Williamston Community Schools
Williamston, Michigan

FINANCIAL STATEMENTS

June 30, 2015

Williamston Community Schools

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June 30, 2015

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Williamston Community Schools
Williamston, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Williamston Community 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.

Changes in Accounting Principles

As discussed in Note P to the financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* during the year. As a result, the financial statements now recognize the District's unfunded defined pension benefit obligation as a liability for the first time, and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through reviewed note disclosures and required supplementary information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note P to the financial statements, the District implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68,* during the year. As a result, the District recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, on our consideration of Williamston Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 16, 2015

This section of Williamston Community Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2015. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Williamston Community Schools, a K-12 school district located in Ingham County, Michigan, and presents its financial statements under the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Williamston Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2015 with comparative information for June 30, 2014 in certain instances.

Using this Annual Report

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

District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as reported in the Statement of Net Position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, child care, recreation, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

Fund Financial Statements

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

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

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

Summary of Net Position:

The following summarizes the net position as of June 30, 2015 and 2014:

Condensed Statement of Net Position
As of June 30, 2015 and 2014

	Governmental Activities 2015	Governmental Activities 2014
Assets		
Current Assets	$ 4,892,607	$ 4,803,307
Capital Assets	40,466,381	41,267,152
Total Assets	**45,358,988**	**46,070,459**
Deferred Outflows of Resources	2,358,342	1,341,548
Liabilities		
Current Liabilities	7,275,645	6,869,267
Noncurrent Liabilities	72,644,040	75,203,659
Total Liabilities	**79,919,685**	**82,072,926**
Deferred Inflows of Resources	2,628,859	-
Net Position		
Net investment in capital assets	(2,111,669)	(10,703,078)
Restricted for food and nutrition	12,069	12,068
Restricted for community services	857	858
Restricted for capital projects	-	143,651
Unrestricted	(32,732,471)	(24,114,418)
Total Net Position	**$ (34,831,214)**	**$ (34,660,919)**

Analysis of Financial Position:

By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions. This table has been restated from last year to reflect the recording of the pension liability and corresponding deferred inflows and outflows of resources that are required to be recorded as a result of a change in accounting principles. The District also reports its investments in capital assets (e.g. land, buildings, equipment, etc.) The District uses these capital assets to provide services to students and residents of the community; consequently, these assets are *not* available for future spending. Also, a certain amount of net position was restricted for specific purposes such as community services and food and nutrition.

As detailed above, the District shows a negative total net position value of ($34,831,214) for the fiscal year ended June 30, 2015. Negative total net position valuation is not unexpected for a district with Williamston's characteristics, and can be explained by several factors:

- Over the past 10 years, significant enrollment growth has pressured facilities to their capacity limits.
- Major construction projects became necessary to expand facilities to meet the needs of the increased number of students. A new facility and major modifications to other facilities began in 2005 and continues through last fiscal year.
- A change in accounting principles to record a net pension liability of almost $24 million for the first time in 2014/2015.
- Significant debt, ($27.5 million) was incurred by the District in 1996 to pay for the facility modification projects.
- Significant debt, ($23.735 million) was incurred by the District in 2005 to pay for the facility modification projects.

Should property tax valuations in the District maintain their historical growth rates, and the District repays its existing debt obligations, negative asset valuations are expected to reach positive valuations.

Results of Operations:

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities, which shows the changes in net position for fiscal years 2013/2014 and 2014/2015. (Note: the 2014 column is prior to the implementation of GASB No. 68 which was effective for fiscal years beginning after June 15, 2014.) Depreciation costs are not allocated to areas of activities but reflected in the Statement of Activities as unallocated.

Condensed Statement of Activities
Year Ended June 30, 2015 and 2014

	Governmental Activities 2015	Governmental Activities 2014
Revenues:		
Program Revenues		
Charges for Service	$ 1,012,828	$ 980,428
Operating and Capital Grants	2,459,696	2,188,805
General Revenues		
Property Taxes	5,097,925	4,737,388
State School Aid-unrestricted	11,923,733	11,719,274
Other	891,056	890,574
Total Revenues	**21,385,238**	**20,516,469**

	Governmental Activities 2015	Governmental Activities 2014
Functions/Program Expenses:		
Instruction	$ 11,358,338	$ 11,083,912
Supporting Services	5,533,516	5,589,036
Community Services	745,927	731,854
Food service	471,767	472,306
Interest on long-term debt	2,172,729	2,211,062
Unallocated depreciation	1,273,257	1,278,198
Total Expenses	**21,555,533**	**21,366,368**
(Decrease) in Net Position	**$ (170,295)**	**$ (849,899)**

Analysis of Results of Operations:

During fiscal year ended June 30, 2015, the District's net position decreased by $170,295. Several factors which caused the reduction are discussed in the following sections.

A. Governmental Fund Operating Results
The District's expenditures from governmental fund operations exceeded revenues and other adjustments by $320,317 for the fiscal year ended June 30, 2015. Further discussion of the District's operating results is available in the section entitled "Results of 2014-2015 Operations" located on the following page.

B. Long-Term Debt Activities
The District reduced its bonded long-term debt obligation during 2014-2015 by making principal payments and other adjustments amounting to $2,129,546. In addition, debt in the form of principal of $290,781 and interest accrued costs $800,067 on outstanding debt was incurred by the District during the fiscal year through the State of Michigan School Bond Qualification and Loan Program. Also, compensated absences increased by a net amount of $3,922. As a result of these activities, net district long-term debt liabilities decreased by $1,034,776.

Results of 2014-2015 Operations

During fiscal year ended June 30, 2015, the District's total fund balances decreased by $320,417. A few additional significant factors affecting fund balance during the year are discussed below:

A. General Fund Operations

The General Fund is the main fund for the District and includes all the cost related to educating the students of the Williamston Community Schools such as: Salaries and benefits for Teachers, Classroom Aides, Administrators, Secretaries, Custodians, Maintenance staff, Noon Aides, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's expenditures exceeded revenues from General Fund operations by $20,602 for the fiscal year ended June 30, 2015. The General Fund as of June 30, 2015, had a total fund balance of $174,121 or 1.0% of expenditures and other financing uses for 2014-2015 fiscal year. The School District made budget reductions in certain areas for the 2014-2015 fiscal year and most likely will have to continue these reductions for 2014-15 unless funding from the State of Michigan improves.

B. Debt Service Fund Operations

The Debt Service Funds consist of three (3) separate debt funds as follows: 1996 Debt, 2005 Debt, and 2011 Refunding Bonds. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2015, the Debt Service Funds had $104,441 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied are not sufficient the School District will borrow funds from the Michigan School Bond Loan Fund. Any funds borrowed from the Michigan School Bond Qualification and Loan Program will be paid back toward the end of the bond obligations. In the fiscal year ended June 30, 2015, the School District borrowed $1,090,848 (principal plus accrued interest) from the Michigan School Bond Qualification and Loan Program and the School District has a total obligation of $24,097,880 to pay back to the Michigan School Bond Qualification and Loan Program including interest.

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
1996 Building and Site Bonds	$ 11,350,000	$ -	$ -	$ 11,350,000
2005 Building and State Bonds	16,000,000	-	(1,000,000)	15,000,000
2011 Refunding Bonds	1,095,000	-	(1,095,000)	-0-
Michigan School Bond Loans Principal and interest	23,007,032	1,090,848	-	24,097,880
	$ 51,452,032	$ 1,090,848	$ (2,095,000)	$ 50,447,880

The District also had $357,296 outstanding in compensated absences and $483,652 in capitalized bond premium at June 30, 2015. See Note D for significant details related to long-term debt.

C. School Service Funds

The Williamston Community Schools also has school service funds that include the following: Food Service Fund and the Community Service Fund.

The Food Service Fund is a fund that reports the food service program. In 2014-2015, the Food Service Fund had revenues of $494,184 and expenditures and other financing uses of $494,183 and fund balance of $12,069.

The Community Service Fund includes enrichment programs, senior center, and the community pool. In 2014-2015, the Community Service Fund had revenues of $440,925 and expenditures and other financing uses of $440,926. In previous years the District passed a Recreation Millage that is accounted for in the Community Service Fund.

D. Net Investment in Capital Assets

The District's net investment in capital assets decreased by $800,771 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2014	Net Change	Balance June 30, 2015
Capital assets	$ 65,753,555	$ 366,450	$ 66,120,005
Less: accumulated depreciation	(24,486,403)	(1,167,221)	(25,653,624)
Net investment in capital outlay	$ 41,267,152	$ (800,771)	$ 40,466,381

In 2005, Williamston Community Schools' voters approved a $23,735,000 general obligation bond. The proceeds were used for the purpose of constructing, furnishing, and equipping additions to the high school and to Explorer Elementary School; remodeling existing school district buildings and equipping, furnishing, re-equipping and re-furnishing existing school district buildings; acquiring and installing technology equipment in and connecting schools district buildings; constructing additional parking for the existing transportation facility and purchasing school buses; acquiring land for new sites and improving and developing new and existing sites for school facilities; and improving and equipping existing outdoor athletic facilities and fields, structures and playgrounds, constructing additional parking and constructing and equipping new facilities for locker rooms, rest rooms and storage. This project was substantially complete in 2007-08.

In 1996, Williamston Community Schools' voters approved a $27,535,000 general obligation bond issue. The proceeds from that bond issue were used for constructing new facilities and additions and partial remodeling of existing school facilities, and equipping and re-equipping facilities. This capital project was completed in the fiscal year ended June 30, 2001. Prior to 1996, the District's most recent bond issue had been in 1988. For additional information on Capital Assets see Note C: Capital Assets.

State of Michigan Unrestricted Aid (Net State Foundation Grant)

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

a. State of Michigan State Aid Act per student foundation allowance.
b. Student Enrollment - Blended at 90 percent of current year's fall count and 10 percent of current year's winter count.

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Williamston Community Schools foundation allowance was $7,126 per student for the 2014-2015 school year. The foundation per student was increased by $100 (1.4%) from the previous year's allowance of $7,026 per student.

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

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property tax revenue for 2014-2015 fiscal year was $1,297,353. The non-homestead tax revenue increased by 5.10% over the prior year.

The following summarizes the District's non-homestead revenue for the past five years:

Fiscal Year	Non-Homestead Tax Revenue	% Change From Prior Year
2014-2015	$ 1,297,353	5.10%
2013-2014	1,234,355	-3.02%
2012-2013	1,272,786	2.14%
2011-2012	1,246,174	-5.25%
2010-2011	1,315,255	-3.93%
Average Decrease Last Five Years:		-0.99%

Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2014-2015, the District's debt millage levy was 7.98 mills that generated revenue of $3,093,038.

Effect of the City of Williamston's Tax Increment Financing Authority

The City of Williamston Tax Increment Financing Authority (TIFA) captures taxes due to the Williamston Community Schools to fund various city projects. The amount of taxes captured by the TIFA is reimbursed to the schools from State of Michigan through the funding formula.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

Listed below is an analysis of the original budgets and final budgets to the final actuals.

General Fund Expenditures and Other Uses Budget vs. Actual 5-Year History

				Variances	
Fiscal Year	Original Budget	Final Budget	Actual	Actual & Original Budget	Actual & Final Budget
2010-2011	$ 16,032,170	$ 16,639,509	$ 16,253,297	(1.38) %	2.32 %
2011-2012	16,222,682	15,989,597	15,943,580	1.72 %	0.29 %
2012-2013	16,160,659	16,603,730	16,811,723	(4.03) %	(1.25) %
2013-2014	16,759,939	16,917,190	17,041,873	(1.68) %	(0.74) %
2014-2015	16,220,416	17,096,710	17,058,540	(5.17) %	0.22 %
	Five Year Average Over (Under) Budget			(2.11) %	0.17 %

General Fund Revenues and Other Sources, Budget vs. Actual 5-Year History

				Variances	
Fiscal Year	Original Budget	Final Budget	Actual	Actual & Original Budget	Actual & Final Budget
2010-2011	$ 15,983,332	$ 16,481,939	$ 16,517,948	3.34 %	0.22 %
2011-2012	15,326,981	15,892,439	16,269,307	6.15 %	2.37 %
2012-2013	16,160,659	16,348,800	16,339,540	1.11 %	(0.06) %
2013-2014	16,759,939	16,424,437	16,537,568	(1.33) %	0.69 %
2014-2015	16,116,431	16,956,710	17,037,938	5.72 %	0.48 %
	Five Year Average Over (Under) Budget			3.00 %	0.74 %

Original vs. Final Budget:

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

As a matter of practice, Williamston Community Schools amends its budget periodically during the school year. The June 2015 budget amendment was the final budget for the fiscal year.

Revenue and Other Financing Sources Change from Original to Final Budget:

		Percent
Total Revenues and Other Financing Sources Original Budget	$ 16,116,431	100.00
Total Revenues and Other Financing Sources Final Budget	16,956,710	105.21
Decrease in Budgeted Revenues and Other Financing Sources	$ 840,279	5.21

The District's final actual general fund revenues and other financing sources differed from the final budget by $736,294, a positive variance of 4.58% from the final budget.

Expenditures and Other Financing Uses Change from Original to Final Budget:

		Percent
Total Expenditures Original Budget and Other Financing Uses	$ 16,220,416	100.00
Total Expenditures Final Budget and Other Financing Uses	17,096,710	105.40
Increase in Budgeted Expenditures and Other Financing Uses	$ 876,294	5.40

The District's actual general fund expenditures and other financing uses were less than final budget by $38,170; a positive variance of .22% from the final budget.

Economic Factors and Next Year’s Budgets and Rates

Our elected officials and administration considered many factors when setting the School District’s 2014-15 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2014-15 fiscal year is 10 and 90 percent of the February 2015 and September 2014 student counts, respectively. The 2014-15 fiscal year budget was adopted in June 2014, based on enrollment projections from prior year retention ratios and historical trends. Approximately 80 percent to 85 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State’s ability to fund local school operations. Based on early enrollment data at the start of the 2014-15 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2014-15 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District’s revenue is heavily dependent on State Funding and the status of the State’s School Aid Fund, the actual revenue received depends on the State’s ability to collect revenues to fund its appropriation to school districts.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District’s finances. If you have questions about this report or need additional information, contact the Business Office, Williamston Community Schools, 418 Highland Street, Williamston, Michigan 48895.

BASIC FINANCIAL STATEMENTS

Williamston Community Schools

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 896,005
Cash on hand with paying agent	803,089
Receivables	
Accounts	227,334
Due from other governmental units	2,556,509
Inventories	61,798
Prepaids	347,872
Total current assets	4,892,607
Noncurrent assets	
Capital assets not being depreciated	1,341,655
Capital assets, net of accumulated depreciation	39,124,726
Total noncurrent assets	40,466,381
TOTAL ASSETS	45,358,988
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	2,358,342
LIABILITIES	
Current liabilities	
Accounts payable	207,448
Accrued salaries	921,634
Other accrued liabilities	428,260
Short-term notes payable	3,058,153
Unearned revenue	14,892
Accrued interest payable	224,875
Current portion of long-term debt	2,134,546
Current portion of accrued vacation pay	5,437
Current portion of accrued sick pay	280,400
Total current liabilities	7,275,645
Noncurrent liabilities	
Noncurrent portion of accrued vacation pay	1,359
Noncurrent portion of accrued sick pay	70,100
Noncurrent portion of long-term debt	48,796,986
Net pension liability	23,775,595
Total noncurrent liabilities	72,644,040
TOTAL LIABILITIES	79,919,685
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	2,628,859
NET POSITION	
Net investment in capital assets	(2,111,669)
Restricted for food and nutrition	12,069
Restricted for community services	857
Unrestricted	(32,732,471)
TOTAL NET POSITION	$ (34,831,214)

See accompanying notes to financial statements.

Williamston Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 11,358,338	$ -	$ 1,530,558	$ (9,827,780)
Supporting services	5,533,516	187,032	720,414	(4,626,070)
Community services	745,927	541,519	15	(204,393)
Food service	471,767	284,277	208,709	21,219
Interest on long-term debt	2,172,729	-	-	(2,172,729)
Unallocated depreciation	1,273,257	-	-	(1,273,257)
TOTAL	$ 21,555,533	$ 1,012,828	$ 2,459,696	(18,083,009)
	General revenues			
	Property taxes			5,097,925
	State school aid - unrestricted			11,923,733
	Investment earnings			1,594
	County special education allocation			739,692
	Miscellaneous			149,770
	TOTAL GENERAL REVENUES			17,912,714
	CHANGE IN NET POSITION			(170,295)
	Restated net position, beginning of year			(34,660,919)
	Net position, end of year			$ (34,831,214)

See accompanying notes to financial statements.

Williamston Community Schools

Governmental Funds

BALANCE SHEET

June 30, 2015

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	$ 707,627	$ 188,378	$ 896,005
Cash on hand with paying agent	803,089	-	803,089
Receivables			
Accounts	227,334	-	227,334
Due from other governmental units	2,553,130	3,379	2,556,509
Due from other funds	52,996	104,619	157,615
Inventories	50,151	11,647	61,798
Prepaids	347,872	-	347,872
TOTAL ASSETS	$ 4,742,199	$ 308,023	$ 5,050,222
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 159,336	$ 48,112	$ 207,448
Short-term notes payable	3,058,153	-	3,058,153
Accrued salaries	920,434	1,200	921,634
Other accrued liabilities	427,859	401	428,260
Due to other funds	-	157,615	157,615
Unearned revenue	2,296	12,596	14,892
TOTAL LIABILITIES	4,568,078	219,924	4,788,002
FUND BALANCES (DEFICITS)			
Nonspendable			
Inventories	50,151	-	50,151
Prepaids	347,872	-	347,872
Restricted			
Debt service	-	104,441	104,441
Food and nutrition	-	12,069	12,069
Community services	-	857	857
Unassigned	(223,902)	(29,268)	(253,170)
TOTAL FUND BALANCES	174,121	88,099	262,220
TOTAL LIABILITIES AND FUND BALANCES	$ 4,742,199	$ 308,023	$ 5,050,222

See accompanying notes to financial statements.

Williamston Community Schools

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

June 30, 2015

Total fund balances - governmental funds		$ 262,220
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 66,120,005	
Accumulated depreciation is	(25,653,624)	
		40,466,381
Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:		
Deferred outflows of resources related to pensions	2,358,342	
Deferred inflows of resources related to pensions	(2,628,859)	
		(270,517)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Long-term debt payable	(50,931,532)	
Net pension liability	(23,775,595)	
Accrued interest payable	(224,875)	
Accrued vacation pay	(6,796)	
Accrued sick pay	(350,500)	
		(75,289,298)
Net position of governmental activities		$ (34,831,214)

See accompanying notes to financial statements.

Williamston Community Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General	Nonmajor Governmental Funds	Total
REVENUES			
Local sources	$ 2,111,183	$ 4,209,963	$ 6,321,146
State sources	13,787,936	16,640	13,804,576
Federal sources	327,755	192,069	519,824
TOTAL REVENUES	16,226,874	4,418,672	20,645,546
EXPENDITURES			
Current			
Instruction	11,206,799	-	11,206,799
Supporting services	5,504,229	-	5,504,229
Community services	347,512	394,467	741,979
Food service	-	469,270	469,270
Capital outlay	-	560,474	560,474
Debt service			
Principal retirement	-	2,095,000	2,095,000
Interest, fiscal, and other charges	-	1,418,585	1,418,585
TOTAL EXPENDITURES	17,058,540	4,937,796	21,996,336
EXCESS OF REVENUES (UNDER) EXPENDITURES	(831,666)	(519,124)	(1,350,790)
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	290,781	290,781
County special education allocation	739,692	-	739,692
Transfers from other funds	71,372	309,963	381,335
Transfers to other funds	-	(381,335)	(381,335)
TOTAL OTHER FINANCING SOURCES (USES)	811,064	219,409	1,030,473
NET CHANGE IN FUND BALANCES	(20,602)	(299,715)	(320,317)
Fund balances, beginning of year	194,723	387,814	582,537
Fund balances, end of year	$ 174,121	$ 88,099	$ 262,220

See accompanying notes to financial statements.

Williamston Community Schools

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

Year Ended June 30, 2015

Net change in fund balances - total governmental funds		$ (320,317)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 472,486	
Depreciation expense	(1,273,257)	
Excess of depreciation expense over capital outlay		(800,771)
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:		
Debt principal retirement	2,095,000	
Loan proceeds	(290,781)	
Amortization of bond premium	34,546	
Loan proceeds (accrued SBLF interest)	(800,067)	
Excess of principal retirement over bond proceeds		1,038,698
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in net pension liability	1,516,705	
Change in deferred outflows of resources related to pensions	1,016,794	
Change in deferred inflows of resources related to pensions	(2,628,859)	
Decrease in accrued vacation pay	8,480	
(Increase) in accrued sick pay	(12,402)	
Decrease in accrued interest payable	11,377	
		(87,905)
Change in net position of governmental activities		$ (170,295)

See accompanying notes to financial statements.

Williamston Community Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	$ 7,713	$ 111,287
LIABILITIES		
Due to students		
High School	-	68,722
Middle School	-	37,258
Due to individuals and agencies	-	5,307
TOTAL LIABILITIES	-0-	$ 111,287
NET POSITION		
Held in trust for private purposes	$ 7,713	

See accompanying notes to financial statements.

Williamston Community Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2015

	Private Purpose Trust Funds
ADDITIONS	
Other	
Contributions	$ 150
DEDUCTIONS	
Other supporting services	150
CHANGE IN NET POSITION	-0-
Net position - beginning of year	7,713
Net position - end of year	$ 7,713

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of Williamston Community Schools. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the district as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments, and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major fund and aggregated nonmajor funds. A separate column is shown for the major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. The fiduciary funds are reported by type.

The District presents the following major governmental fund:

a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary private purpose trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet, when applicable. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary private purpose trust fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports unearned revenue in its financial statements, when applicable. Unearned revenues arise when the District receives resources before it has a legal claim to them.

If/when both restricted and unrestricted resources are available for use; it is the District’s policy to us restricted resources first, then unrestricted resources if they are needed.

5. 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 all required governmental fund types.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the required supplementary information of the financial statements:

a. The Assistant 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.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board 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 not be in excess of original estimates. Expenditures shall not be made or incurred in excess of the amount appropriated unless authorized in the budget.

d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes.

e. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds.

f. The budget, as presented, has been amended in a legally permissible manner. Supplemental appropriations were made during the year, with the last one approved June 15, 2015.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds. Cash equivalents are recorded at market (fair) value.

7. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” on the governmental funds balance sheet.

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan’s funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2015, to be paid in July and August 2015. The total amount of $2,556,509 due from other governmental units consists of $2,472,348 and $84,161 for State Aid and grant and local programs, respectively.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Inventories

Inventories are stated at cost on a first in/first out basis. The General Fund inventory consists of paper, custodial, and other miscellaneous supplies. The Food Services Fund inventory mainly consists of food and miscellaneous paper goods. General Fund inventory amounts for consumable inventory are equally offset by a fund balance “nonspendable” designation which indicates that they do not constitute “available spendable resources” even though they are a component of fund balance. Inventory that will be sold, rather than used in providing services (i.e., food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as “nonspendable” but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54.

10. Capital Assets

Capital assets include land, buildings and building improvements, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of $5,000 or more with estimated useful lives of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Equipment	5 - 20 years
Vehicles	8 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences and reported them as accrued sick pay and accrued vacation pay within the financial statements. Accumulated vested sick and vacation leave amounts and nonvested sick and vacation leave amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability in the district-wide financial statements.

12. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources,* a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until that time. *Deferred inflows of resources,* a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Deferred Outflows/Inflows of Resources - continued

The District has several items that qualify for reporting in these categories and are reported in the district-wide financial statement of net position. These items relate to the District's net pension liability and are the differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

13. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on district-wide financial statements as the District's proportionate share of the Michigan Public School Employees' Retirement System's (MPSERS) total pension liability, less the pension plan's fiduciary net position.

14. Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance, such as summer school, community education programs, summer school lunch, and recreational programs are also reflected as unearned if they meet these criteria.

15. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year, the District paid off the 2014 State-aid borrowing and then borrowed additional funds to meet short-term cash flow borrowing needs for 2015. The final payment is due and payable in August 2015, and anticipated State Aid is expected to be sufficient to cover this commitment.

16. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements. Accrued interest payable is due within one year and is reported as a current liability.

17. Long-Term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

The District levies taxes of $18.00 per $1,000 of taxable valuation on most nonprimary residence exempt property (Taxable value was $70,585,959 for 2014) and $6 per $1,000 of taxable value on commercial personal property (Taxable value was $4,781,172 for 2014) for general governmental services; $0.75 per $1,000, $7.98 per $1,000 and $1.00 per $1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for recreation, debt service, and sinking fund activities, respectively. Original Taxable Value for 2014 was $390,314,492 for debt service, recreation, and sinking fund calculations.

19. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2015, the foundation allowance was based on the average of pupil membership counts taken in October 2014 and February 2015. The average calculation was weighted 90% for the October 2014 count and 10% for the February 2015 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the year and two (2) payments made in July and August subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

20. State Categorical Revenue

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

21. County Special Education Revenue Allocation

The millage was collected by Ingham Intermediate School District (IISD) and the payments to the District were based on the most recent IISD budget at the time of allocation of excess revenues, after all IISD costs had been reimbursed. The allocation is paid pro rata based upon the K-12 pupil enrollment, including Special Education students enrolled at IISD, of the District compared to the total County wide enrollment. The K-12 enrollment for the District is defined as the blended official count for the State foundation grant.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

22. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

23. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds.

24. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

2. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.

3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

5. United States government or federal agency obligation repurchase agreements.

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.

7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.

8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks in the State of Michigan in the name of the School District.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits

There is custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it.

As of June 30, 2015, the carrying amount of the District's deposits was $1,013,221 and the bank balance was $1,055,864 of which $500,000 was covered by Federal depository insurance. The balance of $555,864 was uninsured and uncollateralized. The District had $806 of cash on hand. The District also had $803,089 on deposit with the State of Michigan at the Michigan Finance Authority in relation to the set aside payments to repay the State Aid Anticipation Note, Series 2014B-1 that is due and payable July 20, 2015.

Investments

As of June 30, 2015, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents caption on the combined balance sheet are as follows:

INVESTMENT TYPE	Carrying Amount	Market Value	Weighted Average Maturity
Uncategorized pooled investment funds			
MILAF - Cash Management & MAX Class Funds	$ 962	$ 962	<60 days
Michigan CLASS	16	16	<50 days
	$ 978	$ 978	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2015, the Michigan CLASS investment is rated AAAm by Standard and Poor's. As of June 30, 2015, the investment in MILAF was rated AAAm by Standard and Poor's.

Interest rate risk

The District has adopted a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

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

Custodial credit risk

The District has adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Custodial credit risk - continued

The following summarizes the cash, cash equivalents, and investments as of June 30, 2015:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	$ 896,005	$ 119,000	$ 1,015,005
Cash on hand with paying agent	803,089	-	803,089
	$ 1,699,094	$ 119,000	$ 1,818,094

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash, cash equivalents, and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated				
Land	$ 1,341,655	$ -	$ -	$ 1,341,655
Capital assets being depreciated				
Buildings and building improvements	58,876,027	388,790	-	59,264,817
Vehicles and equipment	5,535,873	83,696	(106,036)	5,513,533
Subtotal of capital assets being depreciated	64,411,900	472,486	(106,036)	64,778,350
Less accumulated depreciation for:				
Buildings and building improvements	(19,639,901)	(1,105,522)	-	(20,745,423)
Vehicles and equipment	(4,846,502)	(167,735)	106,036	(4,908,201)
Total accumulated depreciation	(24,486,403)	(1,273,257)	106,036	(25,653,624)
Net capital assets being depreciated	39,925,497	(800,771)	-0-	39,124,726
Capital assets, net	$ 41,267,152	$ (800,771)	$ -0-	$ 40,466,381

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE D: LONG-TERM DEBT

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
1996 Building and Site Bonds	$ 11,350,000	$ -	$ -	$ 11,350,000	$ 1,100,000
2005 Building and Site Bonds	16,000,000	-	(1,000,000)	15,000,000	1,000,000
2011 Refunding Bonds	1,095,000	-	(1,095,000)	-0-	-
Michigan School Bond Loans					
Principal and interest	23,007,032	1,090,848	-	24,097,880	-
Capitalized bond premium	518,198	-	(34,546)	483,652	34,546
Vacation pay	15,276	25,596	(34,076)	6,796	5,437
Sick pay	338,098	651,947	(639,545)	350,500	280,400
	$ 52,323,604	$ 1,768,391	$ (2,803,167)	$ 51,288,828	$ 2,420,383

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds - The District has issued bonds to finance the acquisition, new construction, and remodeling of existing school facilities. The following summarizes significant details of the bonds payable outstanding at June 30, 2015:

$27,535,000 School Building and Site Bonds dated January 1, 1996, due in annual installments ranging from $1,100,000 to $1,150,000 from May 1, 2016 through May 1, 2025 with interest of 5.50 percent, payable semi-annually.	$ 11,350,000
$23,735,000 School Building and Site Bonds dated February 2, 2005, due in annual installments of $1,000,000 through May 1, 2030 with interest ranging from 4.00 to 5.00 percent, payable semi-annually.	15,000,000
	$ 26,350,000

Michigan School Bond Qualification and Loan Program

The School District borrows on various occasions from the Michigan School Bond Qualification and Loan Program. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate ranged from 3.41183 to 3.45979 percent.

The School District borrowed $290,781 during this fiscal year and had an additional $800,067 of accrued interest added to the loan on the outstanding balance during the year. The balances at June 30, 2015, are as follows:

Loan balance	$ 15,744,398
Interest balance	8,353,482
	$ 24,097,880

NOTE D: LONG-TERM DEBT - CONTINUED

Sick Pay - In recognition of services to the District, a severance payment is made to eligible employees with at least ten (10) years of service according to their respective employment contracts as follows:

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the sick pay liability. The amounts accumulated for all employees currently vested is calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2015 for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of accrued sick pay and related payroll taxes as of June 30, 2015, which has been recorded in the District-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Sick pay	$ 316,302	$ 9,290	$ 325,592
Payroll taxes	24,197	711	24,908
	$ 340,499	$ 10,001	$ 350,500

Vacation Pay - In recognition of services to the District, an accumulated unused vacation days payment will be made upon termination to eligible employees according to past District practice. This payment will be paid on all unused vacation days at the employee's rate of pay at time of termination.

The vacation pay liability, including the related payroll taxes which have been recorded in the district-wide financial statements, is $6,796.

The annual requirements to pay the debt principal and interest outstanding are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest
2016	$ 2,100,000	$ 1,349,250
2017	2,100,000	1,238,750
2018	2,100,000	1,128,250
2019	2,150,000	1,017,750
2020	2,150,000	914,500
2021-2025	10,750,000	2,873,750
2026-2030	5,000,000	690,000
	$ 26,350,000	$ 9,212,250

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of repayments. As a result, it is not included in the schedule above.

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2015, are as follows:

Due to General Fund from:		
Nonmajor governmental funds	$	52,996
Due to nonmajor governmental funds from:		
Nonmajor governmental funds	$	104,619

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund:		
From nonmajor governmental funds	$	71,372
Transfers to nonmajor governmental funds:		
From nonmajor governmental funds	$	309,963

The transfers from the nonmajor governmental funds to the General Fund were to offset a portion of costs of the District that were recognized in the General Fund. The transfers between the nonmajor governmental funds were to eliminate the 2011 Refunding Debt Fund, as that debt was fully paid off at June 30, 2015, and to transfer tax revenue from the 1996 Debt Fund to the 2005 Debt Fund to make debt payments.

NOTE G: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (MPSERS) (the System) 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 MPSERS 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. MPSERS board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PLAN DESCRIPTION - CONTINUED

The Governor appointed board members consist of:

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

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

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

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

Membership

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

Inactive plan members or their beneficiaries currently receiving benefits:

Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	6,168
Total	204,512

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PLAN DESCRIPTION - CONTINUED

Membership - continued

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

BENEFITS PROVIDED

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

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

Member Contributions

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

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

BENEFITS PROVIDED - CONTINUED

Member Contributions - continued

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

Employer Contributions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

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

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

Reserves

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

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

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

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reserves - continued

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

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

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

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

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

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reporting Entity

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

Benefit Protection

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

Fair Value of Investments

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

Investment Income

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

Costs of Administering the System

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

Cash

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

CONTRIBUTIONS AND FUNDING STATUS

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

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

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

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

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

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSERS (the Plan) Net Pension Liability

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

MPSERS (Plan) Net Pension Liability - Non-University
As of September 30, 2014

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

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

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

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

Proportionate Share of Williamston Community School District's Net Pension Liability

At September 30, 2014, the District reported a liability of $23,775,595 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013, as of that date. The District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the District's proportionate share was 0.10794 percent.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	4.8 %
% Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	2.0	-0.2
Total	100 %	

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

Rate of Return

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

Discount Rate

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

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

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

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
$ 31,346,051	$ 23,775,595	$ 17,397,373

Timing of the Valuation

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

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

Actuarial Valuations and Assumptions

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

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

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Actuarial Valuations and Assumptions - continued

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

PENSION EXPENSES AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2015, the District recognized total pension expense of $1,925,771. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	877,269	-
Net difference between projected and actual earnings on pension plan investments	-	2,628,402
Changes in proportion and differences between Williamston Community Schools contributions and proportionate share of contributions	-	457
Williamston Community Schools contributions subsequent to the measurement date	1,481,073	-
Total	$ 2,358,342	$ 2,628,859

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PENSION EXPENSES AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - CONTINUED

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date, $1,481,073, which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized In Future Pension Expenses)

Year Ended September 30,	Amount
2015	$ (429,103)
2016	(429,103)
2017	(429,103)
2018	(464,281)

NOTE H: OTHER POST-EMPLOYMENT BENEFITS

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.

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate.

Contribution rates for the year ended June 30, 2015, are as follows:

	Health Contribution Rate	
	Basic/MIP	Pension Plus
July 1, 2014 - September 30, 2014	5.52 - 6.45%	5.52 - 6.45%
October 1, 2014 - June 30, 2015	2.20 - 2.71%	2.20 - 2.71%

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

PLAN DESCRIPTION - CONTINUED

The District's required and actual contributions to the various plans for the last three (3) fiscal years are as follows:

	Defined Benefit Plan	Defined Contribution Plan	
Fiscal Year Ended June 30,	Employer Health Contributions	Employer Contributions	Employee Contributions
2015	$ 463,765	$ 18,772	$ 16,516
2014	783,798	41,116	33,722
2013	793,182	19,611	18,580

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for data breach, property, fleet, liability, in-land marine, crime, employee dishonesty, boiler and machinery, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's 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 District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's 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 District has not been informed of any special assessments being required.

NOTE J: FLEXIBLE BENEFITS PLAN

In February 1992, the District implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan, available to all employees, permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits.

The plan allows the employee to reduce their salary and apply it to medical reimbursement, dependent care reimbursements, co-pay for health insurance premiums, or post-employment group term life insurance.

A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by Williamston Community Schools.

NOTE K: SHORT-TERM NOTES

On August 20, 2013, the District issued a short-term State School Aid Anticipation Note in the amount of $2,500,000 for the purpose of funding operating expenditures until the 2014 State Aid payments began. This short-term note, which had a net outstanding balance of $2,516,821 (principal and accrued interest payable) at June 30, 2014, was reported in the General Fund and in the government-wide financial statements under the caption short-term notes payable. There was $1,204,734 of cash on deposit with the paying agent at June 30, 2014 to pay for a portion of the notes outstanding. The outstanding balance was paid in August 2014.

On August 20, 2014, the District issued a short-term State School Aid Anticipation Notes (Series 2014 B-1, B-2, and B-3) in the amount of $2,500,000 for the purpose of funding operating expenditures until the 2015 State Aid payments began. These short-term notes, which had a net outstanding balance of $2,518,153 (principal and accrued interest payable) at June 30, 2015, are reported in the General Fund and in the government-wide financial statements, along with the below notes, under the caption short-term notes payable. There was $803,089 of cash on deposit with the paying agent at June 30, 2015 to pay for a portion of the notes outstanding. The remaining funds to make the balance of the payment due will come from State Aid and other funds on hand when the payment is due. The outstanding balance was paid in August 2015.

On December 1, 2014, the District issued a short-term PNC Bank Note in the amount of $750,000 for the purpose of funding operating expenditures. This short-term note, which has a net outstanding balance of $540,000 at June 30, 2015, is reported in the General Fund and in the government-wide financial statements, along with the above notes, under the caption short-term notes payable. The remaining funds to make the balance of the payment due will come from State Aid and other funds on hand when the payment is due. The outstanding balance was paid in August 2015.

NOTE L: SUBSEQUENT EVENT

After the year ended June 30, 2015, the following subsequent event occurred:

On August 20, 2015, the District issued State School Aid Anticipation Notes totaling $4,000,000 for the purpose of funding operating expenditures until the fiscal year 2016 State Aid payments begin. These short-term notes will be paid off when the District accumulates sufficient State Aid revenues. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

The District issued two refunding bonds for $14,690,000 and $24,500,000 on September 29, 2015. These bonds are intended to refinance the outstanding 2005 School Building and Site Bonds and School Bond Loan Fund balances, respectively, as of June 30, 2015.

NOTE M: SINKING FUND

The Capital Projects Sinking Fund of the District includes the capital project activities which are funded by the local millage for a sinking fund. For the expenditures recorded within the Capital Projects Sinking Fund the District has complied with the applicable provisions of Section 1212 (1) of the Revised School in the current and prior years.

NOTE N: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

NOTE N: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Williamston Community Schools' highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a formal action and approval by the Board of Education and committed fund balances do not lapse at year end.

For assigned fund balance, the Board of Education is authorized to assign amounts to a specific purpose. The authorization is delegated by the Board of Education to the District's Superintendent.

For the classification of fund balances, Williamston Community Schools considers restricted amounts to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Williamston Community Schools considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE O: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to a change in accounting principles.

Ending net position as of June 30, 2014	$ (10,710,167)
Beginning net pension liability	(25,292,300)
Beginning deferred outflows for contributions subsequent to the measurement date	1,341,548
Restated beginning net position	$ (34,660,919)

NOTE P: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS

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

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statement when adopted during the District's 2017-2018 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2015-2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2016-2017 fiscal year.

NOTE R: CONTRACTUAL COMMITMENTS

The District has entered into contracts related to the acquisition, construction, and remodeling of various school building projects that were not completed at June 30, 2015. The total contractual commitment outstanding at June 30, 2015 totaled $194,867. The District's future anticipated tax revenue, investment earnings, and other local revenues are expected to be sufficient to cover these commitments.

NOTE S: DEFICIT FUND BALANCE

As of June 30, 2015, the Sinking Fund had a deficit fund balance of ($29,268).

NOTE T: CONTINGENT LIABILITIES

The District participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The periodic program compliance audits of many of the programs have not yet been completed or final resolution has not been received. Accordingly, the District's compliance with applicable grant requirements will be established 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 District expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

Williamston Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 1,880,926	$ 1,959,022	$ 2,111,183	$ 152,161
State sources	13,006,246	13,693,704	13,787,936	94,232
Federal sources	309,259	318,962	327,755	8,793
TOTAL REVENUES	15,196,431	15,971,688	16,226,874	255,186
EXPENDITURES				
Instruction				
Basic programs	8,591,468	9,230,016	9,057,662	172,354
Added needs	1,857,890	2,038,394	2,149,137	(110,743)
TOTAL INSTRUCTION	10,449,358	11,268,410	11,206,799	61,611
Supporting services				
Pupil services	602,510	610,847	849,585	(238,738)
Instructional staff	765,581	799,646	753,902	45,744
General administration	203,703	204,419	186,357	18,062
School administration	884,605	891,476	956,128	(64,652)
Athletics	316,913	316,913	283,111	33,802
Business and other supporting services	2,669,782	2,675,270	2,475,146	200,124
TOTAL SUPPORTING SERVICES	5,443,094	5,498,571	5,504,229	(5,658)
Community services	327,964	329,729	347,512	(17,783)
TOTAL EXPENDITURES	16,220,416	17,096,710	17,058,540	38,170
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,023,985)	(1,125,022)	(831,666)	293,356
OTHER FINANCING SOURCES (USES)				
County special education allocation	785,000	746,037	739,692	(6,345)
Transfers from other funds	135,000	238,985	71,372	(167,613)
TOTAL OTHER FINANCING SOURCES (USES)	920,000	985,022	811,064	(173,958)
NET CHANGES IN FUND BALANCE	(103,985)	(140,000)	(20,602)	119,398
Fund balance, beginning of year	194,723	194,723	194,723	-0-
Fund balance, end of year	$ 90,738	$ 54,723	$ 174,121	$ 119,398

Williamston Community Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2014
Williamston Community Schools' proportion of net pension liability (%)	0.10794%
Williamston Community Schools' proportionate share of net pension liability	$ 23,775,595
Williamston Community Schools' covered-employee payroll	$ 8,935,799
Williamston Community Schools' proportionate share of net pension liability as a percentage of its covered-employee payroll	266.07%
Plan fiduciary net position as a percentage of total pension liability	66.20%

Williamston Community Schools

SCHEDULE OF CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2015
Statutorily required contributions	$ 1,809,441
Contributions in relation to statutorily required contributions	1,809,441
Contribution deficiency (excess)	$ -0-
Williamston Community Schools' covered employee payroll	8,775,957
Contributions as a percentage of covered-employee payroll	20.62%

Williamston Community Schools

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2015, the District incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Instruction			
Added needs	$ 2,038,394	$ 2,149,137	$ (110,743)
Supporting services			
Pupil services	610,847	849,585	(238,738)
School administration	891,476	956,128	(64,652)
Community services	329,729	347,512	(17,783)

NOTE B: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

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

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

OTHER SUPPLEMENTARY INFORMATION

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2015

	Special Revenue Funds		Capital Project Fund
	Food Service	Community Services	Sinking Fund
ASSETS			
Cash and cash equivalents	$ 406	$ -	$ 83,181
Due from other governmental units	3,379	-	-
Due from other funds	32,417	12,138	-
Inventories	11,647	-	-
TOTAL ASSETS	$ 47,849	$ 12,138	$ 83,181
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	$ 23,184	$ 9,680	$ 15,248
Due to other funds	-	-	97,201
Accrued salaries	-	1,200	-
Other accrued liabilities	-	401	-
Unearned revenue	12,596	-	-
TOTAL LIABILITIES	35,780	11,281	112,449
FUND BALANCES (DEFICITS)			
Restricted			
Debt service	-	-	-
Community services	-	857	-
Food and nutrition	12,069	-	-
Unassigned	-	-	(29,268)
TOTAL FUND BALANCES (DEFICITS)	12,069	857	(29,268)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	$ 47,849	$ 12,138	$ 83,181

Debt Service Funds			
1996 Debt	2005 Debt	2011 Refunding Bonds	Total
$ 40,673	$ 64,118	$ -	$ 188,378
-	-	-	3,379
60,064	-	-	104,619
-	-	-	11,647
$ 100,737	$ 64,118	$ -0-	$ 308,023
$ -	$ -	$ -	$ 48,112
-	60,414	-	157,615
-	-	-	1,200
-	-	-	401
-	-	-	12,596
-0-	60,414	-0-	219,924
100,737	3,704	-	104,441
-	-	-	857
-	-	-	12,069
-	-	-	(29,268)
100,737	3,704	-0-	88,099
$ 100,737	$ 64,118	$ -0-	$ 308,023

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Special Revenue Funds		Capital Project Fund
	Food Service	Community Services	Sinking Fund
REVENUES			
Local sources	$ 285,475	$ 440,925	$ 387,555
State sources	16,640	-	-
Federal sources	192,069	-	-
TOTAL REVENUES	494,184	440,925	387,555
EXPENDITURES			
Current			
Food service	469,270	-	-
Community services	-	394,467	-
Capital outlay	-	-	560,474
Debt service			
Principal retirement	-	-	-
Interest, fiscal, and other charges	-	-	-
TOTAL EXPENDITURES	469,270	394,467	560,474
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,914	46,458	(172,919)
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(24,913)	(46,459)	-
TOTAL OTHER FINANCING SOURCES (USES)	(24,913)	(46,459)	-0-
NET CHANGE IN FUND BALANCES	1	(1)	(172,919)
Fund balances, beginning of year	12,068	858	143,651
Fund balances (deficit), end of year	$ 12,069	$ 857	$ (29,268)

Debt Service Funds			
1996 Debt	2005 Debt	2011 Refunding Bonds	Total
$ 543,232	$ 1,163,800	$ 1,388,976	$ 4,209,963
-	-	-	16,640
-	-	-	192,069
543,232	1,163,800	1,388,976	4,418,672
-	-	-	469,270
-	-	-	394,467
-	-	-	560,474
-	1,000,000	1,095,000	2,095,000
624,705	760,840	33,040	1,418,585
624,705	1,760,840	1,128,040	4,937,796
(81,473)	(597,040)	260,936	(519,124)
-	290,781	-	290,781
-	309,963	-	309,963
(4,219)	-	(305,744)	(381,335)
(4,219)	600,744	(305,744)	219,409
(85,692)	3,704	(44,808)	(299,715)
186,429	-	44,808	387,814
$ 100,737	$ 3,704	$ -0-	$ 88,099

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Suzie Lorenz	Steve Smith	Total
ASSETS			
Cash and cash equivalents	$ 6,967	$ 746	$ 7,713
NET POSITION			
Held in trust for private purposes	$ 6,967	$ 746	$ 7,713

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2015

	Suzie Lorenz	Steve Smith	Total
ADDITIONS			
Contributions			
Private contributions	$ 150	$ -	$ 150
DEDUCTIONS			
Other supporting services	150	-	150
CHANGE IN NET POSITION	-0-	-0-	-0-
Net position - beginning of year	6,967	746	7,713
Net position - end of year	$ 6,967	$ 746	$ 7,713

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

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

To the Board of Education
Williamston Community Schools
Williamston, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Williamston Community Schools (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Williamston Community Schools' basic financial statements, and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below as 2015-001, that we consider to be a significant deficiency.

2015-001 PURCHASING CARD PROCEDURES

Condition: During our testing of the District's purchasing cards, we noted one (1) instance out of forty (40) transactions tested where there was no supporting receipt for the amount charged to the purchasing card. In addition, we noted twelve (12) instances where either the expense report which was supposed to accompany the receipt was either missing or was not signed.

2015-001 PURCHASING CARD PROCEDURES - CONTINUED

Criteria: The District has written purchasing card procedures for employees who use the cards for District purposes that they must follow.

Cause: The District did not follow its established procedures for purchasing card transactions.

Effect: By failing to follow its established procedures, the District has an increased risk of error or fraud which could lead to material misstatement of the financial statements.

Recommendation: We recommend the District take steps to ensure that its established procedures are followed for purchasing card usage.

Corrective Action Response: Administration has had additional conversations with all levels of District personnel reinforcing District policies related to purchase card activity, turning in receipts, and obtaining proper approval. The District will be strictly enforcing controls in this area in 15/16 and assuring all purchases are approved and supported prior to payment in the future.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Governmental Auditing Standards* which are described as noted below:

2015-002 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund.

Criteria: The Uniform Budgeting and Accounting Act requires the District to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The District did not amend the budget sufficiently when it became apparent spending was going to exceed the amounts appropriated in the over budget areas.

Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.

Recommendation: We recommend the District continue to monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: Management of the District is continually reviewing the procedures related to budgetary compliance in accordance with State law and will continue to monitor and amend our budget when the need arises.

2015-003 FUND BALANCE DEFICIT

Condition: At the end of the fiscal year, the Sinking Fund reported a fund balance deficit.

Criteria: Michigan Public Act 275 of 1980 provides that the District shall not end its fiscal year with a deficit condition.

Cause: The District performed significant amounts of work in the Sinking Fund in 14/15 and the expenditures related to all this work exceeded current revenues and beginning fund balance.

2015-003 FUND BALANCE DEFICIT - CONTINUED

Effect: The District is not in compliance with Public Act 275 of 1980. As a result the District will be required to prepare and submit a Deficit Elimination Plan to the State of Michigan.

Recommendation: We recommend the District utilize budgetary controls to limit expenditures and/or transfer funds as needed to alleviate deficits.

Corrective Action Response: This issue was a result of a timing issue in that it was a significant summer project we needed to complete prior to the beginning of the 15/16 school year so therefore the work commenced prior to the collection of sufficient sinking fund revenues. As the sinking fund resources come in this will eliminate the deficit and we will monitor timing of projects compared to revenues in the future.

Williamston Community Schools' Responses to Findings

The District's responses to the findings identified in our audit are described above. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 16, 2015