Note 6 – Interfund Balances

As of the end of the fiscal year, there were interfund balances between the funds. The General Fund owed the Food Service Fund $742 and the Debt Service Fund owed the General Fund $3,530. These interfund balances resulted primarily from the time lag between when transactions were recorded in the accounting system and when payments between funds were made.

Note 7 – State Aid Anticipation Note-Payable

At June 30, 2014, the District had State Aid anticipation notes outstanding that totaled $450,000, maturing July 30, 2014, with an interest rate of .68%. The notes are secured by the full faith and credit of the District as well as pledged State Aid. The note is expected to be renewed in July 2014.

Balance June 30, 2013	Additions	Payments	Balance June 30, 2014
$ 800,000	$ 800,000	$ 1,150,000	$ 450,000

Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds	$ 11,990,000	$ 2,235,000	$ 1,770,000	$ 12,455,000	$ 465,000
Notes payable	22,913	-	22,913	-	-
School bond loan	2,379,510	232,254	-	2,611,764	-
Total governmental activities	$ 14,392,423	$ 2,467,254	$ 1,792,913	$ 15,066,764	$ 465,000

Note 8 – Long-Term Debt (Continued)

Annual debt service requirements to maturity on the above governmental bond and loan obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2015	$ 465,000	$ 413,187	$ 878,187
2016	485,000	400,775	885,775
2017	510,000	386,025	896,025
2018	700,000	370,525	1,070,525
2019	1,090,000	346,375	1,436,375
2020-2024	4,035,000	1,333,475	5,368,475
2025-2029	2,620,000	845,775	3,465,775
2030-2034	2,550,000	315,607	2,865,607
	$ 12,455,000	$ 4,411,744	$ 16,866,744

General obligation bonds consist of:

$5,955,000 2007 refunding bonds due in annual installments of $20,000 to $530,000 through May 1, 2034; interest at 4.00% to 4.25%	$ 5,915,000
$4,390,000 2012 refunding bonds due in annual installments of $445,000 to $495,000 through May 1, 2023; interest at 3.00%	4,305,000
$2,235,000 2014 building & site and refunding bonds due in annual installments of $190,000 to $1,465,000 through May 1, 2020; interest at 2.00%	2,235,000
Total bonded debt	$12,455,000

School Bond Loan – The school bond loan payable of $2,611,764 represents notes payable to the State of Michigan for loans made to the District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates were 3.52% to 3.53% from July 1, 2013 to June 30, 2014. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below seven mills. The District is required to levy seven mills and repay to the State any excess of the amount levied over the bonded debt service requirement. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the District, no provision for repayment of the note has been included in the above annual debt service requirements.

Note 8 – Long-Term Debt (Continued)

Current Refunding – During the year, the School District issued $1,170,000 in general obligation bonds with interest at 2.00%. The proceeds of these bonds were used to advance refund $1,175,000 outstanding 2005 refunded bonds. The net proceeds of $1,218,260 (after payment of $37,247 of underwriting fees and other issuance costs) plus a premium of $48,260 were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced the total debt service payments by $86,268 which represents an economic gain of $85,593.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2014, $5,560,000 of bonds outstanding are considered defeased.

Note 9 – Risk Management

The School District is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. The District participates in a distinct pool of educational institutions with the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of $500,000. The District has not been informed of any special assessments being required. The District continues to carry commercial insurance for other needs including health insurance. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Pension Plan and Post-Employment Benefits

Plan Description – The District participates in the Michigan Public School Employees' Retirement System (MPSERS), a state-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan and administered by the twelve-member board of the MPSERS. The MPSERS provides retirement, survivor and disability benefits and postretirement benefits options for health, dental and vision coverage for substantially all employees of the District. The MPSERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, MI 48909-7671 or by calling (517) 322-5103. This information can also be accessed at http://www.michigan.gov/orsschools.

Funding Policy –Members contribute various rates, ranging from 0% to 7%, based primarily upon date of hire.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for fiscal year varied, ranging from 18.34 % to 25.86%, based upon employee hire dates and options selected. In addition, the District is required to match 50% of up to 1% of the employee contributions in the pension plan plus option. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The School District's contributions to the MPSERS plan for the years ended June 30, 2014, 2013, and 2012 were approximately $830,000, $724,000, and $705,000, respectively.