Reeths-Puffer Schools
Muskegon, Michigan

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

www.reeths-puffer.org

Reeths-Puffer Schools

Muskegon, Michigan

Comprehensive
Annual Financial Report
For the year ended
June 30, 2015

Prepared By

Reeths-Puffer Schools
Business Office

Jason Helsen
Director of Finance

Reeths-Puffer Schools

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REETHS-PUFFER SCHOOLS

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October 19, 2015

Dear Board Members and Citizens of Reeths-Puffer Schools:

The Comprehensive Annual Financial Report (CAFR) of Reeths-Puffer Schools for the fiscal year ended June 30, 2015 is presented for your review. Guided by the Board of Education's commitment to public accountability, detailed financial information relating to the fiscal operation of the District is presented in this report prepared by the District's Finance Department. The CAFR is prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Responsibility for the completeness, accuracy and fairness of the information presented rests with the administration and management of Reeths-Puffer Schools.

The report has been prepared following generally accepted accounting principles. We believe the data presented is accurate in all material respects and clearly reflects the financial position and the results of operations of Reeths-Puffer Schools. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Report Organization

The Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers. The report is divided into the following major sections:

Introductory Section—The reader is introduced to Reeths-Puffer Schools. Included are facts about the District, a brief highlight of our curriculum offerings, points of pride, major initiatives undertaken and other information. The introductory section includes this transmittal letter, the District's organizational chart, a list of District officials and administrative staff.

Financial Section—The Independent Auditor's Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements and Notes to Basic Financial Statements are included. These provide an overview for readers who require less detailed information than is contained in the balance of this report. In addition to the basic financial statements, this section includes combining and individual fund supplemental statements and schedules.

Statistical Section—The reader is provided with a 10-year history of financial and demographic data intended to reflect economic conditions, financial trends and the fiscal capabilities of our District.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

We, the administration, would like to stress to you, the reader, that we are responsible for both the financial information and representations contained in the financial statements and other sections of this annual report. In preparing the financial statements, it is necessary to make informed estimates and judgments based on currently available information.

Reporting Entity

Reeths-Puffer Schools is a suburban school district, located in northern Muskegon County, covering five townships, plus a portion of the City of Muskegon, in an area affectionately known as “Rocket City”. The District covers approximately 77 square miles and includes the entirety of Laketon Township plus portions of Fruitland, Dalton, Muskegon, and Cedar Creek Townships. The current population is approximately 21,000.

The District was formed in 1946 by the consolidation of the Reeths School District and Puffer School District. Reeths-Puffer High School graduated its first class in 1959. The District reached its present boundaries in 1981 after a process of several consolidations and annexations. The roots of the District extend back to the late 1800s. Reeths-Puffer Schools is a fiscally independent school district governed by a seven-member elected Board of Education.

The District operated eight instructional facilities in the 2014-15 school year. Pennsylvania Elementary serves as an early childhood center. Four elementary schools serve grades K through 4 (Central, McMillan, Twin Lake, and Reeths-Puffer Elementary). At the conclusion of the 2014-15 school year, McMillan Elementary began the transition to McMillan Early Childhood Center, where pre-K students from around the Reeths-Puffer district will attend any number of high-quality programs in 2015-16. Reeths-Puffer Intermediate serves grades 5-6. Reeths-Puffer Middle School serves grades 7-8, and Reeths-Puffer High School serves grades 9 through 12. The District has several support facilities, and also participates in a five-district consortium that runs Duck Creek alternative high school. The student enrollment for 2014-15 was 3,853 students.

School Programs and Major Initiatives

Reeths-Puffer Schools strives to be a leader in instructional excellence and continues to attract new families to the “Rocket City” community. The R-PS curriculum and student programs are guided by the ambitious student achievement goals of the R-P Strategic Plan:

- “No Boundaries, No Limits - Anytime, Anyplace, Any Level Learning”
- “100% Plugged In – Every Child Connected to an ‘Out of School’, Coordinated, Value-Added Activity”
- “100% of Rocket Graduates are ‘College and Career’ Aware and Ready”

These standards set high expectations and are based upon the belief that all students can and will succeed. This is punctuated by the bold “23” initiative, which aims to bring the average ACT score of Reeths-Puffer High School graduates up to 23 in order to increase access to higher education opportunities for Rocket alumni.

In response to these goals, opportunities for students have grown, with new clubs, groups, and teams accessible to students of all ages. The District provides a world language program spanning grades K through 12. Pennsylvania Elementary operates as a public/private partnership that provides innovative early childhood and Kindergarten instruction. McMillan Elementary has become McMillan Early Childhood Center to provide even greater opportunities for more preschool programming for young Rockets. Advanced Placement and dual enrollment opportunities are available to students at the high school looking for challenges. A college readiness program has started at the elementary level, which will feed into students in the secondary grades having a greater awareness of what it takes to be college-and career-ready. The decorated high school band continues to win awards and racked up another state championship in 2014-15.

Accounting Systems and Budgetary Controls

The District adheres to budgetary policies established by the Board of Education. The District utilizes a line-item budget developed by the Director of Finance and the Superintendent and submitted to the Board of Education for approval and adoption. The budget process is designed to effectively allocate resources to maximize student benefit. One of the key values identified in the District strategic plan is the open sharing of district financial information, and as such, transparency is highly valued in the budget communication process.

The District integrates the budget the accounting system and internal controls. Internal controls are in place to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from unauthorized use, and for maintaining accountability of the assets. Such controls also provide assurance for the reliability of the financial records necessary for producing accurate financial statements. Our budgetary and internal controls adequately safeguard District assets and provide reasonable assurance that errors or fraud are prevented or can be detected within a timely period.

Financial and Capital Planning

The passage of Proposal A in 1994 has resulted in the District being dependent upon the State of Michigan for the majority of its funding. The District has ongoing financial planning for operational needs as well as capital asset needs. Major assumptions involved with financial forecasting include student enrollment, state funding, employee wage and benefit costs, and equipment and facility life cycles. Considerable time and energy is spent tracking and forecasting student enrollment, as the vast majority of funding is generated on a per-pupil basis.

Many of the District's instructional facilities were built between 1948 and 1962. Reeths-Puffer High School was constructed in 1994. Each of the facilities has benefited from significant improvements over the years, which was highlighted most recently by the complete renovation of Reeths-Puffer Middle School using the 2010 Bond. Facility upgrades have been funded through bond capital projects as well as building and site improvement funds set aside on an annual basis.

Economic Environment

Michigan voters approved the state constitutional amendment known as Proposal A in 1994. Funding of school operations shifted dramatically at that time from local property tax revenue to State Aid funding as a result. The District has seen both increases and decreases in state funding during the time since this change, and it has always dealt with budget challenges responsibly in a manner that puts students at the forefront of the process.

The regional economy in West Michigan has made a slow recovery since the downturn in 2008-2009. The unemployment rate in Muskegon County has tracked the State of Michigan trend. It has declined significantly over the past several years, but it has remained above the level of ten years ago. Property values have followed a similar trend line. Taxable values have declined due to a general decline in property values since the high point of 2007 through 2009, compounded by a significant loss from settlements in favor of the District's biggest taxpayer, Consumers Energy. Overall, values appear to be stabilizing and slowly increasing after five consecutive years of losses.

District voters have consistently supported bond issues for capital improvements, most recently in 2009. Muskegon County voters approved a 1 mill technology and security enhancement millage in 2014, which will benefit the District for years to come.

Certificate of Excellence

The District first prepared a CAFR a year ago, and was successful in earning the Association of School Business Officials (ASBO) Certificate of Excellence for the Comprehensive Annual Financial Report for the year ended June 30, 2014. This achievement is a source of pride for both the School Administration and the Board of Education. The vision and leadership of the Board is a necessity for maintaining such high standards for financial reporting. The Administration will again submit this year's report in the hopes of continuing this achievement.

Respectfully submitted,

Steven C Edwards

Steven Edwards
Superintendent

Jason R Helsen

Jason Helsen
Director of Finance

Reeths-Puffer Schools

Elected Officials and Administrative Staff

2014-15 Board of Education

Kim Kelly, President

Mike Weessies, Vice President

Mary Schaab, Treasurer

Robert DeMuro, Secretary

Doug Brown, Trustee

Kathy Zahl, Trustee

Susan Blackburn, Trustee

2014-15 Administrative Staff

Steve Edwards, Superintendent

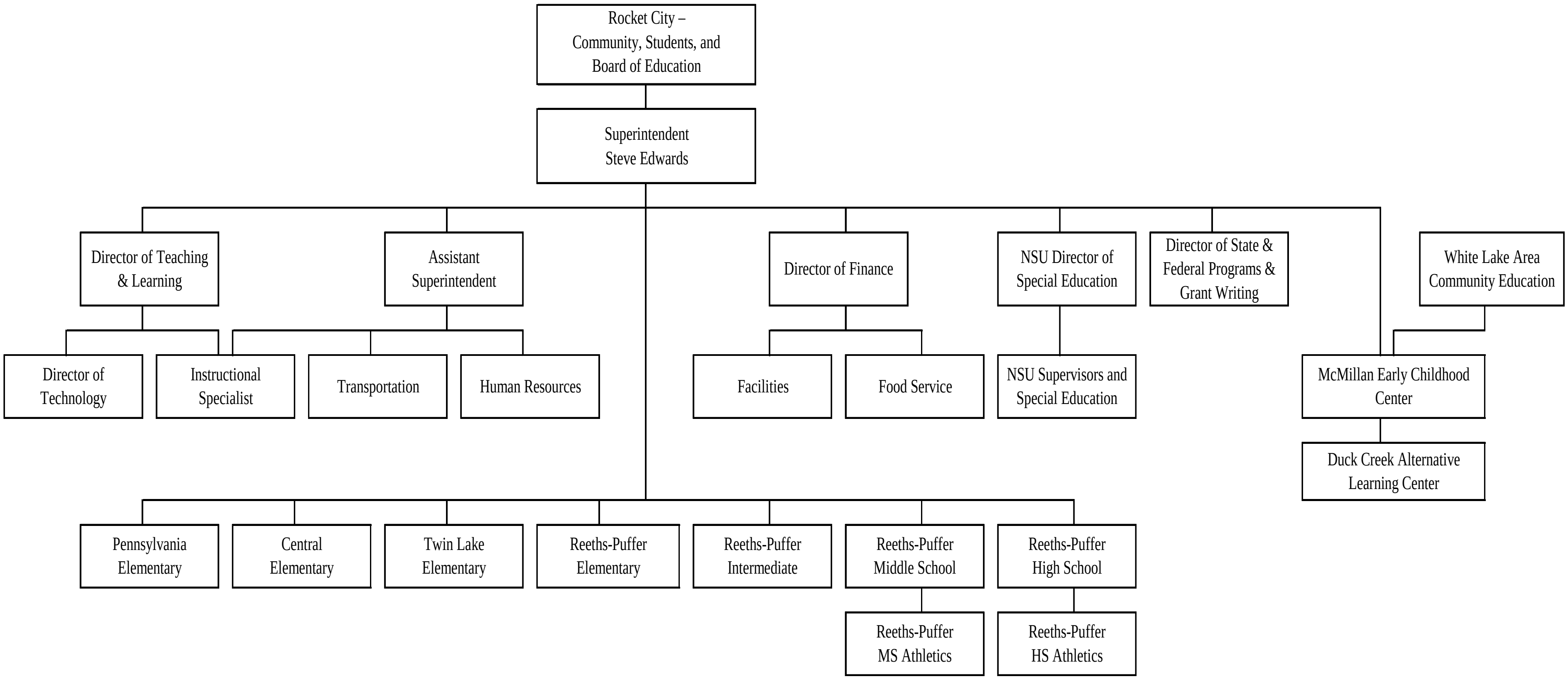
Rob Renes, Assistant Superintendent

Scott Green, Director of Special Education

Jason Helsen, Director of Finance

Terri Portice, Director of Teaching and Learning

Reeths-Puffer Schools
ORGANIZATIONAL STRUCTURE



Association of School Business Officials International

The Certificate of Excellence in Financial Reporting Award
is presented to

Reeths-Puffer Schools

For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards

Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director

BRICKLEY DELONG
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

October 19, 2015

Board of Education
Reeths-Puffer Schools
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reeths-Puffer Schools (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements 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.

Auditors' 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.

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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 Reeths-Puffer Schools as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in Note M to the financial statements, Reeths-Puffer Schools implemented 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 opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 11through 29 and 61 through 64 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 Reeths-Puffer Schools' basic financial statements. The introductory section, combining nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

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

Brickley DeLong, P.C.

Muskegon, Michigan

Reeths-Puffer Schools' management discussion and analysis report is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity and identify changes in its financial position. This section of the financial statements also identifies all material deviations from the financial plan (initial budgets) and discloses individual fund issues and concerns that exist at the close of the fiscal year.

This information is required by GASB 34 (Governmental Accounting Standards Board's Statement No. 34). GASB 34 requires the presentation of two basic types of financial statements; namely, District-Wide Financial Statements and Fund Financial Statements.

Overview of the Financial Statements

This annual report consists of seven parts: (1) the introductory section, (2) the independent auditors' report, (3) management's discussion and analysis (this section), (4) the basic financial statements, (5) required supplementary information, (6) other supplemental information, and (7) the statistical section. The financial statements include notes that explain some of the information in the statements by providing detailed data. These statements are followed by a section of required supplementary information that further explains and supports the financial statements, utilizing a comparison to the District's budget for the year. Additionally, the basic financial statements also include two kinds of statements that present different views of the District.

District-Wide Financial Statements

The district-wide statements provide a financial perspective of the District as a whole. These statements use the "full accrual" basis of accounting. There are two (2) district-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term expendable resources) with capital assets and long-term obligations, whether they are currently available or not.

The Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid (full accrual accounting). The intent of this statement is to summarize and simplify the information relative to funding received and expenditures made for various district services.

Fund Financial Statements

Fund statements are reported under the "modified accrual" method of accounting. Under this basis of accounting, revenues are recorded when received, except where they are measurable and available within sixty (60) days of the close of the fiscal year. Expenditures are accounted for in the period that goods and services are used in school programs; therefore, major payments during the summer for payrolls and benefits belonging to the year's instructional program are expensed on June 30^{th}. In addition, capital asset purchases are expensed when placed in service and are not shown as assets in these statements. Debt payments made in the fiscal year are shown as expenditures in the current year and future debt obligations are not recorded here.

Fund types include the General Fund, special revenue funds, debt retirement funds, capital projects funds and the agency funds. The General Fund is used to show the operational financial activities of the District for the fiscal year. The primary funding sources for the General Fund are from local property taxes, state foundation grant per student, state categorical funding for specific programs, federal grants and inter-governmental transfers. Transactions dealing with the school food service program are recorded in the school service fund accounts. The debt service funds are used to record debt payments of principal and interest amounts. Local property tax funds are used to pay the majority of debt, with any unmet needs being covered by the Michigan School Bond Loan Program and Michigan School Loan Revolving Fund. The capital projects funds are used to record the costs associated with the acquisition of land, construction or improvement of school facilities, and for equipment purchases in excess of $5,000. The agency funds, known as internal activity funds, are held in a trustee capacity for various student or school related groups' financial transactions. Monies in these funds are not available for general school use.

A new special revenue fund was added in the 2014-15 fiscal year. The Technology and Security fund was added as a non-major fund, effective July 1, 2014. The voters of Muskegon Area ISD approved a 10-year, 1 mill levy to local districts in February 2014 to fund technology and security enhancements. The levy is received countywide and distributed to the eleven districts on a per-pupil basis. Reeths-Puffer began receiving property tax receipts through Muskegon Area ISD starting in July 2014. The initial year brought in approximately $629,000. The Reeths-Puffer Board of Education passed a budget resolution at the June 16, 2014 budget hearing to establish the initial technology and security fund budget. Main objectives for the initial year were to improve security by updating the High School entrance, implementing a new police liaison program, strengthening the technology infrastructure and backbone, and providing for student and staff devices. Year two will be much more focused on technology, providing for replacement of staff and student devices originally purchased in the 2010 Capital Projects, and funding staff technology grant requests, as implemented in spring of 2015.

<u>Government-Wide Financial Results – Statement of Activities and Changes in Net Position</u>

The net position deficiency shown below is the direct result of the District using capital appreciation bonds and loans from the Michigan School Bond Loan and School Loan Revolving Funds to finance major facility construction projects over the past several years. Under Michigan School Bond Loan funding programs, the payments against principal and interest costs are delayed to some point in the future; therefore, interest costs compound due to their delayed payment.

The negative impact of funding school projects by utilizing these particular funding methods is further increased by the fact that the facility values associated with the borrowed funds are decreasing each year due to depreciation. These particular funding programs have been available for use by public schools where the community's tax base is insufficient to support the immediate costs of debt associated with meeting current facility needs. The particular capital appreciation bonds the District has are currently not "callable" for refinancing at a lower rate.

Furthermore, the net deficiency position of the District has been exacerbated by the adoption of GASB Statement Number 68, which has greatly increased the long-term liabilities recognized by the District. The District's share of the unfunded liability for the MPSERS pension plan as of June 30, 2015, is approximately $48 million. The adoption of GASB 68 and the impact of the new statement are explored in more depth in Footnotes H and M.

Statement of Net Postion

	For the Year Ended June 30,	
	2015	2014 (restated)
Assets		
Current assets	$ 12,881,521	$ 12,927,923
Capital assets (net of depreciation)	53,668,495	55,702,077
Deferred outflows of resources	6,048,935	3,036,633
Total assets and deferred outflows of resources	72,598,951	71,666,633
Liabilities		
Current liabilities	14,431,912	14,668,579
Long-term liabilities	130,030,618	134,949,283
Deferred inflows of resources	5,270,910	-
Total liabilities and deferred inflows of resources	149,733,440	149,617,862
Net Position		
Net investment in capital assets	(5,142,029)	(7,334,766)
Restricted funds	-	325,991
Unrestricted funds	(71,992,460)	(70,455,401)
Net position	$ (77,134,489)	$ (77,464,176)

Note: Net position was restated as of July 1, 2014, for the effects of GASB 68. A restated, condensed Statement of Net Position for the year ended June 30, 2014, is presented above.

- Current assets - Decreased slightly from June 30, 2014 levels. Cash and investments balances were slightly lower at June 30, 2015, with higher Due from Other Governmental Unit receivable balances than a year ago. Timing of receipts from grant draws contributed to this situation.
- Capital assets – Net capital assets were reduced by annual depreciation, and capitalized additions were relatively low once again. This resulted in a net decrease.
- Current liabilities – Decreased slightly from June 30, 2014 levels. The main change in this area deals with no longer accruing summer health insurance costs for teaching staff, as the insurance benefit plan year was changed in 2014-15. Besides accrued payroll costs, major liabilities in this area include the State Aid loan and the current portion of long-term debt due within one year.
- Long-term liabilities – Decreased due to the bond principal paid off in 2014-15. A significant change in the amount of long-term liabilities recognized on the Statement of Net Position is the main result of the implementation of GASB Statement Number 68. The District recognized over $50 million in additional long-term pension liability as of June 30, 2014, and approximately $48 million for the same purpose as of June 30, 2015. This is discussed in greater detail in Footnotes H and M.
- As a result of the change in long-term liabilities, the deficiency in the District's net position has grown significantly, from less than $30 million on the original Statement of Net Position for Year Ended June 30, 2014, to more than $77 million for each of the two years presented above.

Statement of Activities

	For the Year Ended June 30, 2015	2014 (as originally presented)
District Wide Revenues		
Program Revenues		
Charges for services	$ 633,734	$ 591,478
Operating grants	10,379,218	8,617,345
General Revenues		
Property taxes	8,246,936	7,940,154
Unrestricted grants	24,187,326	23,759,009
Other revenues	114,454	132,050
Total revenues	43,561,668	41,040,036
District Wide Expenses		
Instruction	24,119,501	24,181,513
Support services	13,085,912	12,320,667
Community services	35,886	34,757
Food services	1,344,246	1,341,406
Athletics	828,341	816,805
Interest on long-term debt	3,777,208	3,863,485
Unallocated depreciation	40,887	40,887
Total expenses	43,231,981	42,599,520
Change in net position	329,687	(1,559,484)
Net position at beginning of year (restated as of July 1, 2014)	(77,464,176)	(28,220,736)
Net position at end of year	$ (77,134,489)	$ (29,780,220)

Note: Net position was restated as of July 1, 2014, for the effects of GASB 68. Statement of Activities for the year ended June 30, 2014, has not been restated and a condensed presentation of the originally published statement is shown above.

The change reflected above is an increase in net position of $329,687, or approximately 0.45% of total assets. Overall, revenue in 2014-15 increased compared to 2013-14 by over $2,500,000. Several significant increases occurred. One significant area of increase was due to Section 147C funding through the State of Michigan. This subsidy for the MPSERS pension program and it increased by approximately $700,000 from 2013-14 to 2014-15. This amount is paid back to the State pension system by the District and does not impact our bottom line. Another area of increase were final federal grant allocations increasing in fall 2014, after the school year had already begun. In all, federal expenditures and corresponding grant revenue increased by approximately $120,000 in Title grants and approximately $85,000 for IDEA grants.

Overall, expenses increased by over $630,000 in 2014-15. Instructional spending went down slightly overall, mostly due to the insurance plan year change implemented in 2014-15. Support services spending went up with the implementation of the Technology and Security Fund. Interest costs on long-term debt declined compared to 2013-14 levels. The issues of state funding for public education and student enrollment remain points of concern as they are the two factors responsible for the great majority of the District's revenue. The District has made significant operating budget cuts annually to remain fiscally responsible. Future cuts will continue to impact the classroom instructional programs.

Net Capital Asset Values

	July 1, 2014	Additions	Deductions	Change in Accumulated Depreciation	June 30, 2015
Land	$ 474,150	$ -	$ -	$ -	$ 474,150
Land Improvements	503,024	-	-	3,007	500,017
Vehicles	611,862	32,570	200,159	(57,947)	502,220
Buildings & improvements	52,306,082	103,226	-	1,805,204	50,604,104
Furniture & equipment	1,806,959	40,767	5,779	253,943	1,588,004
Total	$55,702,077	$ 176,563	$ 205,938	$ 2,004,207	$ 53,668,495

As shown above, capital assets, net of depreciation, decreased in value from July 1, 2014 to June 30, 2015. During 2014-15, the District had a lower amount of equipment purchases and projects that were capitalized compared to the past several years. As 2010 Capital Projects funds depleted, the District has found itself with limited resources for capital improvements. Considering annual depreciation, this resulted in a net decrease. For more information on capital assets, please see Note D in the notes to the financial statements.

Debt Obligations

July 1, 2014	Additions	Deductions	June 30, 2015	Current
$ 89,489,840	$ 3,891,046	$ 5,655,455	$ 87,725,431	$ 5,373,461

The ending balance of debt obligations as of June 30, 2015 is lower than the beginning balance by approximately $1,750,000. Principal and interest payments were made according to bonded debt schedules, and no new bonds were issued. Additions shown above represent borrowing from the State of Michigan School Loan Revolving Fund and accreted interest on capital appreciation bonds. For more information on debt, please see Note G in the notes to the financial statements.

General Fund Budgetary Highlights

The State of Michigan's Uniform Budget Act 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. When the budget is prepared each year, several unknown factors exist. Estimates are used for such major items as student count, employee contracts, state aid, staffing, and tax appeals. As a matter of practice and in accordance with Board policy and state law, the District amends its budget periodically during the fiscal year. These revisions are made in order to deal with changes in revenues and expenditures that become known during the year. During the 2014-15 year, the budget was amended in November 2014, March 2015, and June 2015.

One of the main assumptions impacting the District's budget is the revenue received from State of Michigan through the per-pupil foundation allowance. The foundation grant for the 2014-15 year was $7,126, a $100 increase from the 2013-14 level, but still $20 below the 2010-11 foundation grant level of $7,146, or $190 per student lower than years prior to 2010-11. The State of Michigan provided approximately $241 per pupil in available supplemental funds through equity payments, MPSERS pension offset grant, and best practices grant. The District qualified for additional student performance funding in previous years, but did not qualify in 2014-15. The net increase factoring in all per-pupil sources was about $135 per student above 2013-14 levels.

Revenue adjustments made during the 2014-15 budget process included:

- Pupil count *(November 2014, from Budget Amendment #1)* – Our projected K-12 pupil count was approximately 3,800 fte, or a decrease of about 49 students compared to projected levels. This was a negative impact of approximately $345,000 in reduced state funding compared to our initial 2014-15 budget estimates.
- Allocation between local property tax revenue and state aid *(June 2015, from Budget Amendment #3)* – finalized taxable values for the 2014-15 year (mostly a result of continued Consumers Energy value adjustments) resulted in decreased local revenue and increased reliance on the State of Michigan for funding state aid payments. This change required a shift of approximately $250,000 from local revenue to state aid revenue.
- Increased grant revenue *(November 2014, from Budget Amendment #1)* - Title I-A, Title II-A, and IDEA special education grants increased due to a number of factors, including higher than expected allocations from the State of Michigan as well as carryover funds from the 2013-14 grant cycle that were not spent in the prior year. In particular, Title I-A increased significantly over initial State of Michigan estimates used to build the initial 2014-15 budget. Corresponding adjustments were made in our expenditure budgets to account for the additional resources, and no impact on the budgeted bottom line was experienced as a result.
- From the Initial Budget in June 2014 to Budget Amendment #3 in June 2015, total revenue changed very little, a net decrease of approximately $30,000.

The initial expenditure assumptions included a MPSERS base pension rate of 25.78% of payroll, a subsidized MPSERS rate of 8.3% of payroll, an increase in health insurance caps of 2.9% according to PA 152 limits, costing about $130,000, no wage increases for employees except as already settled according to contracts, resulting in minimal changes, and budget reductions of approximately $280,000.

Expenditure adjustments made during the 2014-15 budget process included:

- Increased grant expenditures *(November 2014, from Budget Amendment #1)* – to correspond with increases in Title I-A, Title II-A, and IDEA special education grants listed above. Corresponding adjustments were made in our expenditure budgets to account for the additional resources, and no impact on the budgeted bottom line occurred as a result. The additional resources funded student intervention positions and additional professional development opportunities for staff.

- Settlement of R-P MTFS contract *(November 2014, from Budget Amendment #1)* – resulted in increased wages and benefits costs of approximately $16,000.
- Settlement of R-PEA contract *(November 2014, from Budget Amendment #1)* – resulted in updated estimates across the board. Increases were made for increased insurance caps, on-schedule and off-schedule compensation increases, and a mid-year step advancement for teachers and other professional staff. A one-time decrease was made when the insurance benefit plan year was changed, saving the district two months' worth of insurance costs in the 2014-15 year.
- Updated MAISD consortium figures *(November 2014, from Budget Amendment #1)* - MAISD estimates, including special education transportation, were updated to match 2013-14 actual results. In 2013-14, the transportation consortium produced approximately $90,000 less than expected for the district. The district still benefited from the consortium, but the margin of funding available declined over several years.
- Increased paraprofessional staffing *(November 2014, from Budget Amendment #1)* – special education paraprofessionals staffing resulted in increased costs of approximately $80,000.
- Increased operations budget *(March 2015, from Budget Amendment #2)* – The operations budget increased by approximately $50,000 to cover snow plowing and heating costs, as a result of a historically cold winter and a large volume of snowfall.
- Increased high school instruction costs *(March 2015, from Budget Amendment #2)* – participation in programs like credit recovery and early college have increased. As a result, this budget area increased by approximately $30,000.

The initial budget called for an operating surplus of approximately $168,000, while the final amended budget called for a deficit of approximately $280,000, a change of approximately $449,000, or about 1.25% of annual expenditures. The actual results reflect a surplus of approximately $127,000; a positive swing of approximately $407,000 compared to the final budget amendment, or about 1.1% of the total budget.

2014-15 General Fund	**Initial Budget**	**Final Budget**	**Actual**
Revenues			
Local revenue			
Local sources	$ 3,360,500	$ 2,996,100	$ 3,111,755
Received from other districts	1,739,000	1,903,000	1,942,066
State revenue	28,339,000	28,483,000	28,532,404
Federal revenue	2,311,324	2,456,866	2,342,634
Transfers and other	225,000	106,000	80,172
Total revenues	$ 35,974,824	$ 35,944,966	$ 36,009,031
Variance of actual from budget	$ 34,207	$ 64,065	
	0.1%	0.2%	

2014-15 General Fund	**Initial Budget**	**Final Budget**	**Actual**
Expenditures			
Instruction	$ 22,949,251	$ 22,869,133	$ 22,754,714
Instructional support	4,044,615	4,177,874	4,101,870
Business and Administration	4,028,004	4,152,602	4,091,362
Maintenance and Operations	2,578,726	2,645,973	2,626,945
Transportation	1,360,294	1,488,144	1,400,916
Athletics	740,144	785,836	797,210
Community, Transfers, and Other	105,327	105,657	109,152
Total expenditures	$ 35,806,361	$ 36,225,219	$ 35,882,169
Variance of actual from budget	$ 75,808	$ (343,050)	
	0.2%	-0.9%	
Change in Fund Balance	$ 168,463	$ (280,253)	$ 126,862
Variance of actual from budget	$ (41,601)	$ 407,115	
Percentage of budgeted expenditures	-0.1%	1.1%	

Budget to actual analysis follows:

Revenue

- Local revenues higher than estimated: $116,000 – Property taxes came in slightly higher than final adjusted estimates, especially considering delinquent payments received, and athletics revenue generated was about $15,000 higher than expected.
- State revenues higher than estimated: $49,000 – The variance represents less than 0.2% of this category. Several positive August state aid adjustments led to this positive swing.
- Local revenue sources received from other districts including Act 18 distribution higher than estimated: $39,000 – A large portion of the amounts received in this category are not known until mid-August per the terms of the MAISD Act 18 distribution and special education 'bill-back' procedures. Actual revenue figures, received on August 14, 2015, exceeded year-end expectations.
- Federal revenues lower than estimated: ($114,000) – Title I-A and Title II-A budgets combined came in approximately $102,000 under approved award amounts. IDEA budgets came in approximately $14,000 under approved award amounts. These grants are reimbursement-based, meaning this variance has no impact on the District's bottom line. These amounts will be carried over into the 2015-16 year.
- Incoming Transfers and Other Sources lower than estimated: ($26,000) – This category represents indirect cost recovery from the food service fund, as well as irregular or non-recurring items like sale of fixed assets, insurance claim reimbursements, and prior period adjustments. The allowable food service indirect amount was about $6,000 less than budgeted and is governed by Michigan Department of Education guidelines. Other items came in approximately $15,000 less than estimates, which were based upon historical amounts.
- Revenue higher than budgeted: approximately $64,000 or 0.18% of the $35.94 million budget.

Expenditures

Budget variances in expenditures by functional category are highlighted below.

- Instruction - approximately $114,000 under budget or approximately 0.5% of this category. Salaries and benefits, which account for over $21 million of the approximately $22.9 million in instructional costs, were within $14,000 of the final amended budget. Positive budget variances occurred in purchased services, largely for unspent substitute teaching costs, and supplies allocations, as budget freezes and other measures have continued to result in savings.
- Pupil and Instructional staff support - approximately $76,000 under budget or 1.8% of this category. The majority of this savings, over $55,000, came in the area of purchased services. Over $49,000 of this amount is unspent grant funds that will go into 2015-16 carryover.
- Business and Administration - approximately $61,000 under budget or 1.5% of this category. Salary and benefits were within $20,000 of the $3.3 million budgeted amount. The biggest savings in this area was approximately $21,000 in business services through lower State Aid Note costs. Approximately $10,000 was saved through unspent miscellaneous budget allocations across many departments.
- Operations and Maintenance - approximately $19,000 under budget or 0.7% of this category. Salaries and benefits were approximately $13,000 under budget. Purchased services and supplies in total came in within $1,000 of the $2 million budget. This includes costs such as snow plowing, contracted repairs, custodial services, utilities, and supplies.
- Transportation - approximately $87,000 under budget or 5.9% of this category. Salaries and benefits are within $8,000 of budgeted costs. Contracted services for drivers came in within $500 of the $580,000 contract. Field trip costs and contracted repairs came in about $20,000 under budget in total. The main area of savings came in the cost of fuel. Lower diesel prices saved the District over $50,000.

- Athletics - approximately $11,000 over budget or 1.5% of this category. Contracted services and equipment/supplies were approximately $12,000 higher than expected, and team fees and miscellaneous costs were about $15,000 higher than estimated. These cost overruns were offset by lower than expected salaries and benefits, with savings of nearly $16,000. Other support services ran about $6,000 higher than estimates, and is reflected in this functional area as well.
- Other costs, including community services, interfund transfers, and District capital outlay - approximately $3,500 over budget or 3.3% of this category. Concerted efforts and new initiatives in the area of community engagement and parental involvement led to slight budget overruns in this area.

Budget variances in expenditures by object category are highlighted below:

General Fund Expenditures by Object	2014-15 Budget	Percent of total	2014-15 Actual	Percent of total	Variance
Salaries and Wages	$18,246,444	50.4%	$18,296,722	51.0%	$ (50,278)
Benefits	11,557,869	31.9%	11,436,133	31.9%	121,736
Purchased services	3,514,153	9.7%	3,436,082	9.6%	78,071
Supplies	1,454,743	4.0%	1,298,784	3.6%	155,959
Capital Outlay	108,960	0.3%	89,227	0.2%	19,733
Other	1,343,050	3.7%	1,325,221	3.7%	17,829
Total	$36,225,219	100.0%	$35,882,169	100.0%	$ 343,050

- Amounts spent on salaries and wages were about $50,000 higher than expected. This is in part due to temporary staffing, extra duty assignments and employee turnover, which increased amounts paid to employees slightly.
- Amounts spent on employee benefits were under budget by approximately $122,000 for several reasons. Insurance benefit costs for active employees were within $70,000 of estimates on approximately $3.5 million of spending. The majority of this savings, approximately $54,000, occurred within medical insurance costs for employees, the largest category of employee insurance benefit costs. The District also experienced over $50,000 in savings compared to unemployment cost estimates. Costs for FICA taxes, pension costs, and workers compensation insurance were within $5,400 of estimates, for nearly $7.6 million in costs, which equates to a budget variance of less than one-tenth of one percent. The District was conservative in the area of benefits estimates, and savings helped cover cost overages in other areas as a result.
- Purchased services costs came in under budget by approximately $78,000. Nearly all this variance comes in underspent contracted substitute costs. About one-third of this savings is grant-funded and will carry over to 2015-16 grant budgets.
- Supply costs came in approximately $156,000 under budget. Approximately $47,000 of this savings comes in non-grant-funded supplies in instruction and instructional support areas of the budget. While the exact reasons for these savings are varied across the district, this figure supports the idea that district initiatives such as building and classroom fundraising, relationship development with area businesses, and an increased reliance on technology and other non-consumable in the classroom are resulting in cost savings for the District budget. Transportation savings, especially for diesel fuel as highlighted above, stand out as over half the approximately $98,000 in savings in the other areas of the budget.
- Capital outlay spending has decreased in the General Fund budget over the past several years as the 2010 Bond funds depleted. Spending came in $20,000 under budget. This is due to several small variances across the District, and aided by the resources that the Technology and Security Fund have provided.

- The other category includes costs such as dues and fees, borrowing and interest costs, special education tuition billings, and software licenses, and it was about $18,000 under budget. The biggest factors are special education tuition billings exceeding estimates by $33,000, the majority of which is not known until after June 30 when MAISD 'bill-back' figures are determined. Other costs, including dues and fees and miscellaneous expenditures, came in about $55,000 under budget. The biggest variances were technology software license savings as a result of having Technology and Security Funds available, and savings on state aid note interest and related costs through bidding out the annual note.

- Total expenditure savings: $343,000 or 0.9% of the total $36.2 million budget.

General Fund Year-to-Year Comparison of Actual Results

	2015	2014	Difference
Revenues			
Local revenue			
Local sources	$ 3,111,755	$ 3,252,909	$ (141,154)
Received from other districts	1,942,066	1,868,929	73,137
State revenue	28,532,404	27,332,455	1,199,949
Federal revenue	2,342,634	2,133,930	208,704
Transfers and other Sources	80,172	81,061	(889)
Totals revenues	$ 36,009,031	$ 34,669,284	$ 1,339,747
Expenditures			
Instruction	$ 22,754,714	$ 22,421,463	$ 333,251
Instructional support	4,101,870	3,867,462	234,408
Administration	4,091,362	3,836,566	254,796
Maintenance	2,626,945	2,617,284	9,661
Transportation	1,400,916	1,394,042	6,874
Athletics	797,210	737,768	59,442
Other costs	109,152	107,943	1,209
Total expenditures	$ 35,882,169	$ 34,982,528	$ 899,641

In comparing 2014-15 results to 2013-14 results, several things become evident. Total revenues increased by approximately $1.34 million or 3.7% from the 2013-14 total. Looking a little closer, we can identify several important factors by category.

- Local revenues continued to decrease, and one of the factors is the Consumers Energy appeal and subsequent judgment from 2012. Through 2014-15, taxable values have continued to decrease as well as the property taxes generated.
- Local revenues received from the ISD and other districts increased by about $73,000 from 2013-14. MAISD Act 18 and transportation distributions exceeded expected levels, and the District billed more for NSU costs due to a change in the billing approach agreed upon by the five districts.

- State revenues increased due to an increase in the foundation allowance and increased allocation for Section 147C MPSERS Rate Stabilization funding. This program brought in over $1,600,000 for R-PS in 2014-15, but it was paid directly out to the State retirement system, so it did not impact the District's bottom line.
- Federal revenue increased by over $200,000. The District received higher allocations in Title grants and IDEA special education grants than in 2013-14.
- Interfund transfers and other sources increased very slightly. Several items in this category are irregular and unpredictable.

Compared to 2013-14 figures, total expenditures increased by approximately $900,000 in 2014-15 or 2.5% higher than 2013-14 levels. As detailed below, about $700,000 of 2014-15 expenditures were due to increased Section 147C MPSERS stabilization costs paid to the state. Without this large amount, 2014-15 is very comparable in total to 2013-14. In terms of a functional breakdown, there are several important factors that we can identify when comparing fiscal years:

- Instructional spending increased by approximately $333,000 from 2013-14 to 2014-15. Two big changes largely contributed to this difference. First, employee insurance costs in this area decreased by approximately $375,000 due to the plan year change, which allowed the District to recognize 10 months of insurance costs for the 2014-15 year. Next, pension costs increased by approximately $600,000 due to the change in rates and increased stabilization costs. Finally, other benefit costs increased by approximately $78,000 compared to 2013-14. Employee benefits costs accounted for over 92% of the increase in instructional costs in 2014-15.
- Instructional Support costs increased by approximately $234,000. Salaries and wages increased approximately $137,000 in this area, or 5.9%. One factor was the addition of an instructional specialist position to perform educator evaluations district-wide and provide professional development to teachers and administrators. Adjustments in itinerant and student support staffing levels also contributed to this increase. Nearly $149,000 of this increase came in the area of pension costs due to the change in rates and increased stabilization costs. These cost increases were largely offset by approximately $42,000 in lower non-personnel costs. Grant funding greatly impacts spending in this area, and the District will carry over significant amounts to 2014-15 in several categories.
- Administrative costs increased by approximately $255,000. Over $100,000 of this increase was due to increased MPSERS pension costs, largely due to the change in rates and increased stabilization costs. Insurance benefits increased approximately $20,000, or 5.3%. This is due to increased insurance caps under PA 152, but also changes in employee-elected coverage levels. Another increase of note is $121,000 more than last year within purchased services. Assorted smaller increases occurred throughout the District, while software and license costs increased due to TRIG funding through the State of Michigan by approximately $38,000. Some of these increases were offset by cost savings in capital outlay and miscellaneous cost allocations.
- Maintenance costs increased by approximately $10,000. The winter of 2014-15 was another rough one. The month of February was one of the coldest on record for West Michigan. Snowfall was also much higher than average. Total costs were comparable to 2013-14 as a result, but higher than we are used to in this area of the budget.
- Transportation costs increased by approximately $7,000. The District spent about $51,000 less on fuel and supplies than in 2013-14. This was offset by $40,000 more spent on contracted services, and $10,000 more in pension costs for District staff. Other smaller differences spread across the department made up the balance.
- Athletics spending increased by $59,000. The biggest factor contributing to this increase was over $20,000 more spent in pension costs. The next largest was the cost of Schedule C wages exceeding 2013-14 levels by about $8,000.

- Other costs increased by $1,200. This was due to capital spending for facilities improvements in 2014-15 that did not occur in 2013-14.

General Fund Revenue and Other Financing Sources

Revenues	**2014-15**	**Percent**	**2013-14**	**Percent**
State revenue	$ 28,532,404	79.2%	$ 27,332,455	78.8%
Federal revenue	2,342,634	6.5%	2,133,930	6.2%
Local sources	3,111,755	8.6%	3,252,909	9.4%
Local from other districts	1,942,066	5.4%	1,868,929	5.4%
Other sources	80,172	0.3%	81,061	0.2%
Total revenues	$ 36,009,031	100.0%	$ 34,669,284	100.0%

As indicated above, funding from the State of Michigan is the District's largest source of revenue, which accounts for nearly eighty percent of the total budget. Thus, the financial stability of the District rests primarily with the economic health of the State of Michigan. Local sources have continued to decline as property tax revenue has fallen with the Consumers Energy appeal and subsequent adjustment. Local sources received from other districts increased slightly due to Act 18 and Medicaid revenue distributions from MAISD. Other sources often represent special or non-recurring items which can be unpredictable from year-to-year.

General Fund Expenditures by Function

Expenditures	**2014-15**	**Percent**	**2013-14**	**Percent**
Instruction and Instructional Support	$ 26,856,584	74.8%	$ 26,288,925	75.1%
Business and Administration	4,091,362	11.4%	3,836,566	11.0%
Maintenance and Operations	2,626,945	7.3%	2,617,284	7.5%
Transportation	1,400,916	3.9%	1,394,042	4.0%
Athletics	797,210	2.2%	737,768	2.1%
Community, Transfers, and Other	109,152	0.4%	107,943	0.3%
Total expenditures	$ 35,882,169	100.0%	$ 34,982,528	100.0%

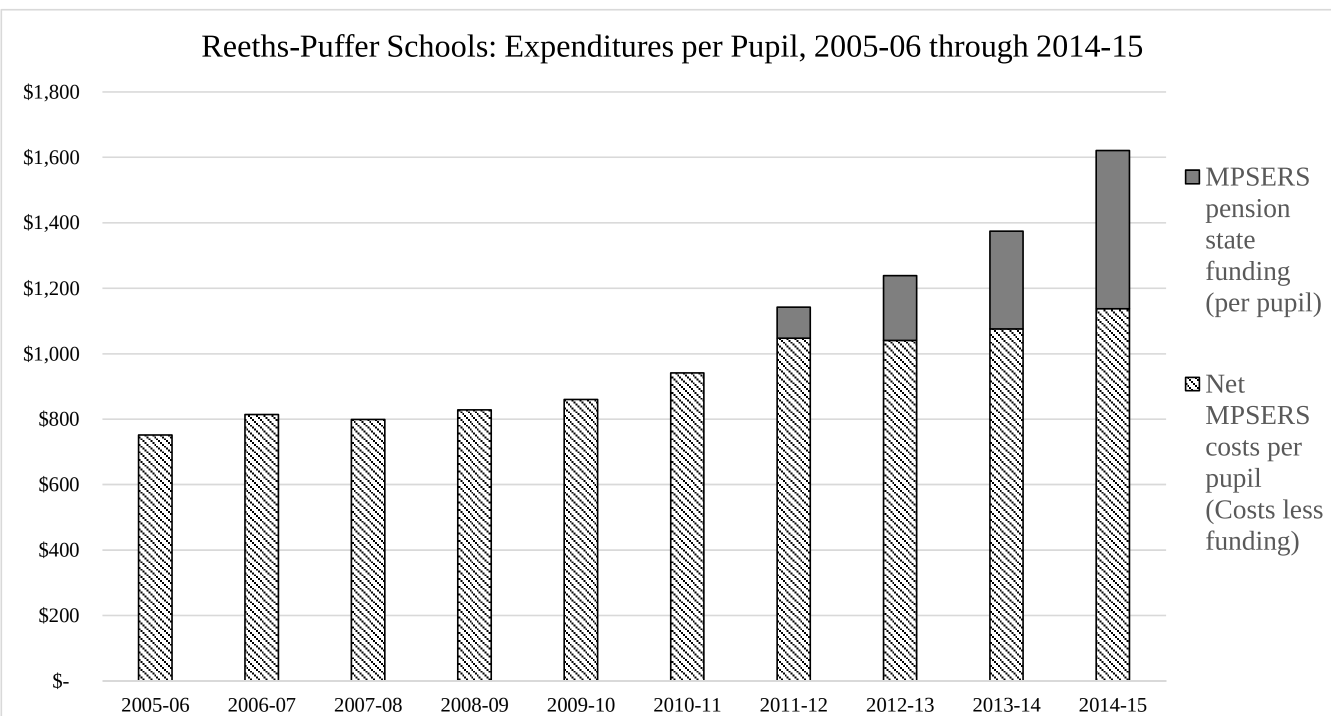
As indicated above, the District spends over 75% of its budget on direct classroom instruction and instructional support services. It should also be noted that the District spends 7.5% of its budget or approximately $682 per pupil on maintenance and operation costs and 4% or approximately $364 per pupil on transportation of its students.

The Effect of MPSERS Pension Changes

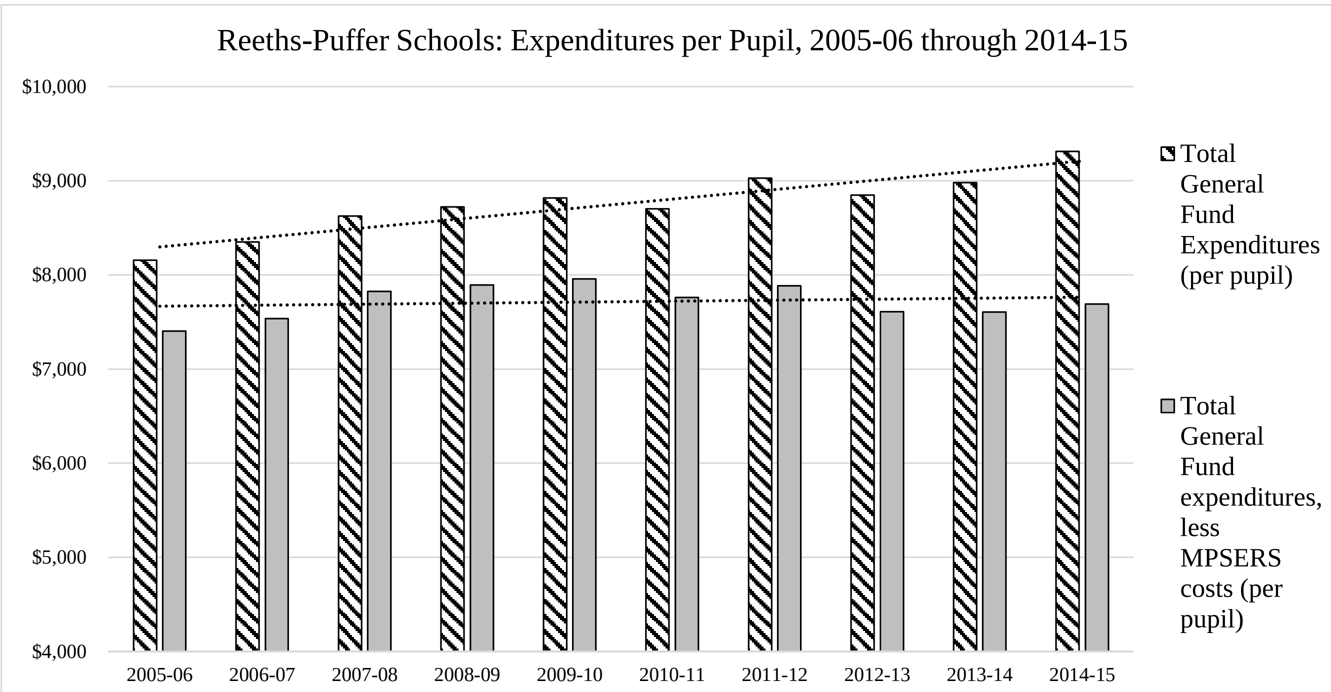
In the 2011-12 fiscal year, the State of Michigan implemented Section 147A MPSERS Offset funding, which provides additional revenue to offset increasing pension costs, without added costs to the District bottom line. In June 2013, the state announced Section 147C MPSERS Pension Stabilization funding, which provides additional revenue but also increased pension expenditures, leaving no impact on the bottom line. This program increased total revenue and total expenditures substantially. For a short period of time in 2014-15, the state also distributed pension stabilization funds through Section 147D MPSERS One-Time Liability funding. The general fund budget has increased substantially over the last four years as a result of these programs, as shown in the table below:

Fiscal Year:	2011-12		2012-13		2013-14		2014-15	
State Aid Section & Description	Amount	% of Payroll	Amount	% of Payroll	Amount	% of Payroll	Amount	% of Payroll
147A - "MPSERS Offset"	$ 364,749	2.0%	$ 388,080	2.2%	$ 247,745	1.4%	$ 254,922	1.4%
147C - "MPSERS Stabilization"	-	0.0%	367,581	2.1%	916,655	5.1%	1,565,454	8.6%
147D - "MPSERS One-time Liability"	-	0.0%	-	0.0%	-	0.0%	45,505	0.2%
Total	$ 364,749	2.0%	$ 755,661	4.3%	$ 1,164,400	6.5%	$ 1,865,881	10.2%

These amounts, while helping the District deal with skyrocketing pension costs and rates that have more than doubled in recent years, have inflated District costs as well. The total per-pupil pension obligation of the District has more than doubled over the past ten years, and the net cost for 2014-15 was $1,137 per pupil. Just four years ago, that figure was $942 per pupil. This trend over the last ten years is illustrated on a per-pupil basis in the graph below.



Without the additional funding and extra expenditures, the District's total general fund budget would be closer to $34 million in 2014-15 instead of approximately $36 million. The impact, shown in the graph below, is that while the District is spending more per-pupil in total, there is larger portion is going back into the State of Michigan MPSERS pension system. This means there is a flat or declining amount of resources that can be devoted to employee salaries, insurance benefits, supplies, and purchased services.



Other Governmental Funds – June 30, 2015

Other Governmental Funds - June 30, 2015	Technology and Security	Food Service	Debt Service	Building and Site
Beginning Balance	$ -	$ 325,991	$ 255,528	$ 470,341
Revenues	628,777	1,385,709	7,187,761	78,812
Expenditures	498,979	1,422,506	7,162,444	40,412
Ending Balance	$ 129,798	$ 289,194	$ 280,845	$ 508,741

As shown above, the District accounts for portions of its operations in separate funds from the General Fund. Generally, the classifications shown above are required by law. Each area shown above retains a healthy, appropriate amount of fund balance at June 30, 2015.

Currently known facts, decisions, and conditions affecting the 2015-16 School Year

2015-16 Initial General Fund Budget (June 2015 Budget Hearing)

The adopted budget for the 2015-16 fiscal year projects a deficit of $182,000. This budget will be amended to reflect updated factors such as foundation grant information, actual student counts, and final staffing levels. This budget is based upon certain assumptions as well as a net of $575,000 in estimated reductions. The main assumptions for the 2015-16 budget are:

- State funding is based upon the conference committee report, which at the time of printing has been approved by both House and Senate, and is expected to be signed into law by the Governor. The main points of the state budget as they pertain to the District are:
  - Foundation allowance – equity payments from prior years have been rolled into the foundation, and a "2x formula" increase is expected to yield the District an additional $140 per pupil, making the projected 2015-16 foundation allowance $7,391 per pupil.
  - Best practices section 22F – this section has been eliminated from the 2015-16 budget. In 2014-15, we received $50 per pupil, or approximately $190,000.
  - Student performance section 22J – this section has been eliminated from the 2015-16 budget. The district did not qualify for 22J funding in 2014-15.
  - At-Risk section 31A – the 2015-16 state budget makes a significant investment in At-Risk programs. The District will receive $52 per student in additional 31A funding, which is expected to yield approximately $200,000 in additional revenue. These funds will be devoted to literacy initiatives in early elementary classrooms.
  - MPSERS offset section 147A – this is expected to remain at the same level in the 2015-16 budget, helping to offset total pension costs. The District receives approximately $255,000 per year, which equates to about $66 per pupil.
  - Considering all state funding sections listed above, the District is expected to receive approximately $540,000 net increase in state aid funding, or about $142 per pupil.
  - MPSERS stabilization section 147C – this is the state-funded "in & out" portion of the MPSERS pension program, and is once again expected to increase. Using projected rates, our allocation will increase by $531,000, to a total of $2,140,000. Sections 147C & 147D equated to approximately $418 per pupil in 2014-15, and this is expected to increase by $145 to $563 per pupil in 2015-16.
- Pupil count – projected K-12 pupil count remains approximately 3,810 fte, the same level as 2014-15. Initial projections suggested a potential decline of 35 students, but a significant number of schools of choice applications submitted to R-PS have caused us to adjust our assumption to flat student enrollment. In addition to our traditional K-12 count, Reeths-Puffer will continue to keep our students in the Duck Creek alternative ed program on our rolls (about 43 student fte). In doing so, we retain state aid count for these students, and we will pay WLACE for program costs. The result is a projected total student count of approximately 3,853 students.
- Updated grant allocations –
  - Grant budgets for Title I-A and II-A are preliminary, pending MDE approval, and are based upon revenue allocations released by the State of Michigan. These two grants represent nearly $900,000 of the 2015-16 general fund budget.
  - IDEA grant budgets have been updated considering NSU consortium factors and initial 2015-16 allocations released by MAISD. Changes to the NSU consortium grant will likely decrease IDEA funding for our District, but increase inter-district billings to cover the cost of consortium programs. The total of IDEA grants is expected to be over $1.4 million in the 2015-16 general fund budget.

- Reduction in Medicaid revenue from MAISD of approximately 20%, or $40,000, for 2015-16, according to MAISD-released estimates from spring 2015.
- Reduction in USF e-rate funds by approximately 50%, or $20,000, due to changes in the program at the federal level.
- Updated MPSERS pension stabilization costs for Sections 147C, based upon the State of Michigan published rate of 10.53% of payroll for 2015-16. The State of Michigan discontinued Section 147D in 2014-15 due to mid-year budget reductions, but 147C continues as the state-subsidized portion of the pension program. The Section 147C estimate is $2,140,000, an increase of $531,000 over 2014-15 levels.
- McMillan transition – as approved in April 2015, McMillan Elementary will become McMillan Early Childhood Center. It will house early childhood programs, including GSRP, Head Start, and ECSE. White Lake Area Community Education will oversee daily operations. The District will save by shifting operational costs to WLACE. Additional savings will be realized in reductions and reassignment of staff.
- Staffing – initial planning projected significant staffing reductions, including layoffs. Updated enrollment projections, considering schools of choice applications, suggest greater need than originally considered. This budget is based all known placements as of June 9, 2015, and results in reduction of between 4-5 teaching positions for 2015-16 compared to 2014-15. Reductions are expected to be made through attrition.
- Compensation – salaries and wages are included at projected amounts. If there is not a specific change identified through settled contracts, amounts included in the budget are flat compared to 2014-15 amounts. R-PEA contract calls for an increase of 1% (½% on-schedule, ½% off-schedule) plus a mid-year step advancement for eligible individuals.
- Insurance benefits – insurance costs have been increased by 2.3%, or the allowable percentage increase under PA 152. For R-PEA members, a new baseline has been set for 2015-16, which required an increase of about $500,000. The 2014-15 budget saw the benefit of a restated plan year with only ten months' worth of expenditure for a one-time cost savings.
- Transportation – the District has awarded the transportation contract to Dean Transportation. The District should benefit from its partnership with Dean, especially in the areas of staff training and bus fleet upgrades. Program costs should be very similar to 2014-15, with any potential increases in 2015-16 due to initial transition-year costs.
- Reductions of one-time costs in the 2014-15 budget of approximately $50,000 that are not expected to be needed in the 2015-16 budget.
- Review of all other known factors, including staffing assignments and major contracts, have resulted in slight changes in other areas of the budget compared to the 2014-15 baseline.

Factoring in all the above assumptions leaves us with approximately $36.96 million in revenue and $37.14 million in expenditures for a projected spending deficit of $182,000. Our expected beginning fund balance for 2015-16 is approximately $2.9 million, or 8.1% of annual expenditures, and this amended budget will take us to approximately $2.72 million, or 7.3% of annual expenditures, at the conclusion of the 2015-16 year.

Consumers Energy Property Tax Appeal and Effects of Public Act 437 of 2012

In October 2011, the District became aware of significant property tax appeals entered into by Consumers Energy, the largest taxpayer in the District. On June 26, 2012, the City of Muskegon and Consumers Energy entered into a stipulation agreement that resulted in paybacks of over $4.5 million in property tax refunds to Consumers. Of this total, nearly $2 million was the responsibility of Reeths-Puffer Schools. Payments were made during 2012-13 to clear the District of liabilities that were previously accrued. Over $1.36 million in operating tax refunds was paid in August 2012, with the remainder of approximately $635,000 paid in January 2013.

Current and future taxable values have been negotiated between the City of Muskegon and Consumers Energy, with the total Consumers value in the Reeths-Puffer district declining from over $77 million in 2012, to approximately $28.5 million as of June 30, 2015. The impact of these declines, along with the implementation of Public Act 437 of 2012, have forced the District to increase tax rates.

Public Act 437 of 2012 requires a recalculation of the District's millage rate since the District participates in the School Bond Loan Fund. This recalculation is used to gauge compliance with the mandatory loan repayment date (MLRD), which occurs in the year 2033. A significant taxable value loss such as this puts the District in MLRD non-compliance, and requires a millage increase.

The millage rate for 2014-15 was increased by 1.0 mills to 9.37 mills, or an 11.49% increase, equal to the loss in taxable values experienced over the past five years. For 2015-16, a slight taxable value increase was experienced by the District. This increase forces the District to gain compliance with the MLRD, meaning an even bigger increase. The millage rate for 2015-16 will be 10.82 mills.

As of June 30, 2015, the District is pursuing refinancing opportunities to try to reduce interest costs on long-term debt. Administration is hopeful that taking advantage of refinancing opportunities will help mitigate any potential future millage increases, and will help the District reduce the millage rate in the longer term.

Post-Retirement Benefits

The District has a post-retirement benefit plan, created as a result of clauses in the collective bargaining agreement with the R-PEA, which guarantees certain insurance payments for up to ten years after retirement from the District. In 2014-15, the District utilized a pay-as-you-go method and recognized approximately $162,000 in costs. Per the actuary analysis, the District should have contributed approximately $235,000 as the required annual contribution, to offset increasing costs and keep the liability from increasing. The total estimated current liability in present value dollars is $1,030,535. This means if the program were discontinued today and no new members joined, this would be the cost for the District to pay its current members. Per GASB regulations, the District is not required to recognize this liability or the required annual contribution in the General Fund financial statements. This liability is recognized in the government-wide Statement of Net Position. The costs of this plan and the unfunded liability are projected to continue to increase in 2015-16 and beyond. The District will have to make a decision on how to fund this liability and deal with these costs. Discontinuing this program may prove difficult, as the majority of its entrants and the related costs come from a negotiated union contract. Another option may involve creating an internal service fund and setting funds aside on an annual basis to fund the increase in the liability. This would require appropriation of additional General Fund money not currently in the budget and would likely result in decreasing the General Fund balance until contributions catch up with the retiree insurance liability. For more information, see Note I in the footnotes to these financial statements.

Employee Contracts (MEA affiliates)

As of the report date, all organized labor groups are under contract for the 2015-16 year with settled contracts. The certified staff contract (teachers and professional instructional support) expires August 15, 2016. The contract with the maintenance/food service/transportation group was ratified on September 8, 2015, and expires June 30, 2018. The contract with the secretarial/para-professional group was ratified on September 8, 2015, and expires June 30, 2018.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show how the District accounts for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jason Helsen, Director of Finance, Reeths-Puffer Schools, 991 W. Giles Road, Muskegon, Michigan 49445, telephone number (231) 719-3110.

Reeths-Puffer Schools
STATEMENT OF NET POSITION
June 30, 2015

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 5,456,768
Receivables	85,273
Due from other governmental units	7,289,318
Inventories	10,102
Prepaid items	40,060
Total current assets	12,881,521
Noncurrent assets	
Capital assets, net	
Nondepreciable	934,170
Depreciable	52,734,325
Total noncurrent assets	53,668,495
Total assets	66,550,016
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	443,393
Related to pensions	5,605,542
Total deferred outflows of resources	6,048,935
Total assets and deferred outflows of resources	72,598,951
LIABILITIES	
Current liabilities	
State aid loans	4,800,000
Accounts payable and accrued liabilities	3,370,876
Due to other governmental units	868,475
Unearned revenue	19,100
Bonds and other obligations, due within one year	5,373,461
Total current liabilities	14,431,912
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	82,351,970
Net pension liability	47,678,648
Total noncurrent liabilities	130,030,618
Total liabilities	144,462,530
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	5,270,910
Total liabilities and deferred inflows of resources	149,733,440
NET POSITION	
Net investment in capital assets	(5,142,029)
Unrestricted	(71,992,460)
Total net position	**$ (77,134,489)**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

		Program Revenue		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for services**	**Operating grants and contributions**	**Governmental activities**
Governmental activities				
Instruction	$ 24,119,501	$ -	$ 5,724,885	$ (18,394,616)
Support services	13,085,912	67,851	3,582,756	(9,435,305)
Community services	35,886	-	32,541	(3,345)
Food services	1,344,246	418,619	960,477	34,850
Athletics	828,341	147,264	-	(681,077)
Interest on long-term debt	3,777,208	-	78,559	(3,698,649)
Unallocated depreciation	40,887	-	-	(40,887)
Total governmental activities	**$ 43,231,981**	**$ 633,734**	**$ 10,379,218**	(32,219,029)
General revenues				
Property taxes				8,246,936
Grants and contributions not restricted to specific programs				24,187,326
Investment earnings				10,398
Miscellaneous				99,407
Gain on sale of capital assets				4,649
Total general revenues				32,548,716
Change in net position				329,687
Net position at beginning of year, as restated				(77,464,176)
Net position at end of year				**$ (77,134,489)**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
BALANCE SHEET
Governmental Funds
June 30, 2015

	General Fund	Other governmental funds	Total governmental funds
ASSETS			
Cash and cash equivalents	$ 4,315,132	$ 1,141,636	$ 5,456,768
Receivables	85,273	-	85,273
Due from other governmental units	7,286,741	2,577	7,289,318
Due from other funds	-	206,869	206,869
Inventories	-	10,102	10,102
Prepaid items	40,060	-	40,060
Total assets	**$ 11,727,206**	**$ 1,361,184**	**$ 13,088,390**
LIABILITIES			
State aid loans	$ 4,800,000	$ -	$ 4,800,000
Accounts payable	219,425	7,116	226,541
Accrued liabilities	2,858,335	-	2,858,335
Due to other governmental units	868,475	-	868,475
Due to other funds	80,479	126,390	206,869
Unearned revenue	-	19,100	19,100
Total liabilities	8,826,714	152,606	8,979,320
FUND BALANCES			
Nonspendable			
Inventories	-	10,102	10,102
Prepaid items	40,060	-	40,060
Restricted			
Debt service	-	285,748	285,748
Food services	-	279,092	279,092
Technology	-	129,798	129,798
Committed for capital projects	-	508,741	508,741
Assigned to subsequent year's budget appropriations	182,095	-	182,095
Unassigned	2,678,337	(4,903)	2,673,434
Total fund balances	2,900,492	1,208,578	4,109,070
Total liabilities and fund balances	**$ 11,727,206**	**$ 1,361,184**	**$ 13,088,390**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

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

June 30, 2015

Total fund balances—governmental funds		$ 4,109,070
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.		
Cost of capital assets	$ 79,747,674	
Accumulated depreciation	(26,079,179)	53,668,495
Deferred charges on refunding are not capitalized and amortized in the governmental funds.		
Deferred charges on refunding	820,466	
Accumulated amortization	(377,073)	443,393
Deferred inflows and outflows of resources related to pensions are not reported in the governmental funds.		
Deferred outflows of resources - related to pensions	5,605,542	
Deferred inflows of resources - related to pensions	(5,270,910)	334,632
Accrued interest in governmental activities is not reported in the governmental funds.		(286,000)
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		(135,404,079)
Net position of governmental activities		**$ (77,134,489)**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Governmental Funds

For the year ended June 30, 2015

	General Fund	Other governmental funds	Total governmental funds
REVENUES			
Local sources			
Property taxes	$ 2,720,653	$ 5,526,283	$ 8,246,936
Received from other districts	1,942,066	628,777	2,570,843
Investment earnings	5,286	5,112	10,398
Fees and charges	215,115	418,619	633,734
Other	170,701	10,333	181,034
Total local sources	5,053,821	6,589,124	11,642,945
State sources	28,532,404	52,468	28,584,872
Federal sources	2,342,634	986,568	3,329,202
Total revenues	35,928,859	7,628,160	43,557,019
EXPENDITURES			
Current			
Instruction	22,754,714	-	22,754,714
Support services	13,018,303	498,979	13,517,282
Community services	35,966	-	35,966
Food services	-	1,349,006	1,349,006
Debt service			
Principal	-	3,502,304	3,502,304
Interest and other charges	-	3,660,106	3,660,106
Capital projects	-	40,412	40,412
Total expenditures	35,808,983	9,050,807	44,859,790
Excess (deficiency) of revenues over (under) expenditures	119,876	(1,422,647)	(1,302,771)
OTHER FINANCING SOURCES (USES)			
Transfers in	73,500	73,220	146,720
Transfers out	(73,186)	(73,534)	(146,720)
Loan proceeds	-	1,579,679	1,579,679
Proceeds from sale of capital assets	6,672	-	6,672
Total other financing sources (uses)	6,986	1,579,365	1,586,351
Net change in fund balances	126,862	156,718	283,580
Fund balances at beginning of year	2,773,630	1,051,860	3,825,490
Fund balances at end of year	**$ 2,900,492**	**$ 1,208,578**	**$ 4,109,070**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

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

For the year ended June 30, 2015

Net change in fund balances—total governmental funds		$ 283,580
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.		
Depreciation expense	$ (2,208,122)	
Capital outlay	176,563	(2,031,559)
Governmental funds report the entire proceeds from the sale of capital assets but the Statement of Activities reports only the gain or loss on the sale of capital assets.		(2,023)
Governmental funds report outlays for deferred charges on refunding as expenditures; in the Statement of Activities these costs are amortized over the bond period.		(43,660)
Debt proceeds are other financing sources in the governmental funds, but debt proceeds and accrued interest added to principal increase long-term debt in the Statement of Net Position.		(3,523,843)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.		5,354,026
Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.		19,000
Compensated absences and post-employment benefits reported in the Statement of Activities do not require the use of current financial resources. They are reported as expenditures when financial resources are used in the governmental funds.		(65,774)
Some pension related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		339,940
Change in net position of governmental activities		**$ 329,687**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Fiduciary Funds

June 30, 2015

	Agency funds
ASSETS	
Cash and cash equivalents	$ 429,550
Receivables	6,588
	$ 436,138
LIABILITIES	
Accounts payable	$ 88,882
Deposits held for others	347,256
	$ 436,138

The accompanying notes are an integral part of this statement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Reeths-Puffer Schools (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School District is considered to be financially accountable for other organizations, those organizations should be included as component units in the School District’s financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The fund financial statements provide information about the School District’s funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

Additionally, the School District reports the following fund types:

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

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

The capital projects funds account for the financial resources to be used for the acquisition of fixed assets or construction of major capital projects.

The agency fund is custodial in nature and used to account for assets held by the School District as an agent for another organization or individual.

During the course of operations the School District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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, early retirement obligations and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the current fiscal year, the foundation allowance was based on pupil membership counts taken in October and February.

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

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 governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

Cash and Investments

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the School District are reported at fair value (generally based on quoted market prices). Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Cash and Investments—Continued
State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

Inventories and Prepaid Items
All inventories are valued at cost using the first-in/first-out method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets
Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

As the School District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment, of the School District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Years
Buildings and improvements	10-50
Land improvements	20
Vehicles	10
Furniture and equipment	10-20

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Long-term Obligations
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

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

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

Deferred Outflows/Inflows of Resources
In addition to assets, the Statement of Net 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 will not be recognized as an outflow of resources (expense/expenditures) until that time.

In addition to liabilities, the Statement of Net 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 resources (revenue) until that time.

Net Position Flow Assumption
Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts 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.

In the computation of net investment in capital assets, School Bond Loan Fund and School Loan Revolving Fund debt is not considered to be capital related debt.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance 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 of the 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.

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

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

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

Revenues and Expenditures/Expenses

Program Revenues
Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes
Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Compensated Absences
The liability for compensated absences reported in the government-wide statement consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees, and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Early Retirement Obligations
For government-wide financial statements, the liability for early retirement obligations is reported when legally enforceable. For fund financial statements, the liability for early retirement obligations is reported either 1) on the due date when there is a specified due date or 2) on the retirement date if it is before year end, when there is not a specified legally enforceable due date.

NOTE B—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting
Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Director of Finance is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2015.

Fund Deficits
As of June 30, 2015, the 2006 Refunding Debt Service Fund had a deficit of $4,903. The deficit will be eliminated through future transfers.

NOTE C—DEPOSITS AND INVESTMENTS

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 the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

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 investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2015, $5,658,688 of the School District's bank balance of $6,349,802 was exposed to custodial credit risk because it was uninsured; however, the School District had collateralized securities held by the pledging financial institution’s trust department or agent in the School District’s name with a market value of $4,527,010 as of June 30, 2015 .

Custodial credit risk - investments

The School District does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk

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

NOTE D—CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ 474,150	$ -	$ -	$ 474,150
Land improvements	460,020	-	-	460,020
Total capital assets, not being depreciated	934,170	-	-	934,170
Capital assets, being depreciated:				
Land improvements	60,148	-	-	60,148
Buildings and improvements	73,188,619	103,226	-	73,291,845
Furniture and equipment	2,867,007	40,767	5,779	2,901,995
Vehicles	2,727,105	32,570	200,159	2,559,516
Total capital assets, being depreciated	78,842,879	176,563	205,938	78,813,504
Less accumulated depreciation:				
Land improvements	17,144	3,007	-	20,151
Buildings and improvements	20,882,537	1,805,204	-	22,687,741
Furniture and equipment	1,060,048	257,699	3,756	1,313,991
Vehicles	2,115,243	142,212	200,159	2,057,296
Total accumulated depreciation	24,074,972	2,208,122	203,915	26,079,179
Total capital assets, being depreciated, net	54,767,907	(2,031,559)	2,023	52,734,325
Capital assets, net	**$ 55,702,077**	**$ (2,031,559)**	**$ 2,023**	**$ 53,668,495**

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	$ 1,632,247
Support services	453,181
Food services	2,774
Athletics	79,033
Unallocated	40,887
	$ 2,208,122

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015 is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
Other governmental funds	General Fund	$ 80,479
Other governmental funds	Other governmental funds	126,390
		$ 206,869

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

Interfund Transfers

The General Fund transferred $73,186 to the Building and Site Fund to help fund future improvements. The Food Service Fund transferred $73,500 to the General Fund to cover allowable indirect costs.

NOTE F—SHORT-TERM DEBT

The School District issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. The short-term debt activity for the year ended June 30, 2015 follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
State aid anticipation note				
2013/2014 .84% due August 2014	$ 4,800,000	$ -	$ 4,800,000	$ -
2014/2015 .7% due August 2015	-	4,800,000	-	4,800,000
	$ 4,800,000	**$ 4,800,000**	**$ 4,800,000**	**$ 4,800,000**

NOTE G—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include the School Bond Loan Fund and School Loan Revolving Fund.

NOTE G—LONG-TERM OBLIGATIONS—Continued

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

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within one year
Governmental activities					
Bonds	$ 62,927,003	$ 1,084,046	$ 5,300,000	$ 58,711,049	$ 5,265,461
Premium	629,086	-	56,619	572,467	-
Discount	(32,193)	-	(2,593)	(29,600)	-
Other obligations	24,291,257	2,439,797	-	26,731,054	-
Compensated absences and post-employment benefits	1,077,687	316,203	191,929	1,201,961	-
Early retirement obligations	597,000	51,000	109,500	538,500	108,000
	$ 89,489,840	**$ 3,891,046**	**$ 5,655,455**	**$ 87,725,431**	**$ 5,373,461**

In the previous schedule, the additions for bonds represent $1,084,046 of accrued interest added to principal on capital appreciation bonds. The additions for other obligations represent new School Loan Revolving Fund proceeds of $1,579,679 as well as $513,780 of accrued interest added to principal on the School Bond Loan Fund and $346,338 of accrued interest added to principal on the School Loan Revolving Fund.

General obligation bonds and other obligations consist of the following:

	Interest Rate	Date of Maturity	Balance
Governmental activities			
General obligation bonds			
1992 School Building and Site Capital Appreciation Bond	6.8-6.85%	May 2022	$ 13,159,243
1992 Refunding Capital Appreciation Bond	6.8%	May 2017	1,236,806
2005 Refunding General Obligation Bond	4-4.375%	May 2026	1,800,000
2006 Refunding General Obligation Bond	4-4.2%	May 2027	5,170,000
2007 Refunding General Obligation Bond	4-5%	May 2025	20,370,000
2010 School Building and Site Qualified School Construction	2.25%	May 2025	12,975,000
2010 School Building and Site Build America Bonds	5.9-6.1%	May 2029	4,000,000
			$ 58,711,049
Other obligations			
School Bond Loan Fund	3.41%	May 2033	$ 15,417,454
School Loan Revolving Fund	3.41%	May 2033	2,440,810
School Loan Revolving Fund	3.41%	May 2033	8,002,370
School Loan Revolving Fund	3.41%	May 2033	870,420
			$ 26,731,054

NOTE G—LONG-TERM OBLIGATIONS—Continued

The annual requirements of principal and interest to amortize the bonded debt and early retirement obligations outstanding as of June 30, 2015 follow:

Year ending June 30,	Principal	Interest	Total
2016	$ 5,373,461	$ 1,891,392	$ 7,264,853
2017	5,328,467	1,927,248	7,255,715
2018	5,277,172	1,967,631	7,244,803
2019	5,201,421	2,020,657	7,222,078
2020	5,139,981	2,083,672	7,223,653
2021-2025	24,224,047	6,680,414	30,904,461
2026-2029	8,705,000	900,551	9,605,551
	$ 59,249,549	**$ 17,471,565**	**$ 76,721,114**

NOTE H—EMPLOYEE BENEFITS

Employee Retirement System

Plan Description
The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html.

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.

NOTE H—EMPLOYEE BENEFITS—Continued

Pension Reform 2010

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

Pension Reform 2012

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

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

Employees in the Pension Plus and DC plans are immediately vested in their own contributions and earnings on those contributions. The employee becomes vested in the employer match contribution at the following rates: 50% after two years of service, 75% after three years of service, and 100% after four years of service. Non-vested contributions are forfeited upon termination of employment. Forfeitures during a plan year are credited to a forfeitures account. Forfeitures are first applied to restore any forfeited amounts that are required to be restored. The remaining amounts in the forfeitures account may be maintained in reserve, used to cover a portion of the plan's administrative expenses or offset future employer contributions, as determined by the plan administrator.

Regular Retirement

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

NOTE H—EMPLOYEE BENEFITS—Continued

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

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

The schedule below summarizes pension contribution rates in effect for the System's fiscal year ended September 30, 2014.

Pension Contribution Rates

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

The School District's pension contributions for the year ended June 30, 2015 were equal to the required contribution total. Pension contributions were approximately $6,420,000, including the Section 147 contributions.

For the year ended June 30, 2015, the School District and employee defined contribution plan contributions were approximately $51,000 and $56,000, respectively.

NOTE H—EMPLOYEE BENEFITS—Continued

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

At June 30, 2015, the School District reported a liability of $47,678,648 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 date of September 30, 2013, and rolled-forward using generally accepted actuarial procedures. The School District's proportionate share of the net pension liability was based on its statutorily required contributions in relation to all participating school districts' statutorily required contributions for the measurement period. At September 30, 2014, the School District's proportion was .21646 percent.

For the year ended June 30, 2015, the School District recognized pension expense of $3,862,104. 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
Changes of assumptions	$ 1,759,240	$ -
Net difference between projected and actual earnings on pension plan investments	-	5,270,894
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	16
School District contributions subsequent to the measurement date	3,846,302	-
Total	$ 5,605,542	$ 5,270,910

NOTE H—EMPLOYEE BENEFITS—Continued

The School District contributions subsequent to the measurement date of $3,846,302 reported as deferred outflows of resources related to pensions above, 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	$	(860,271)
2017		(860,271)
2018		(860,271)
2019		(930,857)

Actuarial assumptions

Valuation Assumptions

Investment rate of return –	8% a year for the Non-Hybrid groups and 7% a year for the Hybrid group (Pension Plus plan), both rates are compounded annually net of investment and administrative expenses.
Salary increases –	3.5%
Inflation –	2.5%
Cost-of-living adjustments –	3% annual non-compounded for MIP members

Mortality Assumptions

The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience Study

The annual actuarial valuation report of the System used for these statements is dated September 30, 2013. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an actuarial experience study for the period October 1, 2007 to September 30, 2012. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

NOTE H—EMPLOYEE BENEFITS—Continued

Long-Term Expected Rate of Return on Investments
The long-term expected rate of return on pension plan investments was determined using a 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	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.

Discount rate
The discount rate used to measure the total pension liability was 8 percent (7 percent for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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
The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8 percent (7 percent for Pension Plus Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Lower (7%)	Discount Rate (8%)	1% Higher (9%)
School District's proportionate share of the net pension liability	$ 62,860,146	$ 47,678,648	$ 34,888,012

NOTE H—EMPLOYEE BENEFITS—Continued

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here: http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html.

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

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

Retiree Healthcare Reform of 2012
Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional service or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Employer Contributions
The School District's postemployment healthcare contributions to MPSERS for the year ended June 30, 2015 were approximately $422,000.

NOTE I—POST-EMPLOYMENT HEALTH CARE PLAN

Plan Description

Pursuant to employment contracts, certain employees electing early retirement are eligible to receive post-retirement health and life insurance benefits through the Reeths-Puffer Schools Post-Retirement Medical Plan (Plan). Benefits terminate the month the person attains eligibility for full social security benefits, or dies, whichever occurs first; however, no more than ten (10) years of payments will be made.

Funding Policy

Retirees are not required to contribute to the Plan. The School District funds the Plan on a pay-as-you-go basis. The annual cost of these benefits per retiree ranged from approximately $300 to $3,700, provided to approximately 90 participants.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 251,340
Interest on net OPEB obligation	36,107
Adjustment to annual required contribution	(52,202)
Annual OPEB cost (expense)	235,245
Contributions made	107,395
Increase in net OPEB obligation	127,850
Net OPEB obligation - beginning of year	902,685
Net OPEB obligation - end of year	**$ 1,030,535**

NOTE I—POST-EMPLOYMENT HEALTH CARE PLAN—Continued

Annual OPEB Cost and Net OPEB Obligation—Continued

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015 is as follows:

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/13	$ 321,125	53.5	$ 744,386
06/30/14	327,508	51.7	902,685
06/30/15	235,245	45.7	1,030,535

The funded status of the Plan as of July 1, 2014, was as follows:

Market value of plan assets	$ -
Actuarial accrued liability (AAL)	2,391,459
Unfunded actuarial accrued liability	**$ 2,391,459**
Funded ratio (actuarial value of plan assets/AAL)	0 %

Actuarial valuations of an ongoing 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 health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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 Plan members not contributing to the Plan. 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.

The required contribution was determined as part of the July 1, 2014 actuarial valuation using the Projected Unit Credit (level dollar) actuarial cost method. The actuarial assumptions included (a) 4 percent discount rate, (b) an annual healthcare trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after 5 years. Both rates assume include a 5 percent inflation assumption. The Plan’s unfunded actuarial accrued liability is being amortized as a level dollar on an open basis. The remaining amortization period at June 30, 2015 is 30 years.

NOTE J—COMMITMENTS AND CONTINGENCIES

Operating Leases

The School District has lease agreements expiring at various dates through June 2018. Expense for the year ended June 30, 2015 was approximately $189,000. The following is a schedule of future minimum rental payments required under operating leases for School District office equipment.

Year ending June 30,	Amount
2016	$ 189,409
2017	96,102
2018	2,794
	$ 288,305

Grant Programs

The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Litigation

The School District is a defendant in a lawsuit. Although the outcome of the lawsuit is not presently determinable, in the opinion of the School District's legal counsel, the resolution of the matter will not have a material adverse effect on the financial condition of the School District.

Commitments

As of June 30, 2015, the School District had approved technology commitments of approximately $69,000.

NOTE K—OTHER INFORMATION

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2015 or any of the prior three years.

NOTE L—SUBSEQUENT EVENT

State Aid Anticipation Note
In August 2015, the School District received the proceeds of a $6,000,000 State of Michigan (State) school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity in August 2016 and bears interest at the rate of 1.06 percent per annum. The School District pledged for payment of the notes payable, the amount of State school aid to be received plus the full faith, credit, and resources of the School District.

Commitments
Subsequent to June 30, 2015, the School District approved technology commitments totaling approximately $309,000.

Bond Refunding
On August 17, 2015, the Reeths-Puffer Board of Education approved an authorizing resolution to refund outstanding 2005 Refunding Bonds, 2010 Build America Bonds, and the District's School Bond Loan Fund balance. The District is expected to take advantage of over $3,000,000 in total interest savings as a result of this refunding. The District will issue Series A as $5,445,000 of tax-exempt bonds, and Series B as $27,930,000 of federally taxable bonds. Both Series A and Series B bonds were priced on October 8, 2015, and the bond sale is expected to close on November 3, 2015. The bonds will be payable in varying annual installments plus interest, with maturities ranging from 2016 to 2029.

NOTE M—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2015, the School District adopted the following Governmental Accounting Standards Board (GASB) Statements:

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*

GASB Statement No. 68 requires governments that participate in cost-sharing defined benefit pension plans to report their proportionate share of the plan's net pension liability in their statement of net position.

GASB Statement No. 71 addressed the issue of contributions made to the cost-sharing defined benefit plans after the measurement date for the year in which GASB Statement No. 68 is implemented.

The restatement of the beginning of the year net position is as follows:

	Governmental activities
Beginning net position	$ (29,780,220)
Deferred outflows of resources - related to pensions	3,036,633
Net pension liability	(50,720,589)
Beginning net position, as restated	**$ (77,464,176)**

The effect on the change in net position of the prior year is undeterminable.

NOTE N—UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement 75—*Accounting and Financial Reporting for Postemployment Benefits other than Pensions* was issued by the GASB in June 2015 and will be effective for the School District’s 2018 fiscal year. The statement requires governments that participate in postemployment benefits other than pensions (OPEB) to report in their Statement of Net Position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Cost-sharing employers will be required to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The net OPEB liability recorded in the Statement of Net Position on July 1, 2017 will be very significant.

REQUIRED SUPPLEMENTARY INFORMATION

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2015

	Budgeted amounts			Variance with final budget-positive
	Original	Final	Actual	(negative)
REVENUES				
Local revenue				
Local sources	$ 3,360,500	$ 2,996,100	$ 3,111,755	$ 115,655
Received from other districts	1,739,000	1,903,000	1,942,066	39,066
State sources	28,339,000	28,483,000	28,532,404	49,404
Federal sources	2,311,324	2,456,866	2,342,634	(114,232)
Incoming transfers and other transactions	225,000	106,000	80,172	(25,828)
Total revenues	35,974,824	35,944,966	36,009,031	64,065
EXPENDITURES				
Instruction				
Basic programs	17,815,397	17,712,581	17,677,750	34,831
Added needs	4,833,854	4,834,552	4,752,787	81,765
Adult education	300,000	322,000	324,177	(2,177)
Support services				
Pupil	2,784,778	2,854,109	2,875,734	(21,625)
Instructional staff	1,259,837	1,323,765	1,226,136	97,629
General administration	449,274	711,116	688,875	22,241
School administration	2,338,559	2,365,542	2,371,590	(6,048)
Business	514,612	523,202	495,100	28,102
Operations and maintenance	2,578,726	2,645,973	2,626,945	19,028
Pupil transportation services	1,360,294	1,488,144	1,400,916	87,228
Central	725,559	552,742	535,797	16,945
Athletics	740,144	785,836	797,210	(11,374)
Community services	32,141	32,476	35,966	(3,490)
Outgoing transfers and other transactions	73,186	73,181	73,186	(5)
Total expenditures	35,806,361	36,225,219	35,882,169	343,050
Excess (deficiency) of revenues over (under) expenditures	**$ 168,463**	**$ (280,253)**	126,862	**$ 407,115**
Fund balance at beginning of year			2,773,630	
Fund balance at end of year			**$ 2,900,492**	

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

Reeths-Puffer Schools

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the School District's Proportionate Share of the Net Pension Liability

Michigan Public School Employees Retirement System

Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
School District's proportion of the net pension liability (%)	0.21646%	-	-	-	-	-	-	-	-	-
School District's proportionate share of the net pension liability	$ 47,678,648	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered-employee payroll	$ 18,395,418	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.19%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	66.20%	-	-	-	-	-	-	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Contributions
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contributions	$ 3,361,758	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily required contributions	3,361,758	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
School District's covered-employee payroll	$ 18,535,877	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	18.14%	-	-	-	-	-	-	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

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 SUPPLEMENTAL INFORMATION

Reeths-Puffer Schools
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2015

	Total other governmental funds	Special Revenue: Food Service	Special Revenue: Technology	Debt Service	Building & Site
ASSETS					
Cash and cash equivalents	$ 1,141,636	$ 410,761	$ -	$ 295,320	$ 435,555
Due from other governmental units	2,577	963	1,614	-	-
Due from other funds	206,869	-	133,683	-	73,186
Inventories	10,102	10,102	-	-	-
Total assets	**$ 1,361,184**	**$ 421,826**	**$ 135,297**	**$ 295,320**	**$ 508,741**
LIABILITIES					
Accounts payable	$ 7,116	$ 217	$ 5,499	$ 1,400	$ -
Due to other funds	126,390	113,315	-	13,075	-
Unearned revenue	19,100	19,100	-	-	-
Total liabilities	152,606	132,632	5,499	14,475	-
FUND BALANCES					
Nonspendable for inventories	10,102	10,102	-	-	-
Restricted					
Debt service	285,748	-	-	285,748	-
Food service	279,092	279,092	-	-	-
Technology	129,798	-	129,798	-	-
Committed for capital projects	508,741	-	-	-	508,741
Unassigned	(4,903)	-	-	(4,903)	-
Total fund balances	1,208,578	289,194	129,798	280,845	508,741
Total liabilities and fund balances	**$ 1,361,184**	**$ 421,826**	**$ 135,297**	**$ 295,320**	**$ 508,741**

Reeths-Puffer Schools
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended June 30, 2015

	Total other governmental funds	Special Revenue: Food Service	Special Revenue: Technology	Debt Service	Building & Site
REVENUES					
Local sources					
Property taxes	$ 5,526,283	$ -	$ -	$ 5,526,283	$ -
Received from other districts	628,777	-	628,777	-	-
Investment earnings	5,112	856	-	3,206	1,050
Fees and charges	418,619	418,619	-	-	-
Other	10,333	5,757	-	-	4,576
Total local sources	6,589,124	425,232	628,777	5,529,489	5,626
State sources	52,468	52,468	-	-	-
Federal sources	986,568	908,009	-	78,559	-
Total revenues	7,628,160	1,385,709	628,777	5,608,048	5,626
EXPENDITURES					
Food service	1,349,006	1,349,006	-	-	-
Technology	498,979	-	498,979	-	-
Debt service					
Principal	3,502,304	-	-	3,502,304	-
Interest and other charges	3,660,106	-	-	3,660,106	-
Capital projects	40,412	-	-	-	40,412
Total expenditures	9,050,807	1,349,006	498,979	7,162,410	40,412
Excess (deficiency) of revenues over (under) expenditures	(1,422,647)	36,703	129,798	(1,554,362)	(34,786)
OTHER FINANCING SOURCES (USES)					
Transfers in	73,220	-	-	34	73,186
Transfers out	(73,534)	(73,500)	-	(34)	-
Loan proceeds	1,579,679	-	-	1,579,679	-
Total other financing sources (uses)	1,579,365	(73,500)	-	1,579,679	73,186
Net change in fund balances	156,718	(36,797)	129,798	25,317	38,400
Fund balances at beginning of year	1,051,860	325,991	-	255,528	470,341
Fund balances at end of year	**$ 1,208,578**	**$ 289,194**	**$ 129,798**	**$ 280,845**	**$ 508,741**

Reeths-Puffer Schools
COMBINING BALANCE SHEET
Other Debt Service Funds
June 30, 2015

	Total Other Debt Service Funds	1992 Refunding	1992 Debt	2005 Refunding	2006 Refunding	2010-A Qualified School Construction Bonds Debt	2010-B Build America Bonds Debt	2007 Refunding
ASSETS								
Cash and cash equivalents	**$ 295,320**	**$ 35,577**	**$ 72,495**	**$ 10,508**	**$ 5,172**	**$ 57,635**	**$ 2,035**	**$ 111,898**
LIABILITIES								
Accounts payable	$ 1,400	$ 600	$ 800	$ -	$ -	$ -	$ -	$ -
Due to other funds	13,075	-	-	-	10,075	2,947	53	-
Total liabilities	14,475	600	800	-	10,075	2,947	53	-
FUND BALANCES (DEFICITS)	280,845	34,977	71,695	10,508	(4,903)	54,688	1,982	111,898
Total liabilities and fund balances	**$ 295,320**	**$ 35,577**	**$ 72,495**	**$ 10,508**	**$ 5,172**	**$ 57,635**	**$ 2,035**	**$ 111,898**

Reeths-Puffer Schools
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
Other Debt Service Funds
For the year ended June 30, 2015

	Total Other Debt Service Funds	1992 Refunding	1992 Debt	2005 Refunding	2006 Refunding	2010-A Qualified School Construction Bonds Debt	2010-B Build America Bonds Debt	2007 Refunding
REVENUES								
Local sources								
Property taxes	$ 5,526,283	$ 654,661	$ 1,344,709	$ 200,526	$ 100,264	$ 1,073,408	$ 64,877	$ 2,087,838
Investment earnings	3,206	409	815	107	55	570	66	1,184
Total local sources	5,529,489	655,070	1,345,524	200,633	100,319	1,073,978	64,943	2,089,022
Federal sources	78,559	-	-	-	-	-	78,559	-
Total revenues	5,608,048	655,070	1,345,524	200,633	100,319	1,073,978	143,502	2,089,022
EXPENDITURES								
Debt service								
Principal	3,502,304	163,601	333,703	180,000	-	1,025,000	-	1,800,000
Interest and other charges	3,660,106	591,999	1,207,097	82,811	215,035	315,750	244,250	1,003,164
Total expenditures	7,162,410	755,600	1,540,800	262,811	215,035	1,340,750	244,250	2,803,164
Excess (deficiency) of revenues over (under) expenditures	(1,554,362)	(100,530)	(195,276)	(62,178)	(114,716)	(266,772)	(100,748)	(714,142)
OTHER FINANCING SOURCES (USES)								
Transfers in	34	-	-	-	-	34	-	-
Transfers out	(34)	-	-	-	-	-	(34)	-
Loan proceeds	1,579,679	100,710	207,290	63,765	115,060	271,067	101,601	720,186
Total other financing sources (uses)	1,579,679	100,710	207,290	63,765	115,060	271,101	101,567	720,186
Net change in fund balances	25,317	180	12,014	1,587	344	4,329	819	6,044
Fund balances (deficits) at beginning of year	255,528	34,797	59,681	8,921	(5,247)	50,359	1,163	105,854
Fund balances (deficits) at end of year	**$ 280,845**	**$ 34,977**	**$ 71,695**	**$ 10,508**	**$ (4,903)**	**$ 54,688**	**$ 1,982**	**$ 111,898**

Reeths-Puffer Schools
CONTENTS OF THE STATISTICAL SECTION

This part of the Reeths-Puffer Schools' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health. Many of the schedules present data for the past ten fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statement.

Contents	**Pages**
Financial Trends	71 - 74
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	75 - 78
These schedules contain information to help the reader assess locally levied taxes.	
Debt Capacity	79 - 83
These schedules present information to help the reader assess the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	84 - 85
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	86 - 91
These schedules contain data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: Certain information presented in these schedules is derived from previous years' audit reports and the corresponding statistical sections. Sources of data pulled from local, state, and federal sources have been noted by schedule.

Reeths-Puffer Schools
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net Position by Component										
Governmental Activities										
Net investment in capital assets	$ (5,142,029)	$ (7,334,766)	$ (9,052,648)	$ (9,899,733)	$ (10,812,829)	$ (12,017,682)	$ (12,754,706)	$ (13,722,689)	$ (14,527,582)	$ (15,872,134)
Restricted for:										
Food services	-	325,991	355,166	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	894,191	1,056,524	958,541	752,739	184,159
Unrestricted	(71,992,460)	(22,771,445)	(19,523,254)	(15,676,941)	(11,641,407)	(11,077,260)	(10,310,735)	(9,687,265)	(9,150,588)	(8,248,222)
Total Governmental Net Position	$ (77,134,489)	$ (29,780,220)	$ (28,220,736)	$ (25,576,674)	$ (22,454,236)	$ (22,200,751)	$ (22,008,917)	$ (22,451,413)	$ (22,925,431)	$ (23,936,197)

Source: District audited financial statements.

Reeths-Puffer Schools

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental Activities										
Instruction	$ 24,119,501	$ 24,181,513	$ 22,968,670	$ 23,032,735	$ 22,873,918	$ 23,291,126	$ 23,144,537	$ 22,605,530	$ 21,104,919	$ 20,048,837
Support Services	13,085,912	12,320,667	12,150,567	13,517,984	13,206,390	12,789,934	12,780,190	13,027,303	12,817,105	12,886,432
Community Services	35,886	34,757	156,811	373,689	387,533	320,000	28,568	24,855	41,761	86,230
Food Services	1,344,246	1,341,406	1,357,069	1,335,695	1,242,266	1,305,144	1,256,482	1,260,488	1,125,776	1,180,925
Athletics	828,341	816,805	665,547	698,173	651,156	818,345	876,673	845,585	753,139	744,492
Interest on long-term debt	3,777,208	3,863,485	4,014,075	4,106,619	4,188,920	3,972,458	4,059,962	4,058,254	4,142,323	4,403,356
Unallocated depreciation and amortization	40,887	40,887	120,878	109,468	74,866	60,501	55,110	55,107	1,368,306	1,331,175
Total Expenses	43,231,981	42,599,520	41,433,617	43,174,363	42,625,049	42,557,508	42,201,522	41,877,122	41,353,329	40,681,447
Program Revenues										
Governmental Activities										
Charge for services:										
Instruction	-	-	-	-	-	-	-	1,385	2,500	12,808
Support services	67,851	73,878	76,986	71,153	62,121	73,320	106,221	105,825	106,961	116,562
Community services	-	-	133,617	150,531	162,341	98,466	-	-	15,000	29,500
Food services	418,619	384,717	383,486	411,163	457,911	558,342	555,255	555,131	595,589	622,493
Athletics	147,264	132,883	126,433	123,226	132,492	157,333	160,392	168,055	172,881	156,512
Operating grants and contributions	10,379,218	8,617,345	8,171,746	8,000,200	9,180,738	9,740,926	7,147,206	5,265,308	5,462,459	4,980,535
Total Program Revenues	11,012,952	9,208,823	8,892,268	8,756,273	9,995,603	10,628,387	7,969,074	6,095,704	6,355,390	5,918,410
Net Expenses	(32,219,029)	(33,390,697)	(32,541,349)	(34,418,090)	(32,629,446)	(31,929,121)	(34,232,448)	(35,781,418)	(34,997,939)	(34,763,037)
General Revenues										
Governmental Activities										
Property Taxes	8,246,936	7,940,154	8,093,732	8,364,053	9,280,309	9,473,774	9,096,143	9,067,139	8,340,700	7,848,556
Grants and contributions not restricted to specific programs	24,187,326	23,759,009	22,513,544	22,677,225	23,041,136	22,173,698	25,483,831	26,904,535	27,427,034	26,940,273
Unrestricted investment earnings	10,398	10,970	23,548	31,448	61,944	74,781	49,975	185,157	198,224	166,175
Gain on sale of assets	4,649	-	7,088	-	-	-	-	-	-	-
Special item - refund of prior year taxes	-	-	-	-	(125,273)	-	-	-	-	-
Miscellaneous	99,407	121,080	160,584	222,926	117,847	15,034	44,995	98,606	42,747	10,159
Total General Revenues	32,548,716	31,831,213	30,798,496	31,295,652	32,375,963	31,737,287	34,674,944	36,255,437	36,008,705	34,965,163
Change in Net Position	329,687	(1,559,484)	(1,742,853)	(3,122,438)	(253,485)	(191,834)	442,496	474,019	1,010,766	202,126
Net Position, Beginning	(77,464,176)	(28,220,736)	(26,477,883)	(22,454,235)	(22,200,750)	(22,008,916)	(22,451,412)	(22,925,431)	(23,936,197)	(24,138,323)
Net Position, Ending	$ (77,134,489)	$ (29,780,220)	$ (28,220,736)	$ (25,576,673)	$ (22,454,235)	$ (22,200,750)	$ (22,008,916)	$ (22,451,412)	$ (22,925,431)	$ (23,936,197)

Source: District audited financial statements.

Note: Beginning net position for 2012-13 has been restated to reflect financial statement changes due to GASB statement 65.

Note: Beginning net position for 2014-15 has been restated to reflect financial statement changes due to GASB statement 68.

Reeths-Puffer Schools

FUND BALANCES—GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Nonspendable (Reserved)	$ 40,060	$ 49,969	$ 64,468	$ 55,607	$ 297,783	$ 58,947	$ 60,605	$ 63,849	$ 98,206	$ 59,729
Assigned (Designated)	182,095	-	422,303	1,073,706	1,843,000	-	-	-	-	-
Unassigned (Unreserved, Undesignated)	2,678,337	2,723,661	2,600,103	2,553,152	2,841,743	4,210,132	3,910,450	3,423,174	3,216,120	2,260,350
Total General Fund	2,900,492	2,773,630	3,086,874	3,682,465	4,982,526	4,269,079	3,971,055	3,487,023	3,314,326	2,320,079
All Other Governmental Funds										
Nonspendable (Reserved), Reported in Special Revenue Funds	10,102	11,021	10,098	13,900	21,664	27,658	40,335	40,227	36,995	20,174
Restricted (Reserved/Unreserved), Reported in:										
Capital Projects funds	508,741	470,341	627,678	1,092,112	6,739,084	19,685,068	287,055	408,577	6,411	451,171
Debt Service funds	285,748	260,775	151,703	-	211,090	1,417,191	1,311,024	1,388,542	1,667,244	664,306
Special Revenue funds	408,890	314,970	355,166	442,397	440,026	299,766	191,486	158,703	164,565	90,457
Unassigned (Unreserved, Undesignated)	(4,903)	(5,247)	-	(458,310)	-	-	-	-	-	-
Total All Other Governmental Funds	1,208,578	1,051,860	1,144,645	1,090,099	7,411,864	21,429,683	1,829,900	1,996,049	1,875,215	1,226,108
Total All Governmental Funds	$ 4,109,070	$ 3,825,490	$ 4,231,519	$ 4,772,564	$ 12,394,390	$ 25,698,762	$ 5,800,955	$ 5,483,072	$ 5,189,541	$ 3,546,187

Source: District audited financial statements.

Note: Fund balances prior to 2011-12 have been restated to comply with GASB Statement No. 54 for comparative purposes. Past labels used are listed in parentheses.

Reeths-Puffer Schools
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Local Sources										
Property taxes	$ 8,246,936	$ 7,940,154	$ 8,093,732	$ 8,485,214	$ 9,280,309	$ 9,473,774	$ 9,096,143	$ 9,067,139	$ 8,340,700	$ 7,848,556
Investment Earnings	10,398	10,970	23,548	31,448	61,944	74,781	49,975	185,157	198,224	166,175
Food sales and athletic admissions	633,734	591,478	720,522	756,073	814,865	691,230	827,474	837,486	891,459	913,166
Transfers from Other Districts and Other	2,751,877	1,979,823	1,830,045	1,927,245	1,801,097	189,499	99,890	97,743	58,290	64,832
State Sources	28,584,872	27,388,560	26,038,672	25,371,217	25,805,249	24,724,099	25,798,112	27,205,867	27,726,542	27,330,663
Federal Sources	3,329,202	3,118,865	2,961,018	3,204,933	5,007,955	5,125,073	4,626,731	2,645,311	2,943,791	2,813,864
Total Revenues	43,557,019	41,029,850	39,667,537	39,776,130	42,771,419	40,278,456	40,498,325	40,038,703	40,159,006	39,137,256
Expenditures										
Instruction										
Basic Programs	17,677,180	17,250,630	17,011,007	17,365,931	17,415,743	17,264,948	17,409,250	17,305,341	16,813,904	15,905,375
Added Needs	4,753,357	4,853,886	4,414,630	4,621,279	4,591,662	4,739,008	4,593,208	4,339,088	4,416,213	4,054,545
Adult Education	324,177	316,947	-	-	-	-	-	-	-	-
Support Services										
Pupil Support	2,875,734	2,712,694	2,759,550	2,856,188	2,840,294	2,966,849	2,964,100	2,884,261	2,874,260	2,664,730
Instructional Support	1,718,443	1,154,768	1,212,234	1,260,846	1,223,635	1,224,380	1,216,897	1,228,123	1,371,203	1,516,648
General Administration	688,875	425,923	448,258	414,827	396,192	463,298	491,648	455,579	445,147	440,002
School Administration	2,371,590	2,271,646	2,293,638	2,099,857	1,969,945	1,984,949	2,042,318	2,035,452	1,978,288	1,942,188
Business Services	495,100	476,034	430,020	482,296	547,172	510,431	642,233	774,635	708,930	1,006,766
Operations and Maintenance	2,626,945	2,617,284	2,426,036	2,385,779	2,434,584	2,368,435	2,633,015	2,808,148	2,886,744	3,355,782
Pupil Transportation	1,400,916	1,394,042	1,315,586	1,193,361	1,320,416	1,333,268	1,579,592	1,620,304	1,632,238	1,890,472
Central	535,797	662,963	612,155	687,594	679,529	746,832	696,662	745,741	657,824	20,022
Other Support	-	-	-	-	-	-	1,251	355	14,647	430,136
Athletics	797,210	737,768	678,629	706,126	655,539	738,355	796,683	765,595	753,139	744,492
Community services	35,966	34,757	156,811	373,689	387,533	320,000	28,568	24,855	41,761	86,230
Food Services	1,349,006	1,338,035	1,352,790	1,330,507	1,237,771	1,252,726	1,254,064	1,263,849	1,180,709	1,220,925
Debt service										
Principal	3,502,304	3,491,991	3,562,030	5,003,593	5,005,395	3,654,721	3,062,609	2,709,082	2,731,867	2,475,958
Interest and Other Charges	3,660,106	3,657,177	3,663,965	2,244,653	2,628,547	1,980,959	2,593,311	2,638,768	2,445,261	3,133,382
Bond Issuance Costs	-	-	-	-	-	243,819	-	-	431,563	-
Capital Projects	40,412	233,905	565,351	5,817,776	13,193,919	2,453,702	192,093	395,627	168,843	138,136
Total Expenditures	44,853,118	43,630,450	42,902,690	48,844,302	56,527,876	44,246,680	42,197,502	41,994,803	41,552,541	41,025,789
Excess (Deficiency) of Revenues over (under) Expenditures	(1,296,099)	(2,600,600)	(3,235,153)	(9,068,172)	(13,756,457)	(3,968,224)	(1,699,177)	(1,956,100)	(1,393,535)	(1,888,533)
Other Financing Sources (Uses)										
Transfers from other governmental units	-	10,186	83,080	440,548	31,541	2,006,393	2,183,612	2,311,304	2,247,703	1,964,533
Transfers to other governmental units	-	-	(20,376)	(283,028)	(183,619)	(120,362)	(166,551)	(178,059)	(260,041)	(590,150)
Loan Proceeds	1,579,679	2,184,385	2,631,404	1,288,826	604,165	-	-	116,386	617,664	-
Operating Transfers from other funds	146,720	200,834	241,717	164,807	238,716	786,866	675,000	925,000	795,000	824,887
Operating Transfers to other funds	(146,720)	(200,834)	(241,717)	(164,807)	(238,716)	(786,866)	(675,000)	(925,000)	(795,000)	(824,887)
Payments to refund bond escrow agent and discounts on debt issuance or refunding	-	-	-	-	-	-	-	-	(37,432,184)	-
Proceeds from issuance of bonds and refunding bonds, premium proceeds of refunding	-	-	-	-	-	21,980,000	-	-	37,863,747	1,010,504
Total Other Financing Sources (Uses)	1,579,679	2,194,571	2,694,108	1,446,346	452,087	23,866,031	2,017,061	2,249,631	3,036,889	2,384,887
Net Change in Fund Balance	$ 283,580	$ (406,029)	$ (541,045)	$ (7,621,826)	$ (13,304,370)	$ 19,897,807	$ 317,884	$ 293,531	$ 1,643,354	$ 496,354
Debt Service as a Percentage of Non-capital Expenditures	16.0%	16.5%	17.1%	16.8%	17.6%	14.1%	13.5%	12.9%	13.6%	13.7%

Source: District audited financial statements.

Reeths-Puffer Schools

TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(rate per $1,000 of assessed value)

				Taxable Value					Direct Tax Rate		
Tax Year	**Fiscal Year**	**Estimated Market Value**	**State Equalized Value**	**Non-Homestead Property**	**Homestead Property**	**Commercial Personal Property**	**Industrial Personal Property**	**Total**	**Operating**	**Debt**	**Total**
2005	2005-2006	1,391,647,000	695,823,500	174,466,456	384,608,266	-	-	559,074,722	18.00	8.37	26.37
2006	2006-2007	1,465,357,000	732,678,500	183,504,591	410,472,924	-	-	593,977,515	18.00	8.37	26.37
2007	2007-2008	1,561,433,760	780,716,880	205,933,309	434,471,461	-	-	640,404,770	18.00	8.37	26.37
2008	2008-2009	1,559,975,000	779,987,500	191,493,807	442,237,592	15,707,400	7,037,400	656,476,199	18.00	8.37	26.37
2009	2009-2010	1,555,204,200	777,602,100	203,354,401	449,536,629	16,276,100	6,758,700	675,925,830	18.00	8.37	26.37
2010	2010-2011	1,529,909,200	764,954,600	204,096,132	437,057,746	15,991,700	15,358,500	672,504,078	18.00	8.37	26.37
2011	2011-2012	1,457,631,400	728,815,700	203,719,579	426,127,332	15,017,434	15,466,200	660,330,545	18.00	8.37	26.37
2012	2012-2013	1,379,976,800	689,988,400	162,361,562	410,029,355	16,014,400	16,390,800	604,796,117	18.00	8.37	26.37
2013	2013-2014	1,276,364,300	638,182,150	158,351,000	407,609,000	15,379,100	16,296,300	597,635,400	18.00	8.37	26.37
2014	2014-2015	1,293,545,160	646,772,580	145,202,288	413,022,058	13,599,300	15,746,900	587,570,546	18.00	9.37	27.37

Source: Muskegon County Annual Equalization Report and Michigan Department of Education Taxable Value Management System. Values assessed as of June 30 of the corresponding fiscal year are presented as of the date retrieved from the website and may potentially be adjusted by the taxing authorities.

Reeths-Puffer Schools

PROPERTY TAX RATES—DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

(rate per $1,000 of assessed value)

		Direct Tax Rates			Overlapping Rates					
Tax Year	Fiscal Year	Operating	Debt	Total	Cedar Creek Township	Dalton Township	Fruitland Township	Laketon Township	Muskegon Township	City of Muskegon
2005	2005-2006	18.00	8.37	26.37	0.9411	2.6883	2.9870	3.5261	6.8534	11.0755
2006	2006-2007	18.00	8.37	26.37	0.9319	2.2323	2.9801	2.8994	6.7889	11.0732
2007	2007-2008	18.00	8.37	26.37	0.9253	2.2284	2.9044	2.8976	6.7889	11.0685
2008	2008-2009	18.00	8.37	26.37	0.9253	2.2284	2.9044	2.8976	6.7889	11.0682
2009	2009-2010	18.00	8.37	26.37	0.9253	2.2284	2.9904	2.8976	6.7889	11.1680
2010	2010-2011	18.00	8.37	26.37	0.9253	2.2284	2.9904	2.8976	7.7624	12.0680
2011	2011-2012	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0749
2012	2012-2013	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0749
2013	2013-2014	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0865
2014	2014-2015	18.00	9.37	27.37	2.4220	2.2284	0.9095	2.8976	7.7624	13.0875

Source: Muskegon County Equalization Department, Annual Certified Tax Rate Apportionment Report.

Reeths-Puffer Schools
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Year Ended June 30,		**2015**			**2006**		
Taxpayer	**Product/service**	**Taxable Value**	**Rank**	**Percentage of Total Taxable Value**	**Taxable Value**	**Rank**	**Percentage of Total Taxable Value**
Consumers Energy	Utility	$ 28,519,467	1	4.85%	$ 73,454,794	1	13.14%
Bayer Cropscience	Chemical Plant	13,887,689	2	2.36%	9,696,405	2	1.73%
Cedar Fair	Amusement Park	9,669,290	3	1.65%	8,651,520	3	1.55%
DTE Energy Co.	Utility	6,276,400	4	1.07%	3,560,549	6	0.64%
Meijer, Inc.	Retail	4,702,200	5	0.80%	5,569,183	4	1.00%
Nugent Sand Co. Inc.	Sand mining	3,475,740	6	0.59%	4,524,248	5	0.81%
Eagle Alloy, Inc.	Machine shop	3,121,261	7	0.53%			
Michigan Electric Transmission Co.	Production	2,096,200	8	0.36%			
Land Management LLC	Rental real estate	1,717,489	9	0.29%	1,843,295	7	0.33%
B Park Meadows LLC	Mobile home park	1,656,400	10	0.28%	1,682,000	8	0.30%
Comcast of Muskegon	Cable TV				1,208,000	10	0.22%
Bolema Lumber & Supply	Rental real estate				1,363,471	9	0.24%
Total Principal taxpayers		75,122,136		12.78%	111,553,465		19.96%
Balance of valuations		512,448,410		87.22%	447,521,257		80.04%
Total Taxable Valuation		$ 587,570,546		100.00%	$ 559,074,722		100.00%

Source: Muskegon County Equalization Department.

Reeths-Puffer Schools

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

			Collected Within the Fiscal Year of the Levy			Total Collections to Date	
Tax Year	**Fiscal Year**	**Taxes Levied for the Fiscal Year**	**Amount**	**Percent of levy**	**Collections (Refunds) in Subsequent Years**	**Amount**	**Percent of levy**
2005	2005-2006	7,848,556	7,848,556	100.00%	(41,312)	7,807,244	99.47%
2006	2006-2007	8,274,674	8,340,700	100.80%	(35,451)	8,305,249	100.37%
2007	2007-2008	9,096,143	9,067,139	99.68%	(20,174)	9,046,965	99.46%
2008	2008-2009	9,035,839	9,068,653	100.36%	(30,975)	9,037,678	100.02%
2009	2009-2010	9,428,709	9,464,850	100.38%	(29,317)	9,435,533	100.07%
2010	2010-2011	9,273,273	9,263,318	99.89%	(71,665)	9,191,653	99.12%
2011	2011-2012	8,485,214	8,474,234	99.87%	(55,687)	8,418,547	99.21%
2012	2012-2013	8,080,744	8,083,830	100.04%	(36,941)	8,046,889	99.58%
2013	2013-2014	7,944,813	7,940,154	99.94%	(38,694)	7,901,460	99.45%
2014	2014-2015	8,200,773	8,209,931	100.11%	-	8,209,931	100.11%

Source: Reeths-Puffer Schools' records.

Reeths-Puffer Schools
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Tax Year	Fiscal Year	General obligation bonds	School Loan Revenue Refunding Bonds	School Bond Loan Fund/School Loan Revolving Fund	Capital Lease Obligations	Total Outstanding Debt	Total Taxable Value	Outstanding Debt as a % of Taxable Value	Estimated Population (1)	Outstanding Debt Per Capita	Taxable Value Per Capita
2005	2005-2006	64,191,094	402,472	11,363,428	127,256	76,084,250	559,074,722	13.61%	20,921	3,637	26,723
2006	2006-2007	63,130,996	402,472	12,543,054	102,719	76,179,241	593,977,515	12.83%	20,953	3,636	28,348
2007	2007-2008	61,283,381	402,472	13,179,592	117,658	74,983,103	640,404,770	11.71%	20,854	3,596	30,709
2008	2008-2009	59,180,427	364,555	13,816,640	69,507	73,431,129	656,476,199	11.19%	20,849	3,522	31,487
2009	2009-2010	78,531,848	324,834	14,599,357	44,734	93,500,773	675,925,830	13.83%	20,852	4,484	32,415
2010	2010-2011	74,817,443	89,259	15,890,777	18,063	90,815,542	672,504,078	13.50%	21,490	4,226	31,294
2011	2011-2012	70,987,012	45,667	17,936,062	-	88,968,741	660,330,545	13.47%	21,373	4,163	30,896
2012	2012-2013	67,611,286	-	21,327,826	-	88,939,112	604,796,117	14.71%	21,234	4,189	28,482
2013	2013-2014	62,927,003	-	24,291,256	-	87,218,259	597,635,400	14.59%	21,337	4,088	28,009
2014	2014-2015	58,711,049	-	26,731,054	-	85,442,103	587,570,546	14.54%	21,337	4,004	27,538

Sources: Reeths-Puffer Schools' financial records and audited financial statements.

(1) Census figure for 2014-15 not yet released. The 2013-14 population figure was used as estimate.

Reeths-Puffer Schools

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Tax Year	Fiscal Year	General Obligation Bonds (1)	Debt Service Funds Available	Net Debt Outstanding	Total Taxable Value	Outstanding Debt as a % of Taxable Value	Estimated Population (2)	Outstanding Debt Per Capita	Taxable Value Per Capita
2005	2005-2006	$ 64,191,094	$ 664,306	$ 63,526,788	$ 559,074,722	11.36%	20,921	$ 3,037	$ 26,723
2006	2006-2007	63,130,996	1,667,244	61,463,752	593,977,515	10.35%	20,953	2,933	28,348
2007	2007-2008	61,283,381	1,388,542	59,894,839	640,404,770	9.35%	20,854	2,872	30,709
2008	2008-2009	59,180,427	1,311,024	57,869,403	656,476,199	8.82%	20,849	2,776	31,487
2009	2009-2010	78,531,848	1,417,191	77,114,657	675,925,830	11.41%	20,852	3,698	32,415
2010	2010-2011	74,817,443	211,090	74,606,353	672,504,078	11.09%	21,490	3,472	31,294
2011	2011-2012	70,987,012	-	70,987,012	660,330,545	10.75%	21,373	3,321	30,896
2012	2012-2013	67,611,286	151,703	67,459,583	604,796,117	11.15%	21,234	3,177	28,482
2013	2013-2014	63,523,896	255,528	63,268,368	597,635,400	10.59%	21,337	2,965	28,009
2014	2014-2015	59,253,916	280,845	58,973,071	587,570,546	10.04%	21,337	2,764	27,538

Sources and notes:

(1) Presented net of discounts and premiums

(2) Census figure for 2014-15 not yet released. The 2013-14 population figure was used as estimate.

Reeths-Puffer Schools

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2015

Governmental Unit	**Debt Outstanding**	**Estimated Percentage Applicable** (1)	**Estimated Share of Direct and Overlapping Debt**
Dalton Township	$ 4,102,883	84.81%	$ 3,479,655
Fruitland Township	1,770,750	19.44%	344,234
Laketon Township	6,462,330	100.00%	6,462,330
Muskegon Township	15,759,384	34.72%	5,471,658
City of Muskegon	13,685,149	4.70%	643,202
Muskegon County	74,800,000	13.91%	10,404,680
Muskegon Community College	19,905,000	13.91%	2,768,786
Subtotal, overlapping debt			29,574,545
District Direct Debt			59,253,916
Total Direct and Overlapping Debt			$ 88,828,461

Source: Municipal Advisory Council of Michigan.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the School District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the School District. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account; however, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the School District's taxable assessed value that is within the government's boundaries and dividing it by the School District's total taxable assessed value.

Reeths-Puffer Schools

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

Legal Debt Margin Calculation For Fiscal Year 2014-15:

State Equalized Valuation (SEV), July 1, 2014	$	646,772,580
Statutory Debt Limit (15% of SEV)		97,015,887
Debt applicable to Debt Limit		59,253,916
Legal Debt Margin	$	37,761,971

Tax Year	Fiscal Year	State Equalized Value (SEV)	Statutory Debt Limit (15% of SEV)	Debt Applicable to Debt Limit	Legal Debt Margin	Debt as a Percentage of Debt Limit
2005	2005-2006	695,823,500	104,373,525	64,191,094	40,182,431	61.50%
2006	2006-2007	732,678,500	109,901,775	63,130,996	46,770,779	57.44%
2007	2007-2008	780,716,880	117,107,532	61,283,381	55,824,151	52.33%
2008	2008-2009	779,987,500	116,998,125	59,180,427	57,817,698	50.58%
2009	2009-2010	777,602,100	116,640,315	78,531,848	38,108,467	67.33%
2010	2010-2011	764,954,600	114,743,190	74,817,443	39,925,747	65.20%
2011	2011-2012	728,815,700	109,322,355	70,987,012	38,335,343	64.93%
2012	2012-2013	689,988,400	103,498,260	67,611,286	35,886,974	65.33%
2013	2013-2014	638,182,150	95,727,323	62,927,003	32,800,320	65.74%
2014	2014-2015	646,772,580	97,015,887	58,711,049	38,304,838	60.52%

Source: Muskegon County, Annual Equalization report.

SCHOOL BOND LOAN FUND AND SCHOOL LOAN REVOLVING FUND PROGRAMS

Year ended June 30, 2015

As of June 30, 2015, the School District has a School Bond Loan Fund balance of $15,417,454 and a School Loan Revolving Fund balance of $11,313,600, for a total balance of $26,731,054.

The Bonds are fully qualified as of the date of delivery pursuant to Act 108 of the Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason, the School District will be or is unable to pay the principal and interest on the Bonds when due, the School District shall borrow, and the State of Michigan (State) shall lend to it from the School Bond Loan Fund or School Loan Revolving Fund established by the State, an amount sufficient to enable the School District to make payment. Article IX, Section 16 of the Michigan Constitution, as implemented by Act 112 of the Public Acts of Michigan, 1961, as amended, authorizes the State, without approval of its electors, to borrow from time to time such amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefore, for the purpose of making loans to school districts as provided amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefore, for the purpose of making loans to school districts as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing.

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report (CAFR) prepared by the State's Department of Management and Budget are available upon request from the Department of Management and Budget, Office of Financial Management, P.O. Box 30026, Lansing, Michigan 48909, telephone (517) 373-1011. The State has agreed to file its CAFR with the Nationally Recognized Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities Exchange Commission) annually, so long as any bonds qualified for participation in the School Bond Loan Fund remain outstanding.

Reeths-Puffer Schools

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

		Unemployment Rate			Personal Income (5)	
Calendar Year	Estimated Population (1)	Muskegon County (2)	State of Michigan (3)	Inflation Rate (4)	Total	Per Capita
2005	20,921	6.9%	6.8%	3.4%	4,474,596	25,774
2006	20,953	6.8%	6.9%	2.5%	4,627,783	26,641
2007	20,854	7.1%	7.1%	4.1%	4,765,807	27,431
2008	20,849	8.5%	8.3%	0.1%	4,898,789	28,233
2009	20,852	14.5%	13.5%	2.7%	4,705,478	27,984
2010	21,490	13.5%	12.7%	1.5%	5,006,786	29,114
2011	21,373	10.2%	10.4%	3.0%	5,234,139	30,785
2012	21,234	8.8%	9.1%	1.7%	5,392,301	31,685
2013	21,337	8.1%	8.4%	1.5%	5,541,481	32,405
2014	21,337	7.4%	7.3%	0.8%	N/A	N/A

Sources and notes:

(1) US Census Bureau School District estimates, http://www.census.gov/did/www/saipe/data/schools/data/index.html. Census figure for 2014 not yet released. The 2013 population was used as an estimate.

(2) State of Michigan Department of Technology, Management and Budget (DTMB). Annual County jobless rate, not seasonally-adjusted.

(3) State of Michigan Department of Technology, Management and Budget (DTMB). Annual State of MI jobless rate, not seasonally-adjusted.

(4) U.S. Department of Labor, Bureau of Labor Statistics. National CPI measured December to December, not seasonally-adjusted.

(5) U.S. Department of Commerce information for Muskegon County. Total income shown in thousands of dollars. Information for 2014 not yet available.

Reeths-Puffer Schools
PRINCIPAL EMPLOYERS IN MUSKEGON COUNTY
Current Year and Nine Years Ago

Year Ended June 30,	2015 (1)			2006 (1)		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Mercy Health Partners (2)	3,881	1	4.6%	3,700	2/3	4.4%
Alcoa Howmet	2,200	2	2.6%	2,500	1	3.0%
County of Muskegon	1,200	3	1.4%	1,150	4	1.4%
ADAC Automotive	1,000	4	1.2%			
Meijer Inc.	900	5	1.1%	1,100	6	1.3%
Muskegon Public Schools	676	6	0.8%	1,110	5	1.3%
G.E. Aviation	647	7	0.8%			
Port City Group	622	8	0.7%			
Wesco	511	9	0.6%			
JAAR, Inc.	450	10	0.5%			
Hayes Lemmerz International				550	7	0.7%
ADAC Plastics				500	8	0.6%
Johnson Technology, Inc.				475	9	0.6%
Knoll Furniture				460	10	0.5%
Total Pricipal Employees	12,087		14.3%	11,545		13.8%
Total Employment Base (3)	78,387			91,960		

Sources and notes:
1) Muskegon County Comprehensive Annual Financial Report, for Fiscal Year Ended September 30, 2014.
2) In 2006, the second largest employer was Mercy General Health Partners with 2,100 employees and the third largest was Hackley Hospital with 1,600. These two organizations have since merged to become Mercy Health.
3) Total Muskegon County labor force as of June of the corresponding fiscal year presented. Source: Michigan DTMB.

Reeths-Puffer Schools

DISTRICT EMPLOYEES BY TYPE

Last Ten Fiscal Years

	Total Employees as of June 30,									
Employee Category	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Administrators	23	24	24	24	23	24	24	23	22	22
Admin. Office Personnel/Technology	6	6	6	6	7	7	8	9	10	10
Teachers	230	230	238	240	244	246	252	261	251	255
Secretarial/Clerical	25	26	26	25	24	26	31	28	27	35
Aides/Paraprofessionals	66	52	53	56	57	51	64	44	50	62
Maintenance/Custodial	6	6	6	6	6	6	6	7	7	7
Transportation	4	4	4	4	4	35	32	39	36	31
Food Service	29	29	28	28	30	30	31	30	29	31
Total	389	377	385	389	395	425	448	441	432	453

Source: District payroll records.

Reeths-Puffer Schools
SCHOOL ENROLLMENT
Last Ten Fiscal Years

Historical enrollment for the School District is as follows:

School year	Enrollment	School year	Enrollment
2014-15	3,853	2009-10	3,963
2013-14	3,874	2008-09	4,061
2012-13	3,870	2007-08	4,129
2011-12	3,843	2006-07	4,205
2010-11	4,017	2005-06	4,239

Enrollment by grades—2014-15 is as follows:

Kindergarten	288	Seventh	285
First	271	Eighth	326
Second	280	Ninth	316
Third	268	Tenth	340
Fourth	273	Eleventh	284
Fifth	267	Twelfth	332
Sixth	291	Special Ed.	32
		TOTAL	**3,853**

Source: District fall student count records.

Reeths-Puffer Schools
OPERATING STATISTICS
Last Ten Fiscal Years

Fiscal Year	Enrollment	Percentage Change	Operating Expenditures	Percentage Change	Cost Per Pupil	Percentage Change	Percentage of Students Receiving Free or Reduced Price Meals
2005-2006	4,239	-0.75	$ 33,312,896	0.58	$ 7,859	1.34	33.31
2006-2007	4,205	-0.80	33,841,159	1.59	8,048	2.41	34.70
2007-2008	4,129	-1.81	34,221,882	1.13	8,288	2.99	32.30
2008-2009	4,061	-1.65	34,298,742	0.22	8,446	1.90	35.73
2009-2010	3,963	-2.41	33,922,398	-1.10	8,560	1.35	46.15
2010-2011	4,017	1.36	34,469,732	1.61	8,581	0.25	45.90
2011-2012	3,843	-4.33	34,447,773	-0.06	8,964	4.46	49.43
2012-2013	3,870	0.70	33,758,554	-2.00	8,723	-2.68	44.34
2013-2014	3,874	0.10	34,909,342	3.41	9,011	3.30	46.19
2014-2015	3,853	-0.54	35,777,278	2.49	9,286	3.04	50.50

Source: District enrollment and financial records. Free and reduced rates retrieved from MI School Data.
Link: (https://www.mischooldata.org/Other/DataFiles/StudentCounts/HistoricalFreeAndReducedLunchCounts.aspx)

Reeths-Puffer Schools

STATE AID SUMMARY—FUNDS FROM STATE SOURCES
(INCLUDING CATEGORICALS)

Last Ten Fiscal Years

Year ended June 30		Amount
2006	$	27,282,700
2007		27,130,423
2008		27,142,549
2009		25,739,541
2010		24,631,590
2011		25,746,844
2012		25,141,272
2013		25,983,244
2014		27,352,472
2015		28,543,207

Source: State of Michigan August State Aid Financial Status Report

Reeths-Puffer Schools
PENSION FUND
Last Ten Fiscal Years

The School District will pay a base rate equal to a percent of its employees' wages to the Michigan Public School Employees Retirement System (MPSERS) which is administered by the State of Michigan. The following were the applicable contribution rates required by law for the periods:

October 1, 2014 - September 30, 2015	28.59 - 33.41	%
October 1, 2013 - September 30, 2014	29.35 - 31.52	
February 1, 2013—September 30, 2013	25.92 - 28.56	
October 1, 2012—January 31, 2013	25.13 - 26.20	
October 1, 2011—September 30, 2012	24.46	
November 1, 2010—September 30, 2011	20.66	
October 1, 2010—October 31, 2010	19.41	
October 1, 2009—September 30, 2010	16.94	
October 1, 2008—September 30, 2009	16.54	
October 1, 2007—September 30, 2008	16.72	
October 1, 2006—September 30, 2007	17.74	
October 1, 2005—September 30, 2006	16.34	

These contributions are required by law. The School District's contributions for the past ten years are shown below. The School District does not have an unfunded accrued liability under MPSERS.

Year ending June 30	Paid to pension funds
2015	$ 6,139,959
2014	5,433,868
2013	4,841,396
2012	4,527,762
2011	3,800,496
2010	3,396,422
2009	3,345,330
2008	3,280,456
2007	3,405,602
2006	3,172,209

Effective January 1, 1987, members of MPSERS may irrevocably elect to contribute a percentage of their gross wages on a tax deferred basis to a member investment plan (MIP) which qualifies them for additional benefits. All employees hired after January 1, 1990 will contribute to the plan at a graduated rate of their gross wages. If a member leaves MPSERS service before a retirement benefit has vested, the member's accumulated contributions to MIP, plus interest, if any, are refundable.

Reeths-Puffer Schools
SCHOOL BUILDING INFORMATION

Site	Grade Configuration	Acreage	Date Originally Constructed	Additions and Renovations	Square feet
McMillan Early Childhood Center **	Pre-K	10	1955	1969, 2004, 2005	43,000
Pennsylvania Elementary	Pre-K - K	5.8	1962	1996, 2004	10,602
Central Elementary	K-4	27	1951	1990, 2004, 2005, 2011	55,361
Reeths-Puffer Elementary	K-4	15	1948	1960, 1996, 2004, 2011	66,000
Twin Lake Elementary	K-4	12.6	1953	1972, 1991, 1996, 2004, 2005, 2011	39,691
Reeths-Puffer Intermediate	5-6	21	1954	1957, 1996, 2004, 2005	95,000
Reeths-Puffer Middle	7-8	52	1945	1971, 1998, 2004, 2005, 2010	131,000
Reeths-Puffer High School	9-12	61.5	1994	1998	288,000
Duck Creek Learning Center Alternative Ed	9-12	5	1956	1958, 1961, 2004	12,371
Educational Services Building	N/A	2	1962	1970, 1978, 2004	10,602
Transportation	N/A	5.2	2004		8,075
River Road Property 2475 S. River Rd., Muskegon Township	N/A	56			
Gun Club Property Duff Rd., Dalton Township	N/A	160			
Staple Road Property Staple Rd., Dalton Township	N/A	40			
Buel Playground Russell Rd., Muskegon Township	N/A	2			

Source: District records.

** McMillan Early Childhood Center served grades K-4 as McMillan Elementary through the 2014-15 school year.