.27 percent annual interest. This note, plus interest, is due on October 21, 2015.

NOTE 18. ADOPTION OF NEW ACCOUNTING PRINCIPLES

During fiscal year 2015, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). GASB 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual cost of the pension benefits. This net pension liability is recorded on the government wide statements was computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information ("RSI"). GASB 71 amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any , made subsequent to the measurement date of the beginning net pension liability. GASB 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of GASB 71 are required to be applied simultaneously with provisions of GASB 68. As a result, GASB 71 has been implemented in conjunction with GASB 68 in these financial statements.

NOTE 18. ADOPTION OF NEW ACCOUNTING PRINCIPLES, CONCLUDED

The implementation of these standards resulted in the School District reporting a net pension liability and deferred outflows of resources as of June 30, 2014. The following summarizes the restatements that have been made to the School District's financial statements:

Net position at June 30, 2014 - As originally stated	$	15,747,294
Net pension liability		(37,282,667)
Deferred outflows of resources related to pensions		2,111,056
Net position at June 30, 2014 - as restated	$	(19,424,317)

NOTE 19. UPCOMING PRONOUNCEMENTS

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted for the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions ("OPEB") to their employees. This pronouncement applies to post-retirement health care provided to School District employees that is provided through MPSERS. This OPEB standard will require the School District to recognize on the face of the financial statements (government-wide statements) its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The provisions of this statement are effective for School District's financial statements for the year ending June 30, 2018. The School District is currently evaluating what impact the standard will have on its financial statements once adopted.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Original Budget	Final Amended Budget	Actual
Revenues			
Property taxes	$ 5,627,500	$ 5,644,402	$ 5,678,169
Local sources	378,045	510,413	656,124
State sources	17,498,000	18,197,021	18,090,423
Federal sources	330,000	331,139	329,697
Interdistrict sources	347,500	511,334	553,261
Athletic sources	238,150	169,687	184,521
Earnings on investments	750	750	477
Total Revenues	$ 24,419,945	$ 25,364,746	$ 25,492,672
Expenditures			
Instruction:			
Basic programs	$ 12,627,840	$ 13,538,908	$ 13,932,117
Added needs	1,879,768	1,859,522	1,661,887
Supporting services:			
Pupil	1,144,050	1,254,123	1,203,633
Instructional staff	1,167,360	1,178,538	1,126,202
General administration	365,000	378,375	363,784
School administration	1,300,225	1,324,180	1,342,302
Business services	515,000	556,154	525,088
Operations and maintenance	2,771,900	2,804,316	2,902,236
Transportation	796,000	878,616	911,120
Technology	868,150	669,181	660,086
Community services	83,500	81,417	79,652
Athletics	785,080	810,585	766,980
Capital outlay	20,000	19,935	28,835
Intergovernmental payments	29,065	28,707	39,371
Total Expenditures	$ 24,352,938	$ 25,382,557	$ 25,543,293
Excess (Deficit) of Revenues Over (Under) Expenditures	$ 67,007	$ (17,811)	$ (50,621)
Other Financing Sources (Uses)			
Operating transfers in	$ 25,000	$ 25,000	$ 40,000
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	$ 25,000	$ 25,000	$ 40,000
Net Change in Fund Balances	$ 92,007	$ 7,189	$ (10,621)
Fund Balances - Beginning of year	2,460,640	2,460,640	2,460,640
Fund Balances - End of year	$ 2,552,647	$ 2,467,829	$ 2,450,019

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ST. JOSEPH PUBLIC SCHOOLS' PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2014

School District's proportion of net pension liability		0.15921%
School District's proportionate share of net pension liability	$	35,067,772
School District's covered-employee payroll	$	13,637,853
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll		257.14%
Plan fiduciary net position as a percentage of total pension liability		66.20%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ST. JOSEPH PUBLIC SCHOOLS' CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30, 2015

Statutorily required contributions	$	2,853,827
Contributions in relation to statutorily required contributions		2,853,827
Contribution deficiency (excess)	$	-
School District's covered-employee payroll	$	13,419,865
Contributions as a percentage of covered-employee payroll		21.27%

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

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

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Food Services Fund	Capital Projects Sinking Fund	Capital Projects Bond Fund	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	$ 26,879	$ 482,351	$ 2,353	$ 511,583
Due from other governmental funds	21,222	4,367	-	25,589
Due from other governmental units	9,456	1,847	-	11,303
Inventory	11,139	-	-	11,139
Total Assets	$ 68,696	$ 488,565	$ 2,353	$ 559,614
Liabilities and Fund Balances				
Liabilities				
Unearned revenue	$ 1,876	$ -	$ -	$ 1,876
Total Liabilities	$ 1,876	$ -	$ -	$ 1,876
Fund Balances				
Non-spendable inventory	$ 11,139	$ -	$ -	$ 11,139
Restricted for capital projects	-	488,565	2,353	490,918
Restricted for food service	55,681	-	-	55,681
Total Fund Balances	$ 66,820	$ 488,565	$ 2,353	$ 557,738
Total Liabilities and Fund Balances	$ 68,696	$ 488,565	$ 2,353	$ 559,614

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Food Services Fund	Capital Projects Sinking Fund	Capital Projects Bond Fund	Total Non-Major Governmental Funds
Revenues				
Property taxes	$ -	$ 971,506	$ -	$ 971,506
Local sources	727,011	-	-	727,011
State sources	52,745	-	-	52,745
Federal sources	366,806	-	-	366,806
Earnings on investments	8	80	375	463
Total Revenues	$ 1,146,570	$ 971,586	$ 375	$ 2,118,531
Expenditures				
Supporting services	$ 1,118,328	$ -	$ -	$ 1,118,328
Capital outlay capitalized	-	1,476,263	844,298	2,320,561
Capital outlay not capitalized	-	3,099	75,089	78,188
Total Expenditures	$ 1,118,328	$ 1,479,362	$ 919,387	$ 3,517,077
Excess (Deficiency) of Revenues over (under) Expenditures	$ 28,242	$ (507,776)	$ (919,012)	$ (1,398,546)
Other Financing Sources (Uses)				
Face value of debt issued	$ -	$ 750,000	$ -	$ 750,000
Operating transfers in	-	-	-	-
Operating transfers out	(40,000)	-	-	(40,000)
Total Other Financing Sources (Uses)	$ (40,000)	$ 750,000	$ -	$ 710,000
Net Change in Fund Balances	$ (11,758)	$ 242,224	$ (919,012)	$ (688,546)
Fund Balances - Beginning of year	78,578	246,341	921,365	1,246,284
Fund Balances - End of year	$ 66,820	$ 488,565	$ 2,353	$ 557,738

SINGLE AUDIT

INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/Program Title	Federal C.F.D.A. #	Source Code and Project Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue July 1, 2014	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued or (Deferred) Revenue June 30, 2015
U.S Department of Education									
Passed through Michigan Department of Education ("MDE")									
Title I, Part A									
Title I-Grants to Local Education Agencies	84.010	141530-1314	$ 198,720	$ 24,116	$ 199,616	$ (896)	$ -	$ (24,116)	$ -
Title I-Grants to Local Education Agencies	84.010	151530-1415	180,295	-	-	-	180,295	(180,295)	-
Total Title I, Part A			**$ 379,015**	**$ 24,116**	**$ 199,616**	**$ (896)**	**$ 180,295**	**$ (204,411)**	**$ -**
Title II, Part A									
Title II, Part A - Teacher/Principal Training & Recruiting	84.367	140520-1314	$ 93,835	$ 30,071	$ 84,871	$ -	$ 4,524	$ (34,595)	$ -
Title II, Part A - Teacher/Principal Training & Recruiting	84.367	150520-1415	87,598	-	-	-	81,496	(81,267)	229
Total Title II, Part A			**$ 181,433**	**$ 30,071**	**$ 84,871**	**$ -**	**$ 86,020**	**$ (115,862)**	**$ 229**
Title III, Limited English	84.365	150580-1415	**$ 29,373**	**$ -**	**$ -**	**$ -**	**$ 26,185**	**$ (15,499)**	**$ 10,686**
Total Passed through MDE			**$ 589,821**	**$ 54,187**	**$ 284,487**	**$ (896)**	**$ 292,500**	**$ (335,772)**	**$ 10,915**
Passed through Berrien County Regional Education Service Agency ("RESA")									
Perkins 2014-2015	84.048	Unknown	$ 27,907	$ -	$ -	$ -	$ 27,907	$ (27,907)	$ -
Total Passed through RESA			**$ 27,907**	**$ -**	**$ -**	**$ -**	**$ 27,907**	**$ (27,907)**	**$ -**
Total Department of Education			**$ 617,728**	**$ 54,187**	**$ 284,487**	**$ (896)**	**$ 320,407**	**$ (363,679)**	**$ 10,915**

See accompanying notes to Schedule of Expenditures of Federal Awards.

Federal Grantor/Pass Through Grantor/Program Title	Federal C.F.D.A. #	Source Code and Project Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue July 1, 2014	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued or (Deferred) Revenue June 30, 2015
U.S Department of Agriculture									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
Non-Cash Assistance (Commodities):									
National School Lunch Program - Entitlements	10.550	n/a	$ 66,674	$ -	$ -	$ -	$ 66,674	$ (66,674)	$ -
Non-Cash Assistance subtotal			**$ 66,674**	**$ -**	**$ -**	**$ -**	**$ 66,674**	**$ (66,674)**	**$ -**
Cash Assistance:									
School Breakfast Program	10.553	1970	$ 32,041	$ -	$ -	$ -	$ 32,041	$ (32,041)	$ -
National School Lunch Program	10.555	1960	268,091	-	-	-	268,091	(268,091)	-
Cash Assistance subtotal			**$ 300,132**	**$ -**	**$ -**	**$ -**	**$ 300,132**	**$ (300,132)**	**$ -**
Total Department of Agriculture & Child Nutrition Cluster			**$ 366,806**	**$ -**	**$ -**	**$ -**	**$ 366,806**	**$ (366,806)**	**$ -**
U.S. Department of Health and Human Services									
Passed through Berrien County Regional Education Service Agency ("RESA")									
Medical Assistance Program - Medicaid 2014-2015	93.778	Unknown	$ 9,290	$ -	$ -	$ -	$ 9,290	$ (9,290)	$ -
Total Department of Health and Human Services			**$ 9,290**	**$ -**	**$ -**	**$ -**	**$ 9,290**	**$ (9,290)**	**$ -**
Total Federal Assistance			**$ 993,824**	**$ 54,187**	**$ 284,487**	**$ (896)**	**$ 696,503**	**$ (739,775)**	**$ 10,915**

See accompanying notes to Schedule of Expenditures of Federal Awards.

SECTION I – SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditors report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	[X] Yes	[ ] No
Significant Deficiency(ies) identified that are not considered to be material weakness(es)?	[ ] Yes	[X] none reported
Noncompliance material to financial statements noted?	[ ] Yes	[X]

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	[ ] Yes	[X] No
Significant deficiency (ies) identified that are not considered to be material weakness(es)?	[ ] Yes	[X] none reported
Type of auditors report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with '510(a) of OMB Circular A-133?	[ ] Yes	[X] No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.550, 10.553 & 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	[X] Yes	[ ] No

SECTION II – STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.

SECTION III – FINANCIAL STATEMENT FINDINGS

Finding 2015-001: Material Weakness – Material Audit Adjustments

Criteria – School Districts are responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

Condition – During the audit there were material audit adjustments that were required to reflect accurate ending balances in the debt fund.

Cause – During the 2015 fiscal year, the School District had a bond refinancing which included IRS interest subsidies. Three material adjustments were posted to correct financial postings.

Effect – Without the proposed audit adjustments the financials statements would have been materially misstated.

Recommendation – The School District has already reviewed and approved the necessary correcting journal entries, and their effect is properly included in the audited financial statements. Accordingly, no further corrective action is necessary.

View of Responsible Officials – The School District feels with recent changes in our Business Office practices and procedures, the cause of this material weakness finding has been corrected. We are confident that in our future audit years, there will not be any material audit adjustments.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings and questioned costs for the current year.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying schedule of expenditures of federal awards is a summary of the cash activity of the St. Joseph Public School's (the "District") federal award programs and also presents those transactions that would be included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by U.S. generally accepted accounting principles.

NOTE 2. EXPENDITURES AND FINANCIAL REPORTS

The expenditures in this schedule of federal financial awards are considered necessary and reasonable for the proper administration of the related programs and are in agreement with the amounts reported in the financial statements and the related financial reports submitted to the Michigan State Department of Education. The financial reports that have been submitted are timely, complete, accurate, and contain information that is supported by the records from which the basic financial statements have been prepared.

NOTE 3. GRANT SECTION AUDITOR'S REPORT

The amounts reported on the Grant Section Auditors Report have been utilized to prepare the Schedule of Expenditures of Federal Awards and reconciles with the schedule as follows:

	Amount
Federal Sources per General Fund	$ 329,697
Federal Sources per School Service Fund	366,806
	$ 696,503
Items passed through R.E.S.A.	(37,197)
Food distribution commodities	(66,674)
Federal revenue in prior year accounts receivable	54,187
Federal revenue in current year accounts receivable	(10,915)
Timing difference between payments on Grant Section Auditor's Report and School District	3,913
Nonfederal TRIG District Participation Grant reported on Grant Section Auditor's Report	29,150
Current year receipts reported on the Grant Section Auditor's Report	$ 668,967

NOTE 4. FOOD DISTRIBUTION

The amounts reported on the Recipient Entitlement Balance Report (PAL report), agree with this schedule for USDA donated food commodities and are reported in the cash receipts column. Spoilage or pilferage, if any, is included in expenditures.

NOTE 5. SCHEDULE OF RECONCILIATION OF REVENUES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The actual federal source revenues amounted to $696,503 per the audit of the schedule of expenditures of federal awards. The related expenditures are composed of the following:

		Amount
Actual cash expenditures	$	629,829
Entitlement commodities used		66,674
	$	696,503

NOTE 6. FEDERAL RECONCILIATION BETWEEN FINANCIAL STATEMENT AUDIT AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Financial Statement Reporting Units:		
General Fund	$	329,697
2010/2013 Debt Service Fund -Series A & B		393,318
Nonmajor Fund - Food Service Fund		366,806
Total Federal Revenues reported in Financial Statement Audit	$	1,089,821
Less Federal Revenues that are excluded from OMB - Circular A133:		
Revenue received from Build American Bonds		(393,318)
Total OMB - Circular A133 regulated Federal Revenue	$	696,503
Amounts Reported on Schedule of Expenditures of Federal Awards		696,503
Difference between Financial Audit and Schedule of Expenditures of Federal Awards	$	-

NOTE 7. ADJUSTMENT COLUMN

During the year ended June 30, 2014, the amount that was accrued for Title I was over accrued by $896. The actual amount requested was $23,220.

NOTE 8. SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUB-RECIPIENTS

None for the current year.

MANAGEMENT COMPLIANCE LETTER

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Schaffer & Layher
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education of
St. Joseph Public Schools

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 the St. Joseph Public Schools as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise St. Joseph Public Schools' basic financial statements and have issued our report thereon dated October 27, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Joseph Public Schools' 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 St. Joseph Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of St. Joseph Public Schools' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to a material weakness (Finding 2015-001).

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Joseph Public Schools' 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*.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

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

St. Joseph Public Schools' Response to Finding

St. Joseph Public Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. St. Joseph Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Schaffer & Layher

Schaffer & Layher
October 27, 2015

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Schaffer & Layher
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of
St. Joseph Public Schools

Report on Compliance for Each Major Federal Program

We have audited the St. Joseph Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of St. Joseph Public Schools' major federal programs for the year ended June 30, 2015. St. Joseph Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of St. Joseph Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Joseph Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of St. Joseph Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, St. Joseph Public Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of St. Joseph Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered St. Joseph Public Schools internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of St. Joseph Public Schools' internal control over compliance.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONCLUDED

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of the report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schaffer & Layher

Schaffer & Layher
October 27, 2015