

**KENOWA HILLS  
PUBLIC SCHOOLS**  
**Kent and Ottawa Counties, Michigan**

Annual Financial Report

For the year ended June 30, 2013

**KENOWA HILLS PUBLIC SCHOOLS**  
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For the year ended June 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

October 14, 2013

The Board of Education  
Kenowa Hills Public Schools

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kenowa Hills Public Schools (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Kenowa Hills Public Schools as of June 30, 2013, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes A and J to the basic financial statements, the District changed its method of reporting for net position as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is 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 Management's Discussion and Analysis on pages 6 through 14 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 Kenowa Hills Public Schools' basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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 14, 2013 on our consideration of Kenowa Hills Public 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 Kenowa Hills Public Schools' internal control over financial reporting and compliance.

*Hungerford, Aldain, Nichols & Carter, P.C.*

Certified Public Accountants

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



As management of the Kenowa Hills Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

### **Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
  - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplementary Information follows and includes combining and individual fund statements.

### **District-wide Statements**

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position, and how it has changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.



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Management's Discussion and Analysis  
 June 30, 2013

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

**New Accounting Pronouncements Implemented**

The District implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2012-13. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The reader will note a change in terminology from "net assets" to "net position". GASB 65 identifies and defines those items previously reported as assets and liabilities that will now be reported as deferred outflows and inflows of resources. These changes resulted in a reduction of \$381,675 in district-wide net position at July 1, 2012, which is reflected in the following condensed district-wide financial information and in the Basic Financial Statements included in the Annual Financial Report.

**Condensed District-Wide Financial Information**

The Statement of Net Position provides financial information on the District as a whole.

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current assets	\$ 11,776,099	\$ 15,106,839
Noncurrent assets	32,736,465	31,710,171
<b>Total Assets</b>	<b>44,512,564</b>	<b>46,817,010</b>
<b>Deferred Outflows of Resources</b>	<b>1,107,811</b>	<b>1,193,027</b>
<b>Liabilities</b>		
Current liabilities	7,430,528	6,911,089
Noncurrent liabilities	34,286,302	36,793,171
<b>Total Liabilities</b>	<b>41,716,830</b>	<b>42,284,040</b>
<b>Net Position</b>		
Invested in capital assets, net of related debt	(2,639,614)	(1,556,772)
Restricted	1,885,155	2,241,716
Unrestricted	4,658,004	5,041,053
<b>Total Net Position</b>	<b>\$ 3,903,545</b>	<b>\$ 5,725,997</b>



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Management's Discussion and Analysis  
 June 30, 2013

The Statement of Activities presents changes in net position from operating results:

	<u>2013</u>	<u>2012</u>
<b>Program Revenues</b>		
Charges for services	\$ 1,351,885	\$ 1,494,843
Operating grants	6,180,187	6,946,418
<b>General Revenues</b>		
Property taxes	12,037,690	12,620,158
State school aid, unrestricted	16,210,731	15,368,217
Interest earnings	12,964	21,279
Other	310,314	218,430
<b>Total Revenues</b>	<u>36,103,771</u>	<u>36,669,345</u>
<b>Expenses</b>		
Instruction	21,975,097	19,097,856
Supporting services	11,763,006	10,926,408
Community services	538,884	535,247
Food service	1,442,709	1,507,648
Other	167,162	188,104
Interest expense	2,039,365	2,232,050
<b>Total Expenses</b>	<u>37,926,223</u>	<u>34,487,313</u>
Increase (decrease) in net position	(1,822,452)	2,182,032
<b>Net Position - Beginning of Year</b>	<u>5,725,997</u>	<u>6,133,272</u>
<b>Net Position - End of Year</b>	<u><u>\$ 3,903,545</u></u>	<u><u>\$ 8,315,304</u></u>

**Financial Analysis of the District as a Whole**

The District's financial position is influenced by many factors. The District experienced a decrease in local tax revenues and state funded revenues. The District also prepared for this decrease in revenues by consolidating buildings and reducing operating costs. The employee groups have worked with the administration and the Board of Education to decrease costs of benefits while at the same time increasing employees' cost share of said benefits for future years to come.

The Districts's total revenues decreased 1.5 percent to \$36.1 million. Property taxes and unrestricted State aid accounted for most of the District's revenue, contributing 78 cents of every dollar raised. Another 17 percent came from State and Federal aid for specific programs, and the remainder from fees charged for services, interest earnings and miscellaneous sources. The chart below depicts the breakdown of the sources of revenue for the District.



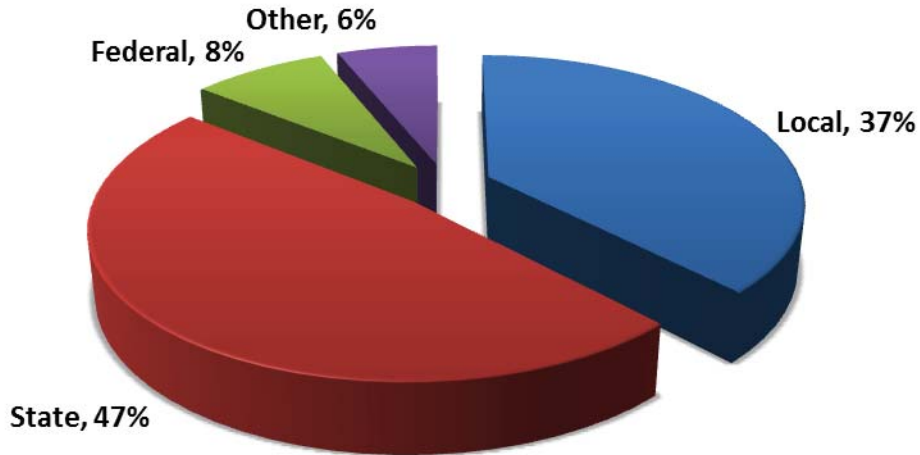
# Kenowa Hills Public Schools

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Management's Discussion and Analysis

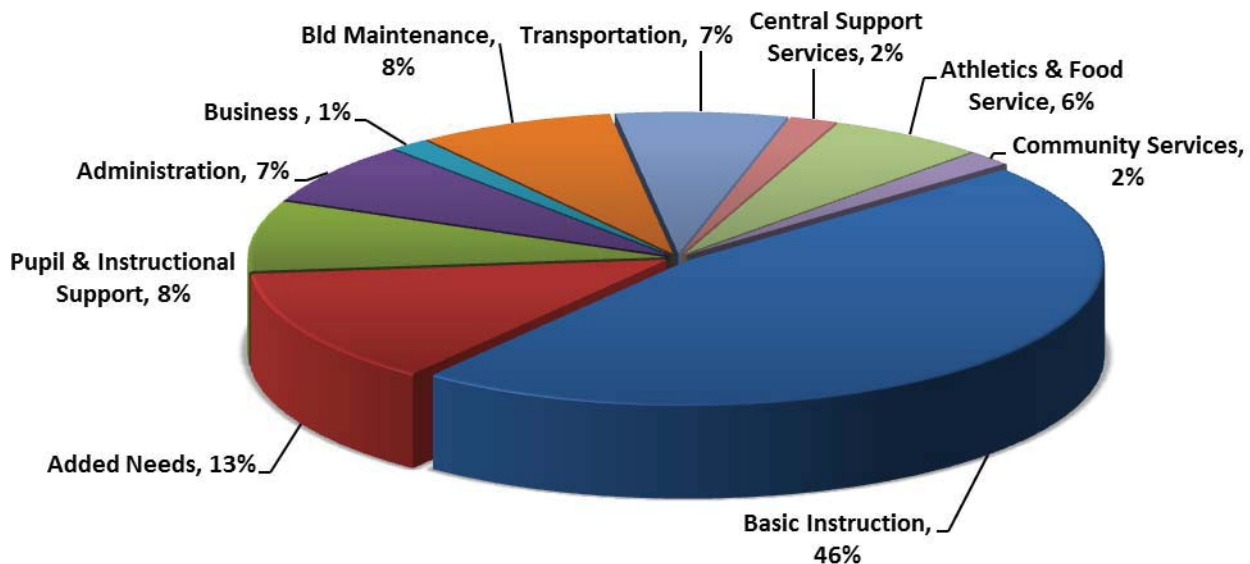
June 30, 2013

## Sources of Revenue for Fiscal Year 2012-13



The total cost of all programs and services increased 10 percent to \$37.9 million. The District's expenses are predominantly related to instructing, caring for (added needs and pupil services) and transporting students (79 percent). The District's administrative and business activities accounted for 7 percent of total costs. Operation and maintenance expenses accounted for 7 percent.

## Departmental Expenditures as Percentage of Total



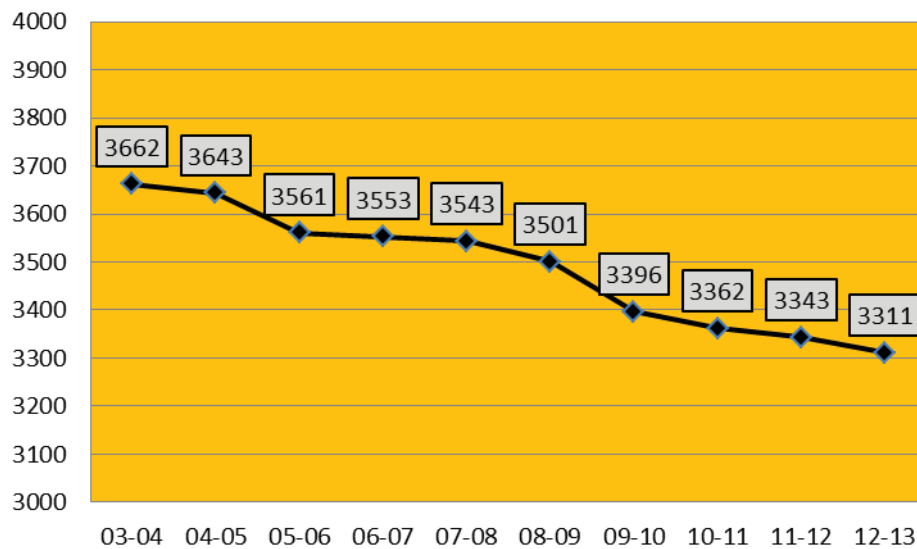


Total expenses surpassed revenues, decreasing net position by \$1.8 million from last year.

Total revenues for 2012-13 decreased by approximately 1.5% while expenses increased 10%.

- The blended student count for which the District receives a foundation allowance decreased by 32 students between 2011-12 and 2012-13.

### Enrollment History: 2003 through 2013



- Changes to valuations on some commercial and industrial properties, as well as the overall decline in the housing market resulted in a decrease in taxable values for the fifth consecutive year.
- Approximately 48% of the District's revenue is funded by the State of Michigan. This is cause for the District to remain cautious regarding funding as the state legislature does not appear to be taking action to correct the State's financial problems.
- A revenue loss of approximately \$750,000 was felt by the District due to the discontinuation of federal Education Jobs Funds dollars.
- The District reduced its fund equity by approximately 10% over the 2008-09 and 2009-10 school years from 17% to 7%. The Board of Education, during the 2009-10 school year, took prudent and dramatic steps to place the District in a position in which it can sustain itself financially, including reducing staff significantly and closing three elementary buildings. As a result, during the 2011-12 school year \$348,737 was added back to the District's General Fund balance. This helped the District as it endured a loss of students and increased employee retirement costs during the 2012-13 school year which resulted in the District using almost 6.5% of its fund balance.



### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship Funds and Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

### **Financial Analysis of the District's Funds**

The District uses funds to record and analyze financial information. Kenowa Hills Public School's funds are described as follows:

#### **Major Funds**

##### General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$30,571,098, total other financing sources of \$82,461, total expenditures of \$30,920,350, and total other financing uses of \$81,946. It ended the fiscal year with a fund balance of \$5,025,108, a decrease of \$348,737 from the fund balance of \$5,373,845 at June 30, 2012.

##### 2010 Construction Fund – Bonds

The District issued bonds totaling \$13,815,000 on June 23, 2010. During the year ended June 30, 2013, this fund had total revenue of \$9,613, while construction and equipment costs totaled \$2,900,942, leaving a fund balance of zero at June 30, 2013.



# Kenowa Hills Public Schools

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Management's Discussion and Analysis  
June 30, 2013

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## Nonmajor Funds

### Special Revenue Funds

The District operates one Special Revenue Fund, for the food service program. Total revenues were \$1,492,007, total expenditures were \$1,421,447, and total other financing uses were \$67,515. The ending fund balance was \$3,045 at June 30, 2013.

### Debt Service Funds

The District maintains three Debt Service Funds. Total revenues were \$3,912,733 and total expenditures were \$4,277,561. The ending fund balances in the Debt Service Funds totaled \$2,178,626.

### 2010 Construction Fund - Buses

The District issued bonds June 23, 2010 to purchase school buses. Total revenues for 2012-13 were \$7 and bus purchases totaled \$46,139, leaving a fund balance of zero at June 30, 2013.

### Fiduciary Funds

The District has Scholarship Funds and a Student Activities Fund. The assets of these funds are being held for the benefit of the District's students. Balances on hand at June 30, 2013 totaled \$153,267.

## General Fund Budgetary Highlights

Over the course of the year, the District revised its initial annual operating budget three times, once in December, March, and in June just prior to fiscal year end. These budget revisions included:

- Changes made to account for the final student enrollment that determines how much foundation grant per pupil or State school aid will be received during the fiscal year.
- Changes in staffing due to student educational needs, updating curriculum materials, repair and maintenance of facilities and increased costs for employee retirement pension funding.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2012-13, the District had invested \$54.3 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.) Total depreciation expense for the year was \$1,574,894.





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Management’s Discussion and Analysis  
**June 30, 2013**

At June 30, 2013, the District’s investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, furniture and equipment, was \$32.7 million. This represents a decrease of approximately \$2.6 million from the previous year-end.

Land	\$ 1,108,000
Construction in progress	108,169
Land improvements	2,794,432
Buildings and additions	27,441,383
Furniture and equipment	520,768
Vehicles	<u>763,713</u>
<b>Net Capital Assets</b>	<u><u>\$ 32,736,465</u></u>

**Long-term Debt**

At year end, the District had \$36.9 million in general obligation bonds and other long-term debt outstanding – a net decrease of \$2.3 million from last year. The District continued to pay down its debt, retiring \$2.22 million of outstanding bonds.

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a district’s boundaries. The District’s other long term obligations consist of accumulated sick leave. We present more detailed information about our long-term liabilities in Note F in the Notes to Basic Financial Statements.

The District’s underlying bond rating from Standard & Poor’s on its general obligation unlimited tax debt is “A+” which improved from an “A” rating. The outstanding debt was qualified by the State, and thus also carries the State’s program rating of “AA-”.

**Factors Bearing on the District’s Future**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Michigan’s economy continues to be a major concern for future school funding. The District’s October 2013 student count of 3,337 was up 18 students from the October 2012 count of 3,319. This count is slightly less than the Fall 2011 blended count of 3343. State School Aid funding, which represents approximately 47% of the District’s annual revenues, still remains below the 2006-07 funding level.
- Negotiated contract agreements are in place with teacher and support staff unions through August 2015 and transportation and all of custodial services are being provided by private contractors beginning the 2013-14 school year.



# Kenowa Hills Public Schools

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Management's Discussion and Analysis

June 30, 2013

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- The District's fund balance in its primary operating fund, the General Fund, decreased by \$348,737 during the 2012-13 fiscal year to \$5,025,108. This decrease was less than the \$829,822 loss projected. The current fund balance represents 16.0% of the 2013-14 General Fund operational budget. As a result of this Fund Balance, the District is optimistic that the significant operational changes and budget reductions made for the 2013-14 school year will allow the District to move forward with a balanced operational program and financial outlook. However, if funding does not improve, the District will have to once again experience many reductions to discontinue an ongoing use of the Fund Balance which is projected to be \$1,227,003 at the end of the 2013-14 school year.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Kenowa Hills Public Schools, 2325 Four Mile Road, N.W., Grand Rapids, MI 49544.

## **BASIC FINANCIAL STATEMENTS**

**KENOWA HILLS PUBLIC SCHOOLS**  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 1,050
Cash equivalents, deposits and investments (Note B)	7,575,922
Receivables:	
Taxes (Note C)	55,368
Accounts	7,218
Due from other governmental units (Note C)	4,072,411
Inventory	23,467
Prepaid expenses	40,663
Capital assets not being depreciated (Note E)	1,216,169
Capital assets being depreciated, net (Note E)	31,520,296
	<b>44,512,564</b>
<b>Deferred Outflows of Resources</b>	
Loss on advance bond refundings, net	1,107,811
	<b>1,107,811</b>
<b>Liabilities</b>	
Accounts payable	658,312
Due to other governmental units	1,487,692
Accrued interest payable	312,815
Salaries payable	1,958,699
Unearned revenue	409,249
Long-term liabilities (Note F):	
Due within one year	2,603,761
Due in more than one year	34,286,302
	<b>41,716,830</b>
<b>Net Position</b>	
Invested in capital assets, net of related debt	(2,639,614)
Restricted for:	
Debt service	1,885,155
Unrestricted	4,658,004
	<b>\$ 3,903,545</b>
	<b>\$ 3,903,545</b>

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Statement of Activities**  
**For the year ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
<b>Governmental Activities</b>				
Instruction	\$ 21,975,097	\$ 51,059	\$ 3,866,082	\$(18,057,956)
Supporting services	11,763,006	208,948	638,655	(10,915,403)
Community services	538,884	579,176	-	40,292
Food service	1,442,709	512,702	978,132	48,125
Other	167,162	-	-	(167,162)
Interest expense	2,039,365	-	697,318	(1,342,047)
<b>Total Governmental Activities</b>	<b>\$ 37,926,223</b>	<b>\$ 1,351,885</b>	<b>\$ 6,180,187</b>	<b>(30,394,151)</b>
<b>General Revenues</b>				
Taxes:				
Property taxes, levied for general operations				8,835,347
Property taxes, levied for debt service				3,202,343
State school aid, unrestricted				16,210,731
Interest and investment earnings				12,964
Other				310,314
<b>Total General Revenues</b>				<b>28,571,699</b>
<b>Change in Net Position</b>				<b>(1,822,452)</b>
<b>Net Position - Beginning, As Previously Reported</b>				<b>8,315,304</b>
Restatement of Net Position (Note J)				(2,589,307)
<b>Net Position - Beginning, As Restated</b>				<b>5,725,997</b>
<b>Net Position - Ending</b>				<b>\$ 3,903,545</b>

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

<b>Assets</b>	<u>General</u>	<u>2010 Construction - Bonds</u>	<u>Nonmajor</u>	<u>Total</u>
Cash	\$ 400	\$ -	\$ 650	\$ 1,050
Cash equivalents, deposits and investments (Note B)	5,350,848	24	2,225,050	7,575,922
Receivables:				
Taxes (Note C)	36,024	-	19,344	55,368
Accounts	6,852	-	-	6,852
Due from other funds (Note D)	47,386	4	38,562	85,952
Due from other governmental units (Note C)	4,062,467	-	9,944	4,072,411
Inventory	8,498	-	14,969	23,467
Prepaid expenditures	40,663	-	-	40,663
<b>Total Assets</b>	<b><u>\$ 9,553,138</u></b>	<b><u>\$ 28</u></b>	<b><u>\$ 2,308,519</u></b>	<b><u>\$11,861,685</u></b>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 658,312	\$ -	\$ -	\$ 658,312
Due to other funds (Note D)	30	28	85,528	85,586
Due to other governmental units	1,487,692	-	-	1,487,692
Salaries payable	1,951,700	-	6,999	1,958,699
Unearned revenue	430,296	-	34,321	464,617
<b>Total Liabilities</b>	<b><u>4,528,030</u></b>	<b><u>28</u></b>	<b><u>126,848</u></b>	<b><u>4,654,906</u></b>
<b>Fund Balances (Note A)</b>				
Nonspendable	49,161	-	3,045	52,206
Restricted	-	-	2,178,626	2,178,626
Assigned	3,887	-	-	3,887
Unassigned	4,972,060	-	-	4,972,060
<b>Total Fund Balances</b>	<b><u>5,025,108</u></b>	<b><u>-</u></b>	<b><u>2,181,671</u></b>	<b><u>7,206,779</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 9,553,138</u></b>	<b><u>\$ 28</u></b>	<b><u>\$ 2,308,519</u></b>	<b><u>\$11,861,685</u></b>

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2013**

<b>Total governmental fund balances</b>		\$ 7,206,779
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$54,294,996 and accumulated depreciation is \$21,558,531.		32,736,465
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.		1,107,811
Long-term liabilities, including bonds payable, 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:		
General obligation bonds	\$(35,005,000)	
Bond premium	(1,478,890)	
Early retirement incentive	(24,000)	
Accumulated sick leave	(382,173)	
	(36,890,063)	(36,890,063)
Accrued interest is not included as a liability in governmental funds.		(312,815)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		55,368
<b>Total net position - governmental activities</b>		<b>\$ 3,903,545</b>

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2013**

	General	2010 Construction - Bonds	Nonmajor	Total
<b>Revenues</b>				
Local sources	\$ 9,855,630	\$ 9,613	\$ 3,729,297	\$13,594,540
State sources	17,191,021	-	73,046	17,264,067
Federal sources	1,367,861	-	1,561,939	2,929,800
Interdistrict sources	2,156,586	-	40,465	2,197,051
<b>Total Revenues</b>	<u>30,571,098</u>	<u>9,613</u>	<u>5,404,747</u>	<u>35,985,458</u>
<b>Expenditures</b>				
Current:				
Instruction	19,432,784	-	-	19,432,784
Supporting services	10,963,403	-	-	10,963,403
Community services	509,213	-	-	509,213
Food service	-	-	1,421,447	1,421,447
Capital outlay	-	2,900,942	46,139	2,947,081
Debt service:				
Principal repayment	-	-	2,220,000	2,220,000
Interest and fiscal charges	-	-	2,057,561	2,057,561
Interdistrict	14,950	-	-	14,950
<b>Total Expenditures</b>	<u>30,920,350</u>	<u>2,900,942</u>	<u>5,745,147</u>	<u>39,566,439</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(349,252)</u>	<u>(2,891,329)</u>	<u>(340,400)</u>	<u>(3,580,981)</u>
<b>Other Financing Sources (Uses)</b>				
Other transactions	14,946	-	-	14,946
Transfers in	67,515	-	-	67,515
Transfers out	-	-	(67,515)	(67,515)
Other transactions	(81,946)	-	-	(81,946)
<b>Total Other Financing Sources (Uses)</b>	<u>515</u>	<u>-</u>	<u>(67,515)</u>	<u>(67,000)</u>
<b>Net Change In Fund Balances</b>	<u>(348,737)</u>	<u>(2,891,329)</u>	<u>(407,915)</u>	<u>(3,647,981)</u>
<b>Fund Balances, Beginning of Year</b>	<u>5,373,845</u>	<u>2,891,329</u>	<u>2,589,586</u>	<u>10,854,760</u>
<b>Fund Balances, End of Year</b>	<u>\$ 5,025,108</u>	<u>\$ -</u>	<u>\$ 2,181,671</u>	<u>\$ 7,206,779</u>

See accompanying notes to basic financial statements.



**KENOWA HILLS PUBLIC SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2013**

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**Net change in fund balances - total governmental funds** \$ (3,647,981)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

	Capital outlays	\$ 1,180,968	
	Depreciation expense	<u>(1,574,894)</u>	(393,926)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead considered deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (10,394)

Bond premium is amortized over the life of the new bond issue on the Statement of Activities. 113,761

Losses on advanced bond refundings are amortized over the life of the new bond issue on the Statement of Activities. (85,216)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 2,220,000

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities however, interest expense is recognized as the interest accrues regardless of when it is paid. 18,196

In the Statement of Net Position, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$192,545) exceeded the amounts used/paid (\$155,653). (36,892)

**Total changes in net position - governmental activities** \$ (1,822,452)

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$10,413,726	\$9,877,216	\$9,855,630	\$ (21,586)
State sources	15,948,337	17,162,984	17,191,021	28,037
Federal sources	1,145,467	1,365,657	1,367,861	2,204
Interdistrict sources	2,010,159	2,036,357	2,156,586	120,229
<b>Total Revenues</b>	<b>29,517,689</b>	<b>30,442,214</b>	<b>30,571,098</b>	<b>128,884</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	15,318,766	15,270,222	15,170,721	99,501
Added needs	3,849,680	4,275,946	4,262,063	13,883
Supporting services:				
Pupil services	1,702,013	1,799,401	1,766,197	33,204
Instructional staff services	861,215	862,744	837,110	25,634
General administrative services	411,601	449,512	447,039	2,473
School administrative services	1,775,647	1,860,729	1,834,138	26,591
Business services	595,603	503,169	487,786	15,383
Operation and maintenance services	2,282,914	2,581,710	2,482,386	99,324
Pupil transportation services	2,032,886	1,980,084	1,936,483	43,601
Central services	762,181	635,548	603,943	31,605
Other supporting services	594,384	573,979	568,321	5,658
Community services	548,003	515,367	509,213	6,154
Interdistrict	4,113	31,140	14,950	16,190
<b>Total Expenditures</b>	<b>30,739,006</b>	<b>31,339,551</b>	<b>30,920,350</b>	<b>419,201</b>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<b>(1,221,317)</b>	<b>(897,337)</b>	<b>(349,252)</b>	<b>548,085</b>
<b>Other Financing Sources (Uses)</b>				
Other transactions	-	-	14,946	14,946
Transfers in	67,515	67,515	67,515	-
Other transactions	-	-	(81,946)	(81,946)
<b>Total Other Financing Sources (Uses)</b>	<b>67,515</b>	<b>67,515</b>	<b>515</b>	<b>(67,000)</b>
<b>Net Change In Fund Balances</b>	<b>(1,153,802)</b>	<b>(829,822)</b>	<b>(348,737)</b>	<b>481,085</b>
<b>Fund Balances, Beginning of Year</b>	<b>5,373,845</b>	<b>5,373,845</b>	<b>5,373,845</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ 4,220,043</b>	<b>\$ 4,544,023</b>	<b>\$ 5,025,108</b>	<b>\$ 481,085</b>

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2013**

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	Private Purpose Trust Fund	Agency Fund
<b>Assets</b>		
Cash equivalents, deposits and investments (Note B)	\$ 29,254	\$ 124,013
<b>Liabilities</b>		
Due to other funds (Note D)	\$ -	\$ 366
Due to student groups	-	123,647
<b>Total Liabilities</b>	-	\$ 124,013
<b>Net Assets</b>		
Held in trust for:		
Individuals and organizations	\$ 29,254	

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the year ended June 30, 2013**

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	<u>Private Purpose Trust Fund</u>
<b>Additions</b>	
Interest earnings	\$ 130
<b>Deductions</b>	
Endowment activities - scholarships	<u>1,050</u>
<b>Change In Net Assets</b>	(920)
<b>Net Assets, Beginning of Year</b>	<u>30,174</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 29,254</u></u>

See accompanying notes to basic financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

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**Note A – Summary of Significant Accounting Policies**

Kenowa Hills Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 3,319 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Kenowa Hills Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District’s significant accounting policies are described below.

**1. Reporting Entity**

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

**2. District-wide and Fund Financial Statements**

**District-wide Financial Statements** - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net position is reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

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The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2010 Construction - Bond Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

**Fund Financial Statements** – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate schedules.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

### **3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

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**Governmental Funds**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

*General Fund*—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

*Special Revenue Funds*—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

*School Service Funds*—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Fund maintained by the District is the Food Service Special Revenue Fund.

*Debt Service Funds*—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

*Capital Projects Funds*—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

**Fiduciary Funds**

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains scholarship funds for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.



**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

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When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

#### **4. Budgets and Budgetary Accounting**

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Kenowa Hills Public Schools has also adopted budgets for its Special Revenue Fund. A school district's Budget Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Kenowa Hills Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Assistant Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

#### **5. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

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**6. Investments**

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

**7. Inventory**

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

**8. Capital Assets**

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

**9. Long-term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

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

**10. Accumulated Sick Leave/Early Retirement Incentive**

Accumulated sick leave and early retirement incentive at June 30, 2013 has been computed and recorded in the basic financial statements of the District. Employees who leave the District are entitled to reimbursement for a portion of their unused sick days. At June 30, 2013, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for accumulated sick leave and early retirement incentive amounted to \$382,173 and 24,000, respectively.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

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## **11. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

Governmental Accounting Standards Board (GASB) Statement No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities* provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. Items previously reported as assets, losses on bond refundings and bond issuance costs, are now reported as deferred outflows of resources and current year expenditures, respectively.

## **12. Fund Balance**

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.
- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

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As of June 30, 2013, Kenowa Hills Public Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**13. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

**14. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note B – Cash Equivalents, Deposits and Investments**

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- 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.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

Balances at June 30, 2013 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 7,575,922
Fiduciary Funds:	
Trust and Agency Funds	<u>153,267</u>
	<u><u>\$ 7,729,189</u></u>

**Cash Equivalents, Deposits and Investments**

Depositories actively used by the District during the year are detailed as follows:

1. Chemical Bank

Cash equivalents consist of bank public funds checking accounts. Deposits consist of certificates of deposit.

June 30, 2013 balances are detailed as follows:

Cash equivalents	\$ 6,546,526
Deposits	<u>27,663</u>
	<u><u>\$ 6,574,189</u></u>

*Custodial Credit Risk Related to Cash Equivalents and Deposits*

Custodial credit risk is the risk that in the event of bank failure, the District's cash equivalents and deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$6,574,189, and the bank balance was \$6,995,568. Of the bank balance, \$1,273,068 was covered by federal depository insurance and \$5,722,500 was uninsured and uncollateralized.

**Investments**

As of June 30, 2013, the District had the following investments:

	<b>Standard &amp; Poor's Rating</b>	<b>Fair Value</b>
Bank of New York Mellon Trust Investment Pool Account		<u>\$ 1,155,000</u>

*Custodial Credit Risk Related to Investments*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by State law.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk, but minimizes its credit risk by limiting investments to the types allowed by the State.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

*Interest Rate Risk*

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market accounts, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

*Concentration of Credit Risk*

The District minimizes 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. The District’s investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

*Foreign Currency Risk*

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

**Note C – State School Aid/Property Taxes**

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2012 ad valorem State Education Taxes generated within the Kenowa Hills Public School District, and paid to the State of Michigan, totaled \$6,280,656.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a “blended count” of District pupil membership in February, 2012 and September, 2012. The 2012-13 “Foundation Allowance” for Kenowa Hills Public Schools was \$7,152 for 3,311 "Full Time Equivalent" students, generating \$17,072,809 in state aid payments to the District, of which \$3,347,005 was paid to the District in July and August, 2013 and included in “Due From Other Governmental Units” of the General Fund and Food Service Special Revenue Fund of the District.

Property taxes for the District are levied July 1 (the tax lien date) by the Cities of Walker and Grand Rapids, and the Charter Townships of Alpine, Plainfield and Tallmadge and the Township of Wright, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Kent and Ottawa, through their Delinquent Tax Revolving Fund, advance all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Year	General Fund	Debt Service Funds	Total
2012	\$ 12,375	\$ 6,600	\$ 18,975
2011	15,088	8,130	23,218
2010	7,993	4,056	12,049
	\$ 35,456	\$ 18,786	\$ 54,242

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Kenowa Hills Public Schools' electors had previously (May 8, 2007) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2012.

The District levied 2.97 mills in 2012 for debt service purposes.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases are limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

**Note D – Interfund Receivables/Payables and Transfers**

Amounts due from/to other funds representing interfund receivables and payables from expenditures not yet reimbursed at June 30, 2013, are detailed as follows:

	<b>Due From</b>	<b>Due To</b>
<b>Major Funds</b>		
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 46,992	\$ 30
Capital Projects Funds:		
2010 Construction Fund	28	—
Trust and Agency Fund:		
Student Activities Fund	366	—
	47,386	30
Capital Projects Funds:		
2010 Construction Fund:		
General Fund	—	28
2010 Buses Fund	4	—
	4	28
Total Major Funds	47,390	58



**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

	Due From	Due To
<b>Nonmajor Funds</b>		
Special Revenue Fund:		
Food Service Fund:		
General Fund	\$ 30	\$ 46,992
Debt Service Funds:		
2005 Debt Service Fund:		
2010 Construction Debt Service Fund	22,735	—
2010 Buses Debt Service Fund	15,797	—
2010 Construction Debt Service Fund:		
2005 Debt Service Fund	—	22,735
2010 Buses Debt Service Fund:		
2005 Debt Service Fund	—	15,797
	38,532	38,532
Capital Projects Funds:		
2010 Buses Fund:		
2010 Buses Debt Service Fund	—	4
	—	4
Total Nonmajor Funds	38,562	85,528
<b>Fudiciary Fund</b>		
Trust and Agency Fund:		
Student Activities Fund:		
General Fund	—	366
	—	366
Total All Funds	\$ 85,952	\$ 85,952

Operating transfers between funds to allocate expenditures during the year ended June 30, 2013 were as follows:

	Transfers In	Transfers Out
<b>Major Funds</b>		
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 67,515	\$ —
<b>Nonmajor Funds</b>		
Special Revenue Fund:		
Food Service Fund:		
General Fund	—	67,515
	—	67,515
Total All Funds	\$ 67,515	\$ 67,515



**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

**Note E – Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balances July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 1,108,000	\$ —	\$ —	\$ 1,108,000
Construction in progress	4,995,447	108,169	4,995,447	108,169
Total capital assets not being depreciated	<u>6,103,447</u>	<u>\$ 108,169</u>	<u>\$ 4,995,447</u>	<u>1,216,169</u>
Capital assets being depreciated:				
Land improvements	1,959,292	\$1,904,059	\$ —	3,863,351
Buildings and additions	43,166,112	1,597,187	—	44,763,299
Furniture and equipment	1,612,297	229,692	—	1,841,989
Vehicles	2,532,442	130,140	52,394	2,610,188
Total capital assets being depreciated	<u>49,270,143</u>	<u>\$3,861,078</u>	<u>\$ 52,394</u>	<u>53,078,827</u>
Less accumulated depreciation for:				
Land improvements	832,036	\$ 236,883	\$ —	1,068,919
Buildings and additions	16,216,112	1,105,804	—	17,321,916
Furniture and equipment	1,247,231	73,990	—	1,321,221
Vehicles	1,740,652	158,217	52,394	1,846,475
Total accumulated depreciation	<u>20,036,031</u>	<u>\$1,574,894</u>	<u>\$ 52,394</u>	<u>21,558,531</u>
Total capital assets being depreciation, net	<u>29,234,112</u>			<u>31,520,296</u>
<b>Net Capital Assets</b>	<u>\$ 35,337,559</u>			<u>\$ 32,736,465</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,212,669
Supporting services	328,365
Community services	12,599
Food service	21,261
	<u>\$ 1,574,894</u>

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

**Note F – Long-term Debt**

Changes in long-term debt for the year ended June 30, 2013 are summarized as follows:

	<b>Debt Outstanding July 1, 2012</b>	<b>Debt Added</b>	<b>Debt Retired</b>	<b>Debt Outstanding June 30, 2013</b>
General obligation bonds:				
March 17, 2005 Refunding	\$ 23,040,000	\$ —	\$ 2,150,000	\$ 20,890,000
June 23, 2010 – Series A	13,815,000	—	—	13,815,000
June 23, 2010 – Series B	370,000	—	70,000	300,000
Bond premium	1,592,651	—	113,761	1,478,890
Early retirement incentive	—	24,000	—	24,000
Accumulated sick leave	369,281	168,545	155,653	382,173
	<u>\$ 39,186,932</u>	<u>\$ 192,545</u>	<u>\$ 2,489,414</u>	<u>\$ 36,890,063</u>

Long-term bonds and other obligations outstanding at June 30, 2013 are comprised of the following:

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>General Obligation Bonds</b>				
\$34,490M Refunding Bonds March 17, 2005:				
Annual maturities of \$1,190K to \$2,370K	May 1, 2026	4.75 – 5.00	\$20,890,000	\$ 2,255,000
\$13,815M Building and Site, Series A June 23, 2010:				
Annual maturities of \$1,925K to \$11,890K	May 1, 2026	3.55 – 6.375	13,815,000	—
\$510M Building and Site, Series B June 23, 2010:				
Annual maturities of \$75K	May 1, 2017	2.70 – 3.20	300,000	75,000
Bond premium			1,478,890	113,761
<b>Other Obligations</b>				
Early retirement incentive			24,000	10,000
Accumulated sick leave			382,173	150,000
			<u>\$36,890,063</u>	<u>\$ 2,603,761</u>

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 2,330,000	\$ 1,179,570	\$ 3,509,570
2015	4,370,000	1,064,794	5,434,794
2016	1,265,000	944,044	2,209,044
2017	1,325,000	885,157	2,210,157
2018	1,310,000	820,257	2,130,257
2019	1,375,000	754,757	2,129,757
2020	1,445,000	686,007	2,131,007
2021	1,520,000	613,757	2,133,757
2022	1,590,000	537,757	2,127,757
2023	1,670,000	458,257	2,128,257
2024	1,750,000	374,757	2,124,757
2025	1,760,000	287,257	2,047,257
2026	13,295,000	199,257	13,494,257
	<u>\$ 35,005,000</u>	<u>\$ 8,805,622</u>	<u>\$ 43,810,622</u>

**Note G – Retirement Plan**

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a state-wide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll expense for employees covered by MPERS for the year ended June 30, 2013 was \$16,487,360. The System provides retirement, survivor and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and their beneficiaries who elect to receive those benefits.

Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2012 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

Public Act 75 of 2010 defines anyone who became a member of MPERS after June 30, 2010 as a *Pension Plus* member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 9.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions.

Public Act 300 of 2012 grants all active members who first become a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012. Under this reform, members voluntarily chose to increase, maintain, or stop their contributions based on four options offered by the System.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

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

***Benefit Provisions***

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 2012, 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 credited service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. Benefits are based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants. The Pension Plus hybrid plan pairs a guaranteed retirement income (Defined Benefit) with a flexible and transferable retirement savings (Defined Contribution) account.

Regular retirement:

- Basic members who may retire at age 55 with 30 or more years of credited service; or at age 60 with 10 or more years of credited service.
- Member Investment Plan (MIP) members who may retire at any age with 30 or more years of credited service; at age 60 with 10 or more years of credited service; or at age 60 with 5 years of credited service provided the member has worked through his or her 60<sup>th</sup> birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.
- Pension Plus Plan members (who became members of MPSERS on or after July 1, 2010) who may retire at age 60 with 10 or more years of credited service.

Early retirement:

- Any member may retire with an early permanently reduced pension after completing at least 15 but less than 30 years of credited services; and after attaining age 55; and with credited service in each of the 5 school years immediately preceding the pension effective date.

***Member Contributions***

Member contribution rates vary based on date of hire and certain voluntary elections. Basic Plan members make no contributions. MIP members enrolled prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. 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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

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***Employer Contributions***

Districts in the State of Michigan are required to contribute the full actuarial funding contribution amount to fund pension benefits, at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPSERS. The District's contributions to the plan (including the retiree healthcare plan) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$4,371,720, \$3,876,112, and \$3,313,645, respectively. The contribution rates for the fiscal year ranged from 12.46% to 16.89% of gross wages.

***Pension Plan Status***

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS does not make separate measurements of assets and actuarial accrued liability for individual Districts, instead using the aggregate actuarial cost method. The actuarial accrued liability at September 30, 2011 (the latest reporting date available) for retirement benefits for the MPSERS as a whole, determined through an actuarial valuation performed as of that date was \$63.4 billion. Net assets available for retirement benefits on that date were \$41.0 billion leaving an unfunded actuarial accrued liability of \$22.4 billion. The total unfunded actuarial accrued liability increased by \$4.8 billion from September 30, 2010 to September 30, 2011. At September 30, 2011 the funded ratio of actuarial accrued liability was 64.7%; covered payroll totaled \$9.2 billion, and unfunded actuarial accrued liability was 244.5% of covered payroll.

***Other Postemployment Benefits***

***Plan Description and Employee Contributions***

Benefit provisions of the post-employment healthcare plan are established by State statute which may be amended. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

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

Public Act 300 of 2012 granted all active members of MPSERS a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

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Members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their Section 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) account no later than their first pay date after February 1, 2013.

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare.

Members who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the healthcare funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet the eligibility requirements may request a refund of their contributions.

Under Public Act 300 of 2012, the State no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a Section 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

***Employer contributions***

Required contributions for post-employment health care benefits were 8.5% of covered payroll for the fiscal year ended June 30, 2013.

***Post-employment Plan Status***

At September 30, 2011, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole was \$27.0 billion. The MPSERS net assets available for these benefits were \$1,155.9 million leaving an unfunded actuarial accrued liability of \$25.9 billion. At September 30, 2011, the funded ratio of actuarial liability was 4.3%; covered payroll totaled \$9.2 billion, and unfunded actuarial liability was 282.8% of covered payroll.

**Note H – Risk Management and Benefits**

The District is a member of the SET-SEG Incorporated Insurance Pooled Fund (the Fund). Premiums from participants in the Fund provide coverage to pay claims, administrative expenses and to purchase reinsurance to protect the Fund and members against large losses. As of June 30, 2013, there were no material pending claims against the District. The District paid \$119,023 in premiums to the Fund for the year ended June 30, 2013.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2013**

The District is also a member of the SET-SEG Incorporated Workers' Compensation Pooled Fund (the Fund). Premiums from participants in the Fund provide coverage to pay claims, administrative expenses and to purchase reinsurance to protect the Fund and members against large losses. As of June 30, 2013, there were no material pending claims against the District. The District paid \$106,574 in premiums to the Fund for the year ended June 30, 2013.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note I – Stewardship, Compliance and Accountability**

The following District funds had actual expenditures and other financing uses exceed final budgeted amounts for the year ended June 30, 2013:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>General Fund</b>			
Other transactions	\$ —	\$ 81,946	\$ 81,946
<b>Special Revenue Fund</b>			
Food Service Fund	1,412,062	1,421,447	9,385

**Note J – Restatement of Net Position**

The District adopted the provisions of GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, at July 1, 2012. In addition to the revised classification and description of certain financial elements in the financial statements, the implementation of Statement No. 65 resulted in the elimination of bond issuance costs as an asset, instead, now being deducted in the year the costs were incurred. As a result of this change, beginning Net Position of governmental activities in the Basic Financial Statements decreased by \$382,139.

Payments in prior years from the 2010 Construction Capital Projects Fund totaling \$2,207,168 had been reported as construction in progress on previous District financial statements through June 30, 2012. When the projects were completed in the 2012-13 fiscal year, it was determined that these payments were for non-depreciable furniture and equipment and other improvements falling under the District's \$5,000 capitalization threshold. Beginning capital asset balances (and Net Position) have been decreased by \$2,207,168 to present the prior year construction in progress as prior year expenditures instead.

The net restatement of net position at July 1, 2012 is a decrease of \$2,589,307.

## **SUPPLEMENTARY INFORMATION**



## **GENERAL FUND**

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2013 and 2012**

<b>Assets</b>	2013	2012
Cash	\$ 400	\$ 400
Cash equivalents, deposits and investments	5,350,848	5,559,991
Receivables:		
Taxes	36,024	36,489
Accounts	6,852	18,376
Due from other funds	47,386	274,397
Due from other governmental units	4,062,467	3,639,565
Inventory	8,498	8,284
Prepaid expenditures	40,663	74,365
	<b>\$ 9,553,138</b>	<b>\$ 9,611,867</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 658,312	\$ 570,807
Due to other funds	30	59,671
Due to other governmental units	1,487,692	1,280,709
Salaries payable	1,951,700	1,863,787
Unearned revenue	430,296	463,048
	<b>4,528,030</b>	<b>4,238,022</b>
<b>Fund Balances</b>		
Nonspendable	49,161	82,649
Assigned	3,887	
Unassigned	4,972,060	5,291,196
	<b>5,025,108</b>	<b>5,373,845</b>
	<b>\$ 9,553,138</b>	<b>\$ 9,611,867</b>

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2013 and 2012**

	2013	2012
Local sources:		
Property taxes:		
Current property taxes	\$ 8,817,285	\$ 9,256,700
Delinquent property taxes	3,817	15,819
Other property taxes	1,223	3,831
Interest on delinquent taxes	13,487	17,750
	<u>8,835,812</u>	<u>9,294,100</u>
Interest earnings:		
Interest on deposits and investments	7,464	4,651
Revenue from student activities:		
Athletic admissions	70,916	71,573
Athletic participation fees	61,318	55,641
Miscellaneous athletics	16,127	15,280
	<u>148,361</u>	<u>142,494</u>
Other local revenue:		
Childcare fees	518,556	602,100
Preschool fees	60,620	90,527
Summer school tuition	13,155	15,052
On-line learning tuition	400	1,560
Transportation fees	12,522	14,253
Copy center fees	227	1,246
Class fees	37,504	24,730
Rental of school facilities	66,734	59,658
Donations	13,711	13,246
Telephone commission reimbursements	48,065	36,974
Beverage consortium commissions	12,482	12,864
Sale of school property	2,635	10,290
Insurance refunds	50,073	34,286
Miscellaneous	27,309	37,981
	<u>863,993</u>	<u>954,767</u>
Total local sources	9,855,630	10,396,012
State sources:		
State school aid	16,552,366	15,657,444
Special education - transportation	478,047	432,861
Special education - itinerants	160,284	33,708
Great Start Readiness program	-	40,630
Bus driver safety	324	-
	<u>17,191,021</u>	<u>16,164,643</u>
Total state sources	17,191,021	16,164,643
Federal sources:		
Education jobs program	-	747,290
Title I	505,688	498,795
Title I - ARRA	-	4,405
Title I - migrant	152,398	122,402
Title IIA	75,648	76,583
Title III	21,875	40,051

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2013 and 2012**

	2013	2012
Federal sources: (Continued)		
I.D.E.A. program	\$ 601,149	\$ 618,048
Medicaid - outreach	11,103	2,507
Learn and serve grant	-	600
Total federal sources	<u>1,367,861</u>	<u>2,110,681</u>
Interdistrict sources:		
Special education - county	1,779,674	1,917,189
Special education - local school districts	62,858	46,764
Medicaid fee for service	250,427	443,927
Other	63,627	52,828
Total interdistrict sources	<u>2,156,586</u>	<u>2,460,708</u>
<b>Total Revenues</b>	<u><u>\$ 30,571,098</u></u>	<u><u>\$ 31,132,044</u></u>

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2013 and 2012**

	2013	2012
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 4,129,855	\$ 4,083,480
Employee benefits	2,301,204	2,232,439
Purchased services	101,818	68,260
Supplies	195,797	111,598
Payments to other districts	36,059	9,450
	<u>6,764,733</u>	<u>6,505,227</u>
Middle school:		
Salaries	2,012,416	2,088,493
Employee benefits	1,139,819	1,134,473
Purchased services	19,982	24,467
Supplies	43,508	45,997
Miscellaneous	780	839
	<u>3,216,505</u>	<u>3,294,269</u>
High school:		
Salaries	3,062,859	3,019,568
Employee benefits	1,718,167	1,624,529
Purchased services	67,364	118,750
Supplies	145,054	103,161
Capital outlay	-	858
Miscellaneous	8,227	10,848
Payments to other districts	106,745	107,317
	<u>5,108,416</u>	<u>4,985,031</u>
Preschool:		
Salaries	48,588	66,057
Employee benefits	17,233	23,213
Purchased services	801	1,649
Supplies	1,407	10,969
Capital outlay	-	2,581
Miscellaneous	1,575	1,831
Payments to other districts	6,647	6,527
	<u>76,251</u>	<u>112,827</u>
Summer school:		
Salaries	3,570	3,948
Employee benefits	1,234	1,188
Supplies	12	2
	<u>4,816</u>	<u>5,138</u>
Total basic programs	<u>15,170,721</u>	<u>14,902,492</u>
Added needs:		
Special education:		
Salaries	1,541,668	1,537,624
Employee benefits	861,596	828,185
Purchased services	33,983	23,352
Supplies	32,418	10,062
Payments to other districts	446,243	464,426
	<u>2,915,908</u>	<u>2,863,649</u>

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2013 and 2012**

	2013	2012
Compensatory education:		
Salaries	\$ 683,230	\$ 464,050
Employee benefits	383,002	254,735
Purchased services	19,941	20,631
Supplies	123,797	15,398
Capital outlay	-	1,249
Payments to other districts	211	10,075
	<u>1,210,181</u>	<u>766,138</u>
Career and technology education:		
Salaries	79,395	74,716
Employee benefits	48,430	45,772
Purchased services	1,020	1,180
Supplies	7,079	6,761
Miscellaneous	-	28,200
Capital outlay	50	-
	<u>135,974</u>	<u>156,629</u>
Total added needs	<u>4,262,063</u>	<u>3,786,416</u>
Total instruction	19,432,784	18,688,908
Pupil services:		
Attendance services:		
Salaries	996	698
Employee benefits	323	4,828
Purchased services	57	100
	<u>1,376</u>	<u>5,626</u>
Guidance services:		
Salaries	353,501	345,111
Employee benefits	220,990	207,542
Purchased services	1,503	9,124
Supplies	2,312	-
Miscellaneous	395	-
	<u>578,701</u>	<u>561,777</u>
Health services:		
Employee benefits	543	-
Purchased services	-	26
Supplies	2,229	160
Payments to other districts	114,432	110,213
	<u>117,204</u>	<u>110,399</u>
Psychological services:		
Purchased services	1,606	179
Supplies	3,157	1,479
Miscellaneous	198,576	194,893
	<u>203,339</u>	<u>196,551</u>
Speech pathology services:		
Purchased services	102	-
Supplies	7,144	897
Payments to other districts	335,367	311,131
	<u>342,613</u>	<u>312,028</u>

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2013 and 2012**

	2013	2012
Social worker services:		
Salaries	\$ -	\$ 780
Employee benefits	-	62
Purchased services	498	699
Supplies	3,875	2
Payments to other districts	338,183	346,993
	<u>342,556</u>	<u>348,536</u>
Teacher consultant services:		
Purchased services	823	114
Supplies	1,116	-
Payments to other districts	114,079	113,935
	<u>116,018</u>	<u>114,049</u>
Other pupil support services:		
Salaries	31,471	29,050
Employee benefits	32,919	36,913
	<u>64,390</u>	<u>65,963</u>
Total pupil services	1,766,197	1,714,929
Instructional staff services:		
Salaries	167,838	204,640
Employee benefits	94,509	101,404
Purchased services	80,612	28,616
Supplies	11,540	6,263
Capital outlay	-	2,674
Miscellaneous	1,900	1,131
	<u>356,399</u>	<u>344,728</u>
Educational media services:		
Salaries	158,586	133,586
Employee benefits	89,216	75,534
Purchased services	20,006	19,887
Supplies	21,256	26,336
Capital outlay	-	1,505
Miscellaneous	3,394	3,521
	<u>292,458</u>	<u>260,369</u>
Supervision and direction of instruction:		
Salaries	91,396	97,989
Employee benefits	51,594	35,432
Purchased services	641	795
Supplies	629	659
	<u>144,260</u>	<u>134,875</u>
Academic student assessment:		
Purchased services	38,123	38,123
Supplies	5,870	2,535
	<u>43,993</u>	<u>40,658</u>
Total instructional staff services	837,110	780,630

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2013 and 2012**

	2013	2012
General administrative services:		
Board of education:		
Salaries	\$ 7,182	\$ 7,257
Employee benefits	4,765	1,028
Purchased services	126,454	72,600
Miscellaneous	9,301	12,241
	<u>147,702</u>	<u>93,126</u>
Executive administration:		
Salaries	181,220	177,342
Employee benefits	110,600	108,716
Purchased services	2,250	10,341
Supplies	2,048	4,574
Capital outlay	-	607
Miscellaneous	3,219	2,373
	<u>299,337</u>	<u>303,953</u>
Total general administrative services	447,039	397,079
School administrative services:		
Office of the principal:		
Salaries	1,127,826	1,020,119
Employee benefits	667,912	579,225
Purchased services	24,155	96,845
Supplies	12,196	4,107
Capital outlay	-	982
Miscellaneous	2,049	2,051
	<u>1,834,138</u>	<u>1,703,329</u>
Total school administrative services	1,834,138	1,703,329
Business services:		
Fiscal services:		
Salaries	259,076	263,337
Employee benefits	134,549	129,145
Purchased services	16,079	14,467
Supplies	826	2,028
Miscellaneous	1,328	3,657
Payments to other districts	59,028	72,818
	<u>470,886</u>	<u>485,452</u>
Internal services:		
Salaries	41,255	56,819
Employee benefits	28,894	43,643
Purchased services	2,395	17,747
Supplies	(72,544)	(4,576)
	<u>-</u>	<u>113,633</u>
Other business services:		
Purchased services	1,784	1,843
Miscellaneous	15,116	8,882
	<u>16,900</u>	<u>10,725</u>
Total business services	487,786	609,810

(Continued)



**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2013 and 2012**

	2013	2012
Operation and maintenance services:		
Operation and maintenance:		
Salaries	\$ 481,481	\$ 551,432
Employee benefits	343,973	359,695
Purchased services	966,355	824,148
Supplies	690,396	660,985
Capital outlay	-	7,031
Miscellaneous	181	4,795
	<u>2,482,386</u>	<u>2,408,086</u>
Security services:		
Employee benefits	-	661
Total operation and maintenance services	<u>2,482,386</u>	<u>2,408,747</u>
Pupil transportation services:		
Pupil transportation:		
Salaries	678,283	669,159
Employee benefits	351,081	353,205
Purchased services	88,829	47,011
Supplies	257,666	269,066
Capital outlay	-	849
Miscellaneous	1,357	1,620
Payments to other districts	559,267	636,689
Total pupil transportation services	<u>1,936,483</u>	<u>1,977,599</u>
Central services:		
Communications services:		
Purchased services	45,641	68,724
Staff/personnel services:		
Purchased services	33,468	29,363
Supplies	-	381
	<u>33,468</u>	<u>29,744</u>
Technology services:		
Salaries	228,867	202,597
Employee benefits	136,311	118,603
Purchased services	85,928	70,415
Supplies	17,954	17,969
Capital outlay	2,112	2,095
	<u>471,172</u>	<u>411,679</u>
Pupil accounting:		
Salaries	30,631	24,961
Employee benefits	17,477	10,772
Purchased services	5,280	88
Supplies	95	-
Miscellaneous	179	-
	<u>53,662</u>	<u>35,821</u>
Total central services	<u>603,943</u>	<u>545,968</u>

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2013 and 2012**

	2013	2012
Other supporting services:		
Salaries	\$ 305,888	\$ 312,907
Employee benefits	123,326	116,362
Purchased services	71,436	72,873
Supplies	51,846	33,076
Capital outlay	-	17,269
Miscellaneous	15,825	22,059
Total other supporting services:	<u>568,321</u>	<u>574,546</u>
Total supporting services	10,963,403	10,712,637
Community services:		
Community services direction:		
Salaries	29,498	26,549
Employee benefits	10,195	12,191
Purchased services	5,122	1,540
Supplies	906	1,313
Capital outlay	-	3,056
	<u>45,721</u>	<u>44,649</u>
Performing Arts Center:		
Salaries	1,201	4,328
Employee benefits	309	1,404
Purchased services	1,523	700
Supplies	2,368	446
	<u>5,401</u>	<u>6,878</u>
Custody and care of children:		
Salaries	301,613	326,747
Employee benefits	123,234	113,332
Purchased services	5,935	7,141
Supplies	24,405	25,763
Miscellaneous	235	35
	<u>455,422</u>	<u>473,018</u>
Non-public school pupils:		
Salaries	-	435
Employee benefits	-	140
Purchased services	2,669	1,470
Supplies	-	757
	<u>2,669</u>	<u>2,802</u>
Total community services	509,213	527,347
Interdistrict:		
Other	14,950	3,010
	<u>14,950</u>	<u>3,010</u>
<b>Total Expenditures</b>	<u><u>\$ 30,920,350</u></u>	<u><u>\$ 29,931,902</u></u>

**NONMAJOR GOVERNMENTAL FUNDS**

**KENOWA HILLS PUBLIC SCHOOLS**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2013**

	Special Revenue	Debt Service	
	Food Service	2005 Refunding	2010 Construction
<b>Assets</b>			
Cash	\$ 650	\$ -	\$ -
Cash equivalents, deposits and investments	46,978	362,391	1,751,567
Taxes receivable	-	14,457	4,260
Due from other funds	30	38,532	-
Due from other governmental units	9,944	-	-
Inventory	14,969	-	-
<b>Total Assets</b>	<b>\$ 72,571</b>	<b>\$ 415,380</b>	<b>\$ 1,755,827</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ 46,992	\$ -	\$ 22,735
Salaries payable	6,999	-	-
Unearned revenue	15,535	13,899	4,260
<b>Total Liabilities</b>	<b>69,526</b>	<b>13,899</b>	<b>26,995</b>
<b>Fund Balances</b>			
Nonspendable	3,045	-	-
Restricted	-	401,481	1,728,832
<b>Total Fund Balances</b>	<b>3,045</b>	<b>401,481</b>	<b>1,728,832</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 72,571</b>	<b>\$ 415,380</b>	<b>\$ 1,755,827</b>

2010 Buses	Capital Projects 2010 Construction - Buses	Total
\$ -	\$ -	\$ 650
64,110	4	2,225,050
627	-	19,344
-	-	38,562
-	-	9,944
-	-	14,969
\$ 64,737	\$ 4	\$ 2,308,519
\$ 15,797	\$ 4	\$ 85,528
-	-	6,999
627	-	34,321
16,424	4	126,848
-	-	3,045
48,313	-	2,178,626
48,313	-	2,181,671
\$ 64,737	\$ 4	\$ 2,308,519

**KENOWA HILLS PUBLIC SCHOOLS**  
**Combining Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**For the year ended June 30, 2013**

	Special Revenue		Debt Service
	Food Service	2005 Refunding	2010 Construction
<b>Revenues</b>			
Local sources:			
Property taxes	\$ -	\$ 2,920,392	\$ 269,920
Interest earnings	1,173	2,814	291
Food sales	512,702	-	-
Total local sources	513,875	2,923,206	270,211
State sources	73,046	-	-
Federal sources	864,621	-	697,318
Interdistrict sources	40,465	-	-
<b>Total Revenues</b>	<b>1,492,007</b>	<b>2,923,206</b>	<b>967,529</b>
<b>Expenditures</b>			
Current:			
Food service	1,421,447	-	-
Capital outlay	-	-	-
Debt service:			
Principal repayment	-	2,150,000	-
Interest and fiscal charges	-	1,211,610	834,030
<b>Total Expenditures</b>	<b>1,421,447</b>	<b>3,361,610</b>	<b>834,030</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>70,560</b>	<b>(438,404)</b>	<b>133,499</b>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(67,515)	-	-
<b>Net Change in Fund Balances</b>	<b>3,045</b>	<b>(438,404)</b>	<b>133,499</b>
<b>Fund Balances, Beginning of Year</b>	<b>-</b>	<b>839,885</b>	<b>1,595,333</b>
<b>Fund Balances, End of Year</b>	<b>\$ 3,045</b>	<b>\$ 401,481</b>	<b>\$ 1,728,832</b>

2010 Buses	Capital Projects 2010 Construction - Buses	Total
\$ 21,960	\$ -	\$ 3,212,272
38	7	4,323
-	-	512,702
21,998	7	3,729,297
-	-	73,046
-	-	1,561,939
-	-	40,465
21,998	7	5,404,747
-	-	1,421,447
-	46,139	46,139
70,000	-	2,220,000
11,921	-	2,057,561
81,921	46,139	5,745,147
(59,923)	(46,132)	(340,400)
-	-	(67,515)
(59,923)	(46,132)	(407,915)
108,236	46,132	2,589,586
\$ 48,313	\$ -	\$ 2,181,671

**KENOWA HILLS PUBLIC SCHOOLS**  
**Food Service Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Local sources:			
Interest earnings	\$ -	\$ 1,173	\$ 1,173
Food sales	515,770	512,702	(3,068)
Total local sources	515,770	513,875	(1,895)
State sources	73,016	73,046	30
Federal sources	854,292	864,621	10,329
Interdistrict sources	51,166	40,465	(10,701)
<b>Total Revenues</b>	<u>1,494,244</u>	<u>1,492,007</u>	<u>(2,237)</u>
<b>Expenditures</b>			
Current:			
Food service	1,412,062	1,421,447	(9,385)
<b>Excess (Deficiency) of Revenues         Over Expenditures</b>	<u>82,182</u>	<u>70,560</u>	<u>(11,622)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(67,207)	(67,515)	(308)
<b>Net Change in Fund Balances</b>	14,975	3,045	(11,930)
<b>Fund Balances, Beginning of Year</b>	-	-	-
<b>Fund Balances, End of Year</b>	<u>\$ 82,182</u>	<u>\$ 3,045</u>	<u>\$ (11,930)</u>



## **SPECIAL REVENUE FUND**

*Food Service*—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Balance Sheet**  
**June 30, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Cash	\$ 650	\$ 650
Cash equivalents, deposits and investments	46,978	163,546
Due from other funds	30	53,181
Due from other governmental units	9,944	9,340
Inventory	14,969	15,950
<b>Total Assets</b>	<b>\$ 72,571</b>	<b>\$ 242,667</b>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 2,500
Due to other funds	46,992	219,628
Salaries payable	6,999	7,254
Unearned revenue	15,535	13,285
<b>Total Liabilities</b>	<b>69,526</b>	<b>242,667</b>
<b>Fund Balances</b>		
Nonspendable	3,045	-
<b>Total Liabilities and Fund Balances</b>	<b>\$ 72,571</b>	<b>\$ 242,667</b>

**KENOWA HILLS PUBLIC SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2013 and 2012**

	2013	2012
<b>Revenues</b>		
Local sources:		
Food sales:		
Children's lunches	\$ 305,200	\$ 345,925
Adult lunches and banquets	24,862	29,379
Milk	2,241	3,001
Ala carte	166,723	164,115
Other	13,676	24,733
	<u>512,702</u>	<u>567,153</u>
Interest earnings:		
Interest on deposits and investments	1,173	321
Total local sources	<u>513,875</u>	<u>567,474</u>
State sources	73,046	57,783
Federal sources	864,621	781,289
Interdistrict sources	40,465	42,212
	<u>1,492,007</u>	<u>1,448,758</u>
<b>Total Revenues</b>		
<b>Expenditures</b>		
Current:		
Food service:		
Salaries	463,918	484,549
Employee benefits	258,179	255,232
Purchased services	26,475	25,400
Supplies	663,928	683,322
New equipment and furniture	3,849	10,529
Miscellaneous	5,098	20,798
	<u>1,421,447</u>	<u>1,479,830</u>
<b>Total Expenditures</b>		
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>70,560</u>	<u>(31,072)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	-	49,990
Transfers out	(67,515)	(34,451)
	<u>(67,515)</u>	<u>15,539</u>
<b>Total Other Financing Sources (Uses)</b>		
<b>Net Change In Fund Balances</b>	3,045	(15,533)
<b>Fund Balances, Beginning of Year</b>	-	15,533
<b>Fund Balances, End of Year</b>	<u>\$ 3,045</u>	<u>\$ -</u>

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## **DEBT SERVICE FUNDS**

*Debt Service Funds* — to accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects, and school bus purchases.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2013**

<b>Assets</b>	<u>2005</u>	<u>2010 Construction</u>	<u>2010 Buses</u>
Cash equivalents, deposits and investments	\$ 362,391	\$ 1,751,567	\$ 64,110
Taxes receivable	14,457	4,260	627
Due from other funds	38,532	-	-
<b>Total Assets</b>	<u><u>\$ 415,380</u></u>	<u><u>\$ 1,755,827</u></u>	<u><u>\$ 64,737</u></u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 22,735	\$ 15,797
Unearned revenue	13,899	4,260	627
<b>Total Liabilities</b>	<u>13,899</u>	<u>26,995</u>	<u>16,424</u>
<b>Fund Balances</b>			
Restricted	<u>401,481</u>	<u>1,728,832</u>	<u>48,313</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 415,380</u></u>	<u><u>\$ 1,755,827</u></u>	<u><u>\$ 64,737</u></u>

Totals	
2013	2012
\$ 2,178,068	\$ 2,589,412
19,344	29,273
38,532	1,430,963
<u>\$ 2,235,944</u>	<u>\$ 4,049,648</u>
\$ 38,532	\$ 1,476,921
18,786	29,273
<u>57,318</u>	<u>1,506,194</u>
2,178,626	2,543,454
<u>\$ 2,235,944</u>	<u>\$ 4,049,648</u>

**KENOWA HILLS PUBLIC SCHOOLS**  
**Debt Service Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2013**

	2005	2010 Construction	2010 Buses
<b>Revenues</b>			
Local sources:			
Property taxes:			
Current property taxes	\$ 2,820,834	\$ 261,217	\$ 20,873
Industrial facilities taxes	91,925	8,081	1,010
Delinquent property taxes	1,973	151	19
In lieu of taxes	777	68	9
Interest on delinquent taxes	4,554	395	49
Other taxes	329	8	-
	<u>2,920,392</u>	<u>269,920</u>	<u>21,960</u>
Interest earnings:			
Interest on deposits and investments	2,814	291	38
Total local sources	<u>2,923,206</u>	<u>270,211</u>	<u>21,998</u>
Federal sources:			
QSCB interest subsidy	-	697,318	-
<b>Total Revenues</b>	<u>2,923,206</u>	<u>967,529</u>	<u>21,998</u>
<b>Expenditures</b>			
Debt service:			
Principal repayment	2,150,000	-	70,000
Interest and fiscal charges:			
Interest expense	1,149,025	826,325	10,718
Paying agent fees	225	550	150
Tax refunds	62,360	7,155	1,053
<b>Total Expenditures</b>	<u>3,361,610</u>	<u>834,030</u>	<u>81,921</u>
<b>Net Change in Fund Balances</b>	(438,404)	133,499	(59,923)
<b>Fund Balances, Beginning of Year</b>	<u>839,885</u>	<u>1,595,333</u>	<u>108,236</u>
<b>Fund Balances, End of Year</b>	<u>\$ 401,481</u>	<u>\$ 1,728,832</u>	<u>\$ 48,313</u>



Totals	
2013	2012
\$ 3,102,924	\$ 3,196,633
101,016	111,419
2,143	5,500
854	2,152
4,998	5,900
337	-
3,212,272	3,321,604
3,143	6,547
3,215,415	3,328,151
697,318	697,319
3,912,733	4,025,470
2,220,000	2,120,000
1,986,068	2,089,969
925	971
70,568	55,341
4,277,561	4,266,281
(364,828)	(240,811)
2,543,454	2,784,265
\$ 2,178,626	\$ 2,543,454

## **CAPITAL PROJECTS FUNDS**

2010 Construction Fund — to account for bond proceeds used to finance building restoration projects.

2010 Construction Fund - Buses — to account for bond proceeds used to finance bus purchases.

**KENOWA HILLS PUBLIC SCHOOLS**  
**2010 Construction Capital Projects Fund**  
**Comparative Balance Sheet**  
**June 30, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 24	\$ 2,897,014
Due from other funds	4	-
Accrued interest receivable	-	15,731
	-	15,731
<b>Total Assets</b>	\$ 28	\$ 2,912,745
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 21,416
Due to other funds	28	-
	28	-
<b>Total Liabilities</b>	28	21,416
 <b>Fund Balances</b>		
Restricted	-	2,891,329
	-	2,891,329
<b>Total Liabilities and Fund Balances</b>	\$ 28	\$ 2,912,745

**KENOWA HILLS PUBLIC SCHOOLS**  
**2010 Construction Capital Projects Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 1,177	\$ 9,550
Other local revenue:		
Miscellaneous	8,436	-
<b>Total Revenues</b>	<u>9,613</u>	<u>9,550</u>
<b>Expenditures</b>		
Capital outlay:		
Legal services	2,886	7,476
Construction manager services	23,509	124,120
Other professional services	-	15,434
Land improvements	30,775	-
Buildings and additions	682,192	5,124,606
Vehicles	128,845	-
Equipment and furniture	2,032,635	1,832,989
Miscellaneous	100	-
<b>Total Expenditures</b>	<u>2,900,942</u>	<u>7,104,625</u>
<b>Net Change in Fund Balances</b>	(2,891,329)	(7,095,075)
<b>Fund Balances, Beginning of Year</b>	<u>2,891,329</u>	<u>9,986,404</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ -</u></u>	<u><u>\$ 2,891,329</u></u>

**KENOWA HILLS PUBLIC SCHOOLS**  
**2010 Construction - Buses Capital Projects Fund**  
**Comparative Balance Sheet**  
**June 30, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 4	\$ 46,132
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Due to other funds	\$ 4	\$ -
<b>Fund Balances</b>		
Restricted	-	46,132
<b>Total Liabilities and Fund Balances</b>	\$ 4	\$ 46,132

**KENOWA HILLS PUBLIC SCHOOLS**  
**2010 Construction - Buses Capital Projects Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2013 and 2012**

	2013	2012
<b>Revenues</b>		
Interest earnings:		
Interest on deposits and investments	\$ 7	\$ 210
<b>Expenditures</b>		
Capital outlay:		
School bus purchases	46,139	241,906
<b>Net Change in Fund Balances</b>	(46,132)	(241,696)
<b>Fund Balances, Beginning of Year</b>	46,132	287,828
<b>Fund Balances, End of Year</b>	\$ -	\$ 46,132

## **AGENCY FUND**

*Student Activities* — to account for the collection and disbursements of monies used by the school activity clubs and groups.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Student Activities Agency Fund**  
**Statement of Changes in Assets and Liabilities**  
**For the year ended June 30, 2013**

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	<u>Balances July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2013</u>
<b>Assets</b>				
Cash equivalents, deposits and investments	<u>\$ 129,568</u>	<u>\$ 292,978</u>	<u>\$ 298,533</u>	<u>\$ 124,013</u>
<b>Liabilities</b>				
Due to other funds	\$ 2,321	\$ 366	\$ 2,321	\$ 366
Due to student groups	<u>127,247</u>	<u>302,364</u>	<u>305,964</u>	<u>123,647</u>
<b>Total Liabilities</b>	<u>\$ 129,568</u>	<u>\$ 302,730</u>	<u>\$ 308,285</u>	<u>\$ 124,013</u>



## **OTHER INFORMATION**

**KENOWA HILLS PUBLIC SCHOOLS**  
**Summary of 2012 Taxes Levied and Collected**  
**For the year ended June 30, 2013**

	Kent County		
	Cities of		
	Grand Rapids	Walker	Alpine
<b>Taxable Valuations</b>			
Operating	\$ 309,952	\$468,073,271	\$101,231,629
Debt Service	1,110,352	779,420,480	178,645,752
<b>Rates (Mills)</b>			
General Fund			
2005 Debt Service Fund			
2010 Construction Debt Service Fund			
2010 Buses Debt Service Fund			
<b>Taxes Levied 2012 Rolls</b>			
General Fund	\$ 5,579	\$ 6,807,446	\$ 1,658,103
2005 Debt Service Fund	2,998	2,105,045	482,337
2010 Construction Debt Service Fund	278	194,912	44,661
2010 Buses Debt Service Fund	22	15,593	3,573
	<u>8,877</u>	<u>9,122,996</u>	<u>2,188,674</u>
<b>Taxes Uncollected 2012 Rolls</b>			
General Fund	-	9,245	3,048
2005 Debt Service Fund	-	4,759	1,209
2010 Construction Debt Service Fund	-	418	107
2010 Buses Debt Service Fund	-	53	13
	<u>-</u>	<u>14,475</u>	<u>4,377</u>
<b>Taxes Collected 2012 Rolls</b>			
General Fund	5,579	6,798,201	1,655,055
2005 Debt Service Fund	2,998	2,100,286	481,128
2010 Construction Debt Service Fund	278	194,494	44,554
2010 Buses Debt Service Fund	22	15,540	3,560
	<u>8,877</u>	<u>9,108,521</u>	<u>2,184,297</u>
<b>Delinquent Taxes Collected</b>			
General Fund	-	3,354	463
2005 Debt Service Fund	-	1,541	432
2010 Construction Debt Service Fund	-	122	28
2010 Buses Debt Service Fund	-	15	3
	<u>-</u>	<u>5,032</u>	<u>926</u>
<b>Total Taxes Collected</b>			
General Fund	5,579	6,801,555	1,655,518
2005 Debt Service Fund	2,998	2,101,827	481,560
2010 Construction Debt Service Fund	278	194,616	44,582
2010 Buses Debt Service Fund	22	15,555	3,563
	<u>\$ 8,877</u>	<u>\$ 9,113,553</u>	<u>\$ 2,185,223</u>

(Continued)

Ottawa County			
Townships of			
Plainfield	Tallmadge	Wright	Total
\$ 288,629	\$10,671,836	\$11,444,957	\$ 592,020,274
1,390,404	56,052,803	30,156,192	1,046,775,983
			18.0000
			2.7000
			0.2500
			0.0200
			<u>20.9700</u>
\$ 5,195	\$ 174,862	\$ 178,406	\$ 8,829,591
3,753	151,203	81,419	2,826,755
348	14,000	7,539	261,738
28	1,120	603	20,939
<u>9,324</u>	<u>341,185</u>	<u>267,967</u>	<u>11,939,023</u>
-	82	-	12,375
-	37	-	6,005
-	3	-	528
-	1	-	67
<u>-</u>	<u>123</u>	<u>-</u>	<u>18,975</u>
5,195	174,780	178,406	8,817,216
3,753	151,166	81,419	2,820,750
348	13,997	7,539	261,210
28	1,119	603	20,872
<u>9,324</u>	<u>341,062</u>	<u>267,967</u>	<u>11,920,048</u>
-	-	-	3,817
-	-	-	1,973
-	-	-	150
-	-	-	18
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,958</u>
5,195	174,780	178,406	8,821,033
3,753	151,166	81,419	2,822,723
348	13,997	7,539	261,360
28	1,119	603	20,890
<u>\$ 9,324</u>	<u>\$ 341,062</u>	<u>\$ 267,967</u>	<u>\$ 11,926,006</u>

**KENOWA HILLS PUBLIC SCHOOLS**  
**Summary of 2012 Taxes Levied and Collected**  
**For the year ended June 30, 2013**

	Kent County		
	Cities of		
	Grand Rapids	Walker	Alpine
<b>Taxes Uncollected – June 30, 2013</b>			
General Fund:			
2012	\$ -	\$ 9,245	\$ 3,048
2011	-	12,028	2,906
2010	-	4,787	3,077
	-	26,060	9,031
2005 Debt Service Fund:			
2012	-	4,759	1,209
2011	-	4,131	800
2010	-	1,423	1,171
	-	10,313	3,180
2010 Construction Debt Service Fund:			
2012	-	418	107
2011	-	1,971	404
2010	-	749	465
	-	3,138	976
2010 Buses Debt Service Fund:			
2012	-	53	13
2011	-	294	61
2010	-	112	70
	-	459	144
<b>Total Taxes Uncollected</b>	<b>\$ -</b>	<b>\$ 39,970</b>	<b>\$ 13,331</b>

Ottawa County			
Townships of			
Plainfield	Tallmadge	Wright	Total
\$ -	\$ 82	\$ -	\$ 12,375
-	-	154	15,088
-	16	113	7,993
-	98	267	35,456
-	37	-	6,005
-	-	324	5,255
-	5	40	2,639
-	42	364	13,899
-	3	-	528
-	-	126	2,501
-	2	15	1,231
-	5	141	4,260
-	1	-	67
-	-	19	374
-	1	3	186
-	2	22	627
<u>\$ -</u>	<u>\$ 147</u>	<u>\$ 794</u>	<u>\$ 54,242</u>