

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

Annual Financial Report

For the year ended June 30, 2012

**KENOWA HILLS PUBLIC SCHOOLS**  
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For the year ended June 30, 2012

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

November 5, 2012

The Board of Education  
Kenowa Hills Public Schools

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Kenowa Hills Public Schools as of June 30, 2012, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012 on our consideration of Kenowa Hills Public Schools' internal control over financial reporting and 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* and should be considered in assessing the results of our audit.



Member

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenowa Hills Public Schools' financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The combining and individual fund financial statements and other information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hungerford, Aldwin, Nichols & Benten, P.C.*

Certified Public Accountants

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



# Kenowa Hills Public Schools

*High levels of learning for each and every student*

Management's Discussion and Analysis  
June 30, 2012

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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, 2012. 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 Assets 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. Supplemental 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 Assets 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 assets, and how they have changed. Net assets - 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 assets are an indicator of whether its financial position is improving or deteriorating, respectively.





# Kenowa Hills Public Schools

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Management's Discussion and Analysis  
June 30, 2012

- 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.

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.

## Condensed District-Wide Financial Information

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

|   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| <b>Assets</b>                                   |                     |                     |
| Current assets                                  | \$ 15,106,839       | \$ 23,416,107       |
| Noncurrent assets                               | 35,492,505          | 29,145,445          |
| <b>Total Assets</b>                             | <b>50,599,344</b>   | <b>52,561,552</b>   |
| <b>Liabilities</b>                              |                     |                     |
| Current liabilities                             | 6,797,328           | 8,527,127           |
| Noncurrent liabilities                          | 35,486,712          | 37,901,153          |
| <b>Total Liabilities</b>                        | <b>42,284,040</b>   | <b>46,428,280</b>   |
| <b>Net Assets</b>                               |                     |                     |
| Invested in capital assets, net of related debt | 1,032,535           | (110,070)           |
| Restricted                                      | 2,241,716           | 2,568,896           |
| Unrestricted                                    | 5,041,053           | 3,674,446           |
| <b>Total Net Assets</b>                         | <b>\$ 8,315,304</b> | <b>\$ 6,133,272</b> |



# Kenowa Hills Public Schools

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Management's Discussion and Analysis  
June 30, 2012

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

|                                       | <u>2012</u>                | <u>2011</u>                |
|---------------------------------------|----------------------------|----------------------------|
| <b>Program Revenues</b>               |                            |                            |
| Charges for services                  | \$ 1,494,843               | \$ 1,389,767               |
| Operating grants                      | 6,946,418                  | 6,871,506                  |
| <b>General Revenues</b>               |                            |                            |
| Property taxes                        | 12,620,158                 | 13,280,727                 |
| State school aid, unrestricted        | 15,368,217                 | 15,117,335                 |
| Interest earnings                     | 21,279                     | 64,375                     |
| Other                                 | 218,430                    | 246,272                    |
| <b>Total Revenues</b>                 | <u>36,669,345</u>          | <u>36,969,982</u>          |
| <b>Expenses</b>                       |                            |                            |
| Instruction                           | 19,097,856                 | 19,084,714                 |
| Supporting services                   | 10,926,408                 | 11,332,837                 |
| Community services                    | 535,247                    | 575,313                    |
| Food service                          | 1,507,648                  | 1,395,234                  |
| Other                                 | 188,104                    | —                          |
| Interest expense                      | 2,232,050                  | 1,477,430                  |
| <b>Total Expenses</b>                 | <u>34,487,313</u>          | <u>33,865,528</u>          |
| Increase in net assets                | 2,182,032                  | 3,104,454                  |
| <b>Net Assets - Beginning of Year</b> | <u>6,133,272</u>           | <u>3,028,818</u>           |
| <b>Net Assets - End of Year</b>       | <u><u>\$ 8,315,304</u></u> | <u><u>\$ 6,133,272</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 .8 percent to \$36.7 million. Property taxes and unrestricted State aid accounted for most of the District's revenue, contributing 76 cents of every dollar raised. Another 19 percent came from State and Federal aid for specific programs (including \$747,290 from Education Jobs Funds) 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. The revenue breakdown shifted this year primarily due to the receipt of Federal ARRA dollars that were received and offset a loss in State foundation funds.

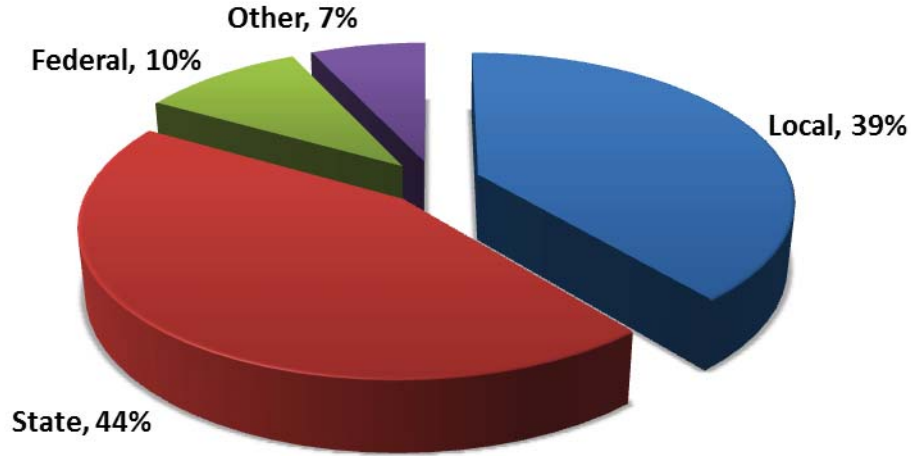


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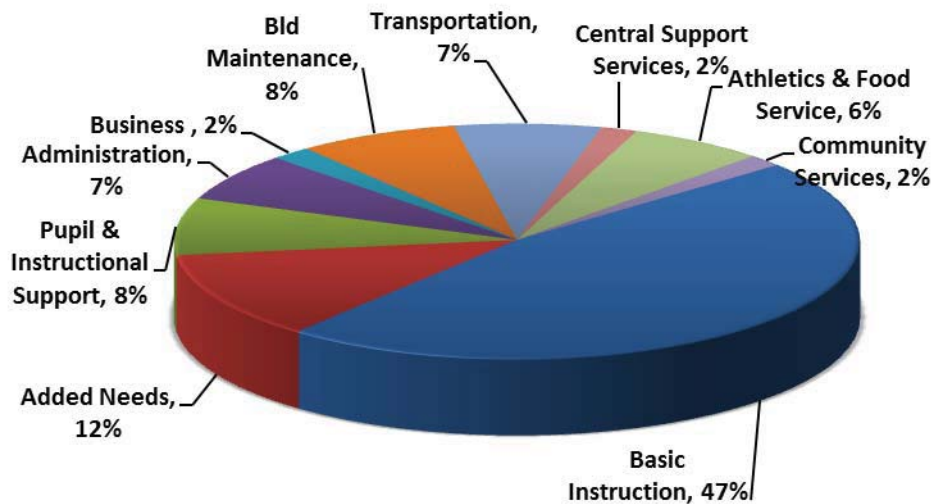
Management's Discussion and Analysis  
June 30, 2012

## Sources of Revenue for Fiscal Year 2011-12



The total cost of all programs and services increased 1.8 percent to \$34.5 million. The District's expenses are predominantly related to instructing, caring for (added needs and pupil services) and transporting students (74 percent). The District's administrative and business activities accounted for 9 percent of total costs. Operation and maintenance expenses accounted for 8 percent.

## Departmental Expenditures as Percentage of Total





# Kenowa Hills Public Schools

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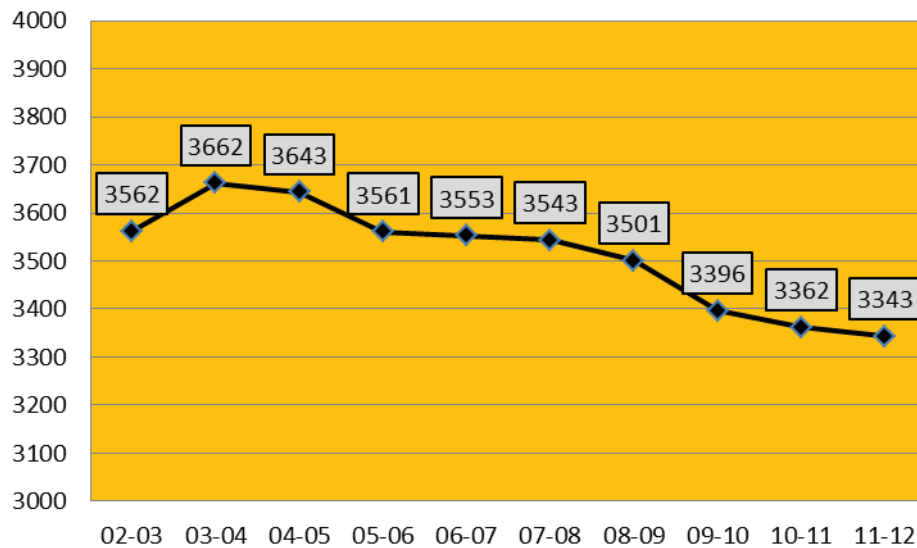
Management's Discussion and Analysis  
June 30, 2012

Total revenues surpassed expenses, increasing net assets by \$2.2 million from last year.

Total revenues for 2011-12 decreased by approximately .8% while expenses increased 1.8%.

- The blended student count for which the District receives a foundation allowance decreased by 19 students between 2010-11 and 2011-12.

### Enrollment History: 2002 through 2012



- 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 fourth consecutive year.
- Approximately 44% 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 that the District would have sustained due to the State's financial crisis was supplemented by federal Education Jobs Funds dollars. It is unlikely this funding will continue through the time that Michigan's economy recovers.
- 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 \$1,044,961 was added back to the District's General Fund balance. This will help the District as it prepares for the per student reduction and employee retirement costs for the 2012-13 school year.



# Kenowa Hills Public Schools

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Management's Discussion and Analysis  
June 30, 2012

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## 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 \$31,132,044, total other financing sources of \$83,310, total expenditures of \$29,931,902, and total other financing uses of \$238,491. It ended the fiscal year with a fund balance of \$5,373,845, an increase of \$1,044,961 from the fund balance of \$4,328,884 at June 30, 2011.

#### 2005 Debt Service Fund

The District maintains one major Debt Service Fund. The information of this fund has been included below.

#### 2010 Construction Fund – Bonds

The District issued bonds totaling \$13,815,000 on June 23, 2010. During the year ended June 30, 2012, this fund had total revenue of \$9,550, while construction and equipment costs totaled \$7,104,625, leaving a fund balance of \$2,891,329 at June 30, 2012, to be used for scheduled future construction and equipment costs.



# Kenowa Hills Public Schools

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Management's Discussion and Analysis  
June 30, 2012

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## Nonmajor Funds

### Special Revenue Funds

The District operates one Special Revenue Fund, for the food service program. Total revenues were \$1,448,758, total other financing sources were \$49,990, total expenditures were \$1,479,830, and total other financing uses were \$34,451. The ending fund balance was zero at June 30, 2012.

### Debt Service Funds

The District maintains three Debt Service Funds. Total revenues were \$4,025,470 and total expenditures were \$4,266,281. The ending fund balances in the Debt Service Funds totaled \$2,543,454.

### 2010 Construction Fund - Buses

The District issued bonds June 23, 2010 to purchase school buses. Total revenues for 2011-12 were \$210 and bus purchases totaled \$241,906, leaving a fund balance of \$46,132 to purchase additional buses.

### 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, 2012 totaled \$159,742.

## General Fund Budgetary Highlights

Over the course of the year, the District revised its initial annual operating budget twice, once in January (initially submitted in December), 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.
- Prior year Medicaid additional funding, reduced costs for staffing due to long term leaves and retirements.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2011-12, the District had invested \$55.4 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 \$987,552.

At June 30, 2012, the District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, furniture and equipment, was \$35.3 million. This represents an increase of approximately \$6.4 million from the previous year-end.



# Kenowa Hills Public Schools

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Management's Discussion and Analysis  
June 30, 2012

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|                           |                             |
|---------------------------|-----------------------------|
| Land                      | \$ 1,108,000                |
| Construction in progress  | 4,995,447                   |
| Land improvements         | 1,127,256                   |
| Buildings and additions   | 26,950,000                  |
| Furniture and equipment   | 365,066                     |
| Vehicles                  | <u>791,790</u>              |
| <b>Net Capital Assets</b> | <b><u>\$ 35,337,559</u></b> |

## Long-term Debt

At year end, the District had \$37.6 million in general obligation bonds and other long-term debt outstanding – a net decrease of \$2.5 million from last year. The District continued to pay down its debt, retiring \$2.120 million of outstanding bonds and \$332,000 of employee retirement and sick leave payments.

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". 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. Agriculture tragically suffered resulting in less families working in this employment sector. The District's October 2012 student count of 3,330 was down 19 students from the October 2011 count of 3,349. This count is slightly less than the loss of over 27 students in 2011-12. State School Aid funding, which represents approximately 44% of the District's annual revenues, has been cut due to declining income and sales taxes.
- Negotiated contract agreements are in place with teacher and support staff unions through August 2013 and a transportation agreement is in place through June 2013.
- Cost increases exceeding the general rate of inflation continue to be expected for health care plans provided to employees by the District. Employee groups have agreed to changes in benefits and sharing of the premium costs. Having a great impact on the costs was the decision of the District to close buildings which resulted in cost efficiencies due to the reduction of staff necessary to keep the buildings in operation.



# **Kenowa Hills Public Schools**

*High levels of learning for each and every student*

**Management's Discussion and Analysis**  
**June 30, 2012**

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- The District's fund balance in its primary operating fund, the General Fund, increased by \$1,044,961 during the 2011-12 fiscal year to \$5,373,845. This increase was greater than the \$225,192 gain projected. The current fund balance represents 17.5% of the 2012-13 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 2012-13 school year will allow the District to move forward with a balanced operational program and financial outlook.

### **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 Assets**  
**June 30, 2012**

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                                       |                            |
| <b>Current Assets</b>                               |                            |
| Cash  | \$ 1,050                   |
| Cash equivalents, deposits and investments (Note B) | 11,256,095                 |
| Receivables:  |                            |
| Taxes (Note C)                                      | 65,762                     |
| Accounts  | 20,697                     |
| Accrued interest receivable                         | 15,731                     |
| Due from other governmental units (Note C)          | 3,648,905                  |
| Inventory   | 24,234                     |
| Prepaid expenses                                    | 74,365                     |
| <b>Total Current Assets</b>                         | <b>15,106,839</b>          |
| <b>Noncurrent Assets</b>                            |                            |
| Unamortized bond issue costs                        | 154,946                    |
| Capital assets not being depreciated (Note E)       | 6,103,447                  |
| Capital assets being depreciated, net (Note E)      | 29,234,112                 |
| <b>Total Noncurrent Assets</b>                      | <b>35,492,505</b>          |
| <b>Total Assets</b>                                 | <b>50,599,344</b>          |
| <b>Liabilities</b>                                  |                            |
| <b>Current Liabilities</b>                          |                            |
| Accounts payable                                    | 594,723                    |
| Due to other governmental units                     | 1,280,709                  |
| Accrued interest payable                            | 331,011                    |
| Salaries payable                                    | 1,871,041                  |
| Unearned revenue                                    | 439,844                    |
| Current portion of long term obligations            | 2,280,000                  |
| <b>Total Current Liabilities</b>                    | <b>6,797,328</b>           |
| <b>Noncurrent Liabilities (Note F)</b>              |                            |
| Unamortized bond premium                            | 172,431                    |
| General obligation bonds payable                    | 37,225,000                 |
| Accumulated sick leave                              | 369,281                    |
| Current portion of long term obligations            | (2,280,000)                |
| <b>Total Noncurrent Liabilities</b>                 | <b>35,486,712</b>          |
| <b>Total Liabilities</b>                            | <b>42,284,040</b>          |
| <b>Net Assets</b>                                   |                            |
| Invested in capital assets, net of related debt     | 1,032,535                  |
| Restricted for:                                     |                            |
| Debt service  | 2,241,716                  |
| Unrestricted  | 5,041,053                  |
| <b>Total Net Assets</b>                             | <b>\$ 8,315,304</b>        |

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Statement of Activities**  
**For the year ended June 30, 2012**

| Functions/Programs                   | Expenses             | Program Revenues        |                     | Net (Expense)<br>Revenue and<br>Changes In<br>Net Assets |
|--------------------------------------|----------------------|-------------------------|---------------------|--|
|                                      |                      | Charges<br>for Services | Operating<br>Grants |  |
| <b>Governmental Activities</b>       |                      |                         |                     |  |
| Instruction                          | \$ 19,097,856        | \$ 41,342               | \$ 4,860,616        | \$(14,195,898)   |
| Supporting services                  | 10,926,408           | 193,721                 | 507,199             | (10,225,488)   |
| Community services                   | 535,247              | 692,627                 | -                   | 157,380  |
| Food service                         | 1,507,648            | 567,153                 | 881,284             | (59,211)   |
| Other                                | 188,104              | -                       | -                   | (188,104)  |
| Interest expense                     | 2,232,050            | -                       | 697,319             | (1,534,731)  |
| <b>Total Governmental Activities</b> | <b>\$ 34,487,313</b> | <b>\$ 1,494,843</b>     | <b>\$ 6,946,418</b> | <b>(26,046,052)</b>                                      |
| <b>General Revenues</b>              |                      |                         |                     |  |
| Taxes:                               |                      |                         |                     |  |
|                                      |                      |                         |                     | 9,299,154  |
|                                      |                      |                         |                     | 3,321,004  |
|                                      |                      |                         |                     | 15,368,217   |
|                                      |                      |                         |                     | 21,279   |
|                                      |                      |                         |                     | 218,430  |
|                                      |                      |                         |                     | <u>28,228,084</u>  |
|                                      |                      |                         |                     | <b>Change in Net Assets</b>                              |
|                                      |                      |                         |                     | 2,182,032  |
|                                      |                      |                         |                     | <u>6,133,272</u>   |
|                                      |                      |                         |                     | <b>Net Assets - End of Year</b>                          |
|                                      |                      |                         |                     | <u>\$ 8,315,304</u>                                      |

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

| <b>Assets</b>                                       | <u>General</u>             | <u>2005<br/>Debt Service</u> | <u>2010<br/>Construction -<br/>Bonds</u> |
|---|----------------------------|------------------------------|--|
| Cash  | \$ 400                     | \$ -                         | \$ -                                     |
| Cash equivalents, deposits and investments (Note B) | 5,559,991                  | 1,745,159                    | 2,897,014                                |
| Receivables:  |                            |                              |  |
| Taxes (Note C)                                      | 36,489                     | 24,813                       | -  |
| Accounts  | 18,376                     | -                            | -  |
| Accrued interest                                    | -                          | -                            | 15,731                                   |
| Due from other funds (Note D)                       | 274,397                    | 285,355                      | -  |
| Due from other governmental units (Note C)          | 3,639,565                  | -                            | -  |
| Inventory   | 8,284                      | -                            | -  |
| Prepaid expenditures                                | 74,365                     | -                            | -  |
| <b>Total Assets</b>                                 | <b><u>\$ 9,611,867</u></b> | <b><u>\$ 2,055,327</u></b>   | <b><u>\$ 2,912,745</u></b>               |
| <br><b>Liabilities and Fund Balances</b>            |                            |                              |  |
| <b>Liabilities</b>                                  |                            |                              |  |
| Accounts payable                                    | \$ 570,807                 | \$ -                         | \$ 21,416                                |
| Due to other funds (Note D)                         | 59,671                     | 1,190,629                    | -  |
| Due to other governmental units                     | 1,280,709                  | -                            | -  |
| Salaries payable                                    | 1,863,787                  | -                            | -  |
| Deferred revenue                                    | 463,048                    | 24,813                       | -  |
| <b>Total Liabilities</b>                            | <b><u>4,238,022</u></b>    | <b><u>1,215,442</u></b>      | <b><u>21,416</u></b>                     |
| <b>Fund Balances (Note A)</b>                       |                            |                              |  |
| Nonspendable  | 82,649                     | -                            | -  |
| Restricted  | -                          | 839,885                      | 2,891,329                                |
| Unassigned  | 5,291,196                  | -                            | -  |
| <b>Total Fund Balances</b>                          | <b><u>5,373,845</u></b>    | <b><u>839,885</u></b>        | <b><u>2,891,329</u></b>                  |
| <b>Total Liabilities and Fund Balances</b>          | <b><u>\$ 9,611,867</u></b> | <b><u>\$ 2,055,327</u></b>   | <b><u>\$ 2,912,745</u></b>               |

See accompanying notes to basic financial statements.

| <u>Nonmajor</u>     | <u>Total</u>        |
|---------------------|---------------------|
| \$ 650              | \$ 1,050            |
| 1,053,931           | 11,256,095          |
| 4,460               | 65,762              |
| -                   | 18,376              |
| -                   | 15,731              |
| 1,198,789           | 1,758,541           |
| 9,340               | 3,648,905           |
| 15,950              | 24,234              |
| -                   | 74,365              |
| <u>\$ 2,283,120</u> | <u>\$16,863,059</u> |

|                |                  |
|----------------|------------------|
| \$ 2,500       | \$ 594,723       |
| 505,920        | 1,756,220        |
| -              | 1,280,709        |
| 7,254          | 1,871,041        |
| 17,745         | 505,606          |
| <u>533,419</u> | <u>6,008,299</u> |

|                     |                     |
|---------------------|---------------------|
| -                   | 82,649              |
| 1,749,701           | 5,480,915           |
| -                   | 5,291,196           |
| <u>1,749,701</u>    | <u>10,854,760</u>   |
| <u>\$ 2,283,120</u> | <u>\$16,863,059</u> |

**KENOWA HILLS PUBLIC SCHOOLS**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2012**

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|   |                  |                            |
|---|------------------|----------------------------|
| <b>Total governmental fund balances</b>   |                  | \$ 10,854,760              |
| Amounts reported for governmental activities in the Statement of Net Assets 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 \$55,373,590 and accumulated depreciation is \$20,036,031. |                  | 35,337,559                 |
| Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.   |                  | (17,485)                   |
| 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  | \$(37,225,000)   |                            |
| Accumulated sick leave  | <u>(369,281)</u> | (37,594,281)               |
| Accrued interest is not included as a liability in governmental funds.  |                  | (331,011)                  |
| Deferred revenue recognized as revenue in the full accrual statements:  |                  |                            |
| Property taxes  |                  | <u>65,762</u>              |
| <b>Total net assets - governmental activities</b>   |                  | <u><u>\$ 8,315,304</u></u> |

See accompanying notes to basic financial statements.

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**KENOWA HILLS PUBLIC SCHOOLS**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2012**

|  | General             | 2005<br>Debt Service | 2010<br>Construction -<br>Bonds |
|--|---------------------|----------------------|---------------------------------|
| <b>Revenues</b>  |                     |                      |                                 |
| Local sources  | \$10,396,012        | \$ 2,296,571         | \$ 9,550                        |
| State sources  | 16,164,643          | -                    | -                               |
| Federal sources  | 2,112,053           | -                    | -                               |
| Interdistrict sources  | 2,459,336           | -                    | -                               |
| <b>Total Revenues</b>  | <u>31,132,044</u>   | <u>2,296,571</u>     | <u>9,550</u>                    |
| <b>Expenditures</b>  |                     |                      |                                 |
| Current:   |                     |                      |                                 |
| Instruction  | 18,688,908          | -                    | -                               |
| Supporting services  | 10,712,637          | -                    | -                               |
| Community services   | 527,347             | -                    | -                               |
| Food service   | -                   | -                    | -                               |
| Capital outlay   | -                   | -                    | 7,104,625                       |
| Debt service:  |                     |                      |                                 |
| Principal repayment  | -                   | 2,050,000            | -                               |
| Interest and fiscal charges                                  | -                   | 1,306,196            | -                               |
| Interdistrict  | 3,010               | -                    | -                               |
| <b>Total Expenditures</b>                                    | <u>29,931,902</u>   | <u>3,356,196</u>     | <u>7,104,625</u>                |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>1,200,142</u>    | <u>(1,059,625)</u>   | <u>(7,095,075)</u>              |
| <b>Other Financing Sources (Uses)</b>                        |                     |                      |                                 |
| Other transactions   | 48,859              | -                    | -                               |
| Transfers in   | 34,451              | -                    | -                               |
| Transfers out  | (49,990)            | -                    | -                               |
| Other transactions   | (188,501)           | -                    | -                               |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>(155,181)</u>    | <u>-</u>             | <u>-</u>                        |
| <b>Net Change In Fund Balances</b>                           | 1,044,961           | (1,059,625)          | (7,095,075)                     |
| <b>Fund Balances, Beginning of Year</b>                      | <u>4,328,884</u>    | <u>1,899,510</u>     | <u>9,986,404</u>                |
| <b>Fund Balances, End of Year</b>                            | <u>\$ 5,373,845</u> | <u>\$ 839,885</u>    | <u>\$ 2,891,329</u>             |

See accompanying notes to basic financial statements.



| <u>Nonmajor</u>     | <u>Total</u>        |
|---------------------|---------------------|
| \$ 1,599,264        | \$14,301,397        |
| 57,783              | 16,222,426          |
| 1,478,608           | 3,590,661           |
| 42,212              | 2,501,548           |
| <u>3,177,867</u>    | <u>36,616,032</u>   |
| -                   | 18,688,908          |
| -                   | 10,712,637          |
| -                   | 527,347             |
| 1,479,830           | 1,479,830           |
| 241,906             | 7,346,531           |
| 70,000              | 2,120,000           |
| 840,085             | 2,146,281           |
| -                   | 3,010               |
| <u>2,631,821</u>    | <u>43,024,544</u>   |
| <u>546,046</u>      | <u>(6,408,512)</u>  |
| -                   | 48,859              |
| 49,990              | 84,441              |
| (34,451)            | (84,441)            |
| -                   | (188,501)           |
| <u>15,539</u>       | <u>(139,642)</u>    |
| 561,585             | (6,548,154)         |
| <u>1,188,116</u>    | <u>17,402,914</u>   |
| <u>\$ 1,749,701</u> | <u>\$10,854,760</u> |

**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, 2012**

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**Net change in fund balances - total governmental funds** \$ (6,548,154)

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 capital outlays exceeded depreciation in the current period:

|  |                      |                  |           |
|--|----------------------|------------------|-----------|
|  | Capital outlays      | \$ 7,346,531     |           |
|  | Depreciation expense | <u>(987,552)</u> | 6,358,979 |

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. 4,454

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. 397

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 2,120,000

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. (85,769)

In the Statement of Net Assets, 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 used/paid (\$485,172) exceeded the amounts earned (\$153,047) . 332,125

**Total changes in net assets - governmental activities** \$ 2,182,032

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2012**

|  | Budgeted Amounts    |                     | Actual              | Variance With<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     |                               |
| <b>Revenues</b>  |                     |                     |                     |                               |
| Local sources  | \$10,588,285        | \$10,419,798        | \$10,396,012        | \$ (23,786)                   |
| State sources  | 14,816,702          | 16,180,846          | 16,164,643          | (16,203)                      |
| Federal sources  | 2,142,943           | 2,048,280           | 2,112,053           | 63,773                        |
| Interdistrict sources  | 2,025,800           | 2,476,393           | 2,459,336           | (17,057)                      |
| <b>Total Revenues</b>  | <u>29,573,730</u>   | <u>31,125,317</u>   | <u>31,132,044</u>   | <u>6,727</u>                  |
| <b>Expenditures</b>  |                     |                     |                     |                               |
| Current:   |                     |                     |                     |                               |
| Instruction:   |                     |                     |                     |                               |
| Basic programs   | 15,195,201          | 14,929,448          | 14,902,492          | 26,956                        |
| Added needs  | 4,016,918           | 3,873,652           | 3,786,416           | 87,236                        |
| Supporting services:   |                     |                     |                     |                               |
| Pupil services   | 1,785,934           | 1,739,060           | 1,714,929           | 24,131                        |
| Instructional staff services                                 | 765,614             | 795,731             | 780,630             | 15,101                        |
| General administrative services                              | 720,634             | 405,390             | 397,079             | 8,311                         |
| School administrative services                               | 1,658,591           | 1,695,389           | 1,703,329           | (7,940)                       |
| Business services  | 679,032             | 620,792             | 609,810             | 10,982                        |
| Operation and maintenance services                           | 2,876,142           | 2,412,322           | 2,408,747           | 3,575                         |
| Pupil transportation services                                | 1,934,311           | 2,017,957           | 1,977,599           | 40,358                        |
| Central services   | 531,496             | 550,955             | 545,968             | 4,987                         |
| Other supporting services                                    | 578,806             | 588,767             | 574,546             | 14,221                        |
| Community services   | 579,798             | 530,348             | 527,347             | 3,001                         |
| Interdistrict  | 3,690               | 4,782               | 3,010               | 1,772                         |
| <b>Total Expenditures</b>                                    | <u>31,326,167</u>   | <u>30,164,593</u>   | <u>29,931,902</u>   | <u>232,691</u>                |
| <b>Excess (Deficiency) Of Revenues<br/>Over Expenditures</b> | <u>(1,752,437)</u>  | <u>960,724</u>      | <u>1,200,142</u>    | <u>239,418</u>                |
| <b>Other Financing Sources (Uses)</b>                        |                     |                     |                     |                               |
| Other transactions   | 10,000              | 27,347              | 48,859              | 21,512                        |
| Transfers in   | -                   | 34,315              | 34,451              | 136                           |
| Transfers out  | (9,250)             | (35,987)            | (49,990)            | (14,003)                      |
| Other transactions   | -                   | (166,629)           | (188,501)           | (21,872)                      |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>750</u>          | <u>(140,954)</u>    | <u>(155,181)</u>    | <u>(14,227)</u>               |
| <b>Net Change In Fund Balances</b>                           | <u>(1,751,687)</u>  | <u>819,770</u>      | <u>1,044,961</u>    | <u>225,191</u>                |
| <b>Fund Balances, Beginning of Year</b>                      | <u>4,328,884</u>    | <u>4,328,884</u>    | <u>4,328,884</u>    | <u>-</u>                      |
| <b>Fund Balances, End of Year</b>                            | <u>\$ 2,577,197</u> | <u>\$ 5,148,654</u> | <u>\$ 5,373,845</u> | <u>\$ 225,191</u>             |

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2012**

|   | Private<br>Purpose<br>Trust Fund | Agency<br>Fund |
|---|----------------------------------|----------------|
| <b>Assets</b>                                       |                                  |                |
| Cash equivalents, deposits and investments (Note B) | \$ 30,174                        | \$ 129,568     |
| <b>Liabilities</b>                                  |                                  |                |
| Due to other funds (Note D)                         | \$ -                             | \$ 2,321       |
| Due to student groups                               | -                                | 127,247        |
| <b>Total Liabilities</b>                            | -                                | \$ 129,568     |
| <b>Net Assets</b>                                   |                                  |                |
| Held in trust for:                                  |                                  |                |
| Individuals and organizations                       | \$ 30,174                        |                |

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, 2012**

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|                                      | <u>Private<br/>Purpose<br/>Trust Fund</u> |
|--------------------------------------|---|
| <b>Additions</b>                     |   |
| Interest earnings                    | \$ 180                                    |
| <b>Deductions</b>                    |   |
| Endowment activities - scholarships  | <u>1,850</u>                              |
| <b>Change In Net Assets</b>          | (1,670)                                   |
| <b>Net Assets, Beginning of Year</b> | <u>31,844</u>                             |
| <b>Net Assets, End of Year</b>       | <u><u>\$ 30,174</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, 2012**

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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 3,351 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 Assets 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 Assets is presented on the classified basis and 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 assets are 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, 2012**

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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, the 2005 Debt Service 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. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred 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, 2012**

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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, 2012**

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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**  
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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 Assets. 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**

Accumulated sick leave at June 30, 2012 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, 2012, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for accumulated sick leave amounted to \$369,281.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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## **11. Fund Balance**

As of July 1, 2010 the District 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.

As of June 30, 2012, 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.

## **12. 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.

## **13. 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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2012**

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**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.

Balances at June 30, 2012 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

|                          |                      |
|--------------------------|----------------------|
| Statement of Net Assets: |                      |
| Governmental activities  | \$ 11,256,095        |
| Fiduciary Funds:         |                      |
| Trust and Agency Funds   | <u>159,742</u>       |
|                          | <u>\$ 11,415,837</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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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June 30, 2012 balances are detailed as follows:

|                  |              |
|------------------|--------------|
| Cash equivalents | \$ 7,855,553 |
| Deposits         | 27,834       |
|                  | \$ 7,883,387 |

*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 \$7,883,387, and the bank balance was \$8,007,409. Of the bank balance, \$2,069,412 was covered by federal depository insurance and \$5,937,997 was uninsured and uncollateralized.

**Investments**

As of June 30, 2012 the District had the following investments:

|   | <b>Standard &amp;<br/>Poor's Rating</b> | <b>Fair Value</b> |
|---|---|-------------------|
| Surplus Funds Investment Pool Accounts:               |   |                   |
| Michigan Liquid Asset Fund Plus                       | AAAm                                    | \$ 1,374,362      |
| U.S. Government Agency Securities:                    |   |                   |
| Federal Home Loan Mortgage Corp. (FHLMC)              | AA+                                     | 1,388,088         |
| Bank of New York Mellon Trust Investment Pool Account |   | 770,000           |
|   |   | \$ 3,532,450      |

The Michigan Liquid Asset Fund Plus (MILAF) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the State School Code. The pool is not regulated or registered with the Securities and Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2012. The MILAF is rated AAAM by Standard & Poor's.

*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. The weighted average maturity (WAM) (in years) for the FHLMC securities was .2528.

*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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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*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 2011 ad valorem State Education Taxes generated within the Kenowa Hills Public School District, and paid to the State of Michigan, totaled \$5,521,248.

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, 2011 and September, 2011. The 2011-12 "Foundation Allowance" for Kenowa Hills Public Schools was \$7,152 for 3,343 "Full Time Equivalent" students, generating \$16,364,878 in state aid payments to the District, of which \$2,939,782 was paid to the District in July and August, 2012 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 City of Walker 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<br>Fund | Debt<br>Service Funds | Total     |
|------|-----------------|-----------------------|-----------|
| 2011 | \$ 17,999       | \$ 9,755              | \$ 27,754 |
| 2010 | 8,463           | 4,306                 | 12,769    |
| 2009 | 10,027          | 15,212                | 25,239    |
|      | \$ 36,489       | \$ 29,273             | \$ 65,762 |

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

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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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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 2011.

The District levied 2.97 mills in 2011 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, 2012, are detailed as follows:

|                                     | <b>Due From</b> | <b>Due To</b>    |
|-------------------------------------|-----------------|------------------|
| <b>Major Funds</b>                  |                 |                  |
| General Fund:                       |                 |                  |
| Special Revenue Fund:               |                 |                  |
| Food Service Fund                   | \$ 226,118      | \$ 59,671        |
| Debt Service Funds:                 |                 |                  |
| 2005 Debt Service Fund              | 45,021          | —                |
| 2010 Construction Debt Service Fund | 816             | —                |
| 2010 Buses Debt Service Fund        | 121             | —                |
| Trust and Agency Fund:              |                 |                  |
| Student Activities Fund             | 2,321           | —                |
|                                     | 274,397         | 59,671           |
| Debt Service Fund:                  |                 |                  |
| 2005 Debt Service Fund:             |                 |                  |
| General Fund                        | —               | 45,021           |
| 2010 Construction Debt Service Fund | 193,256         | 995,991          |
| 2010 Buses Debt Service Fund        | 92,099          | 149,617          |
|                                     | 285,355         | 1,190,629        |
| <b>Total Major Funds</b>            | <b>559,752</b>  | <b>1,250,300</b> |



**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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|                                      | Due From     | Due To       |
|--------------------------------------|--------------|--------------|
| <b>Nonmajor Funds</b>                |              |              |
| Special Revenue Fund:                |              |              |
| Food Service Fund:                   |              |              |
| General Fund                         | \$ 53,181    | \$ 219,628   |
| Debt Service Funds:                  |              |              |
| 2010 Construction Debt Service Fund: |              |              |
| General Fund                         |              | 816          |
| 2005 Debt Service Fund               | 995,991      | 193,256      |
| 2010 Buses Debt Service Fund:        |              |              |
| General Fund                         |              | 121          |
| 2005 Debt Service Fund               | 149,617      | 92,099       |
|                                      | 1,145,608    | 286,292      |
| Trust and Agency Fund:               |              |              |
| Student Activities Fund:             |              |              |
| General Fund                         | —            | 2,321        |
|                                      | 1,198,789    | 508,241      |
| Total Nonmajor Funds                 |              |              |
|                                      | \$ 1,758,541 | \$ 1,758,541 |

Operating transfers between funds to allocate expenditures during the year ended June 30, 2012 were as follows:

|                       | Transfers In | Transfers Out |
|-----------------------|--------------|---------------|
| <b>Major Funds</b>    |              |               |
| General Fund:         |              |               |
| Special Revenue Fund: |              |               |
| Food Service Fund     | \$ 34,451    | \$ 49,990     |
| <b>Nonmajor Funds</b> |              |               |
| Special Revenue Fund: |              |               |
| Food Service Fund:    |              |               |
| General Fund          | 49,990       | 34,451        |
|                       | \$ 84,441    | \$ 84,441     |

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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**Note E – Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

|  | <b>Balances<br/>July 1, 2011</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balances<br/>June 30, 2012</b> |
|--|----------------------------------|------------------|-------------------|-----------------------------------|
| Capital assets not being depreciated:        |                                  |                  |                   |                                   |
| Land   | \$ 1,108,000                     | \$ —             | \$ —              | \$ 1,108,000                      |
| Construction in progress                     | 3,658,032                        | 2,746,595        | 1,409,180         | 4,995,447                         |
| Total capital assets not being depreciated   | 4,766,032                        | \$ 2,746,595     | \$ 1,409,180      | 6,103,447                         |
| Capital assets being depreciated:            |                                  |                  |                   |                                   |
| Land improvements                            | 1,186,227                        | \$ 773,065       | \$ —              | 1,959,292                         |
| Buildings and additions                      | 38,441,746                       | 4,800,856        | 76,490            | 43,166,112                        |
| Furniture and equipment                      | 1,627,585                        | 193,289          | 208,577           | 1,612,297                         |
| Vehicles                                     | 2,444,764                        | 241,906          | 154,228           | 2,532,442                         |
| Total capital assets being depreciated       | 43,700,322                       | \$ 6,009,116     | \$ 439,295        | 49,270,143                        |
| Less accumulated depreciation for:           |                                  |                  |                   |                                   |
| Land improvements                            | 787,495                          | \$ 44,541        | \$ —              | 832,036                           |
| Buildings and additions                      | 15,545,337                       | 747,265          | 76,490            | 16,216,112                        |
| Furniture and equipment                      | 1,432,084                        | 23,724           | 208,577           | 1,247,231                         |
| Vehicles                                     | 1,722,858                        | 172,022          | 154,228           | 1,740,652                         |
| Total accumulated depreciation               | 19,487,774                       | \$ 987,552       | \$ 439,295        | 20,036,031                        |
| Total capital assets being depreciation, net | 24,212,548                       |                  |                   | 29,234,112                        |
| <b>Net Capital Assets</b>                    | <b>\$ 28,978,580</b>             |                  |                   | <b>\$ 35,337,559</b>              |

Depreciation expense was charged to District activities as follows:

|                          |                   |
|--------------------------|-------------------|
| Governmental activities: |                   |
| Instruction              | \$ 760,415        |
| Supporting services      | 205,905           |
| Community services       | 7,900             |
| Food service             | 13,332            |
|                          | <b>\$ 987,552</b> |

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2012**

**Note F – Long-term Debt**

Amounts available and to be provided for outstanding long-term debt at June 30, 2012 are summarized as follows:

|  | <b>Bond<br/>Issues</b> | <b>Accumulated<br/>Sick Leave</b> | <b>Total</b>         |
|--|------------------------|-----------------------------------|----------------------|
| <b>Amount Available For Retirement of Long-term Debt</b>       |                        |                                   |                      |
| Debt Service Fund  | \$ 2,543,454           | \$ —                              | \$ 2,543,454         |
| <b>Amounts To Be Provided For Retirement of Long-term Debt</b> |                        |                                   |                      |
| General Fund   | —                      | 369,281                           | 369,281              |
| Debt Service Fund  | 34,681,546             | —                                 | 34,681,546           |
| <b>Total Amounts Available and To Be Provided</b>              | <b>\$ 37,225,000</b>   | <b>\$ 369,281</b>                 | <b>\$ 37,594,281</b> |

Changes in long-term debt for the year ended June 30, 2012 are summarized as follows:

|                                       | <b>Debt<br/>Outstanding<br/>July 1, 2011</b> | <b>Debt<br/>Added</b> | <b>Debt<br/>Retired</b> | <b>Debt<br/>Outstanding<br/>June 30, 2012</b> |
|---------------------------------------|--|-----------------------|-------------------------|---|
| General obligation bonds:             |  |                       |                         |   |
| March 17, 2005 Refunding              | \$ 25,090,000                                | \$ —                  | \$ 2,050,000            | \$ 23,040,000                                 |
| June, 23, 2010 – Series A             | 13,815,000                                   | —                     | —                       | 13,815,000                                    |
| June 23, 2010 – Series B              | 440,000                                      | —                     | 70,000                  | 370,000                                       |
| Early retirement incentive - contract | 304,652                                      | —                     | 304,652                 | —   |
| Early retirement incentive – special  | 60,000                                       | —                     | 60,000                  | —   |
| Accumulated sick leave                | 336,754                                      | 153,047               | 120,520                 | 369,281                                       |
|                                       | <b>\$ 40,046,406</b>                         | <b>\$ 153,047</b>     | <b>\$ 2,605,172</b>     | <b>\$ 37,594,281</b>                          |

Long-term bonds and other obligations outstanding at June 30, 2012 are comprised of the following:

|  | <b>Final<br/>Maturity<br/>Dates</b> | <b>Interest<br/>Rates</b> | <b>Outstanding<br/>Balance</b> | <b>Amount<br/>Due Within<br/>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               | \$23,040,000                   | \$ 2,150,000                              |
| \$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 \$70K to \$75K                  | May 1, 2017                         | 2.40 – 3.20               | 370,000                        | 70,000                                    |
| <b>Other Obligations</b>                             |                                     |                           |                                |   |
| Accumulated sick leave                               |                                     |                           | 369,281                        | 60,000                                    |
|  |                                     |                           | <b>\$37,594,281</b>            | <b>\$ 2,280,000</b>                       |

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2012**

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

| Year Ending<br>June 30 | Principal            | Interest             | Total                |
|------------------------|----------------------|----------------------|----------------------|
| 2013                   | \$ 2,220,000         | \$ 1,288,750         | \$ 3,508,750         |
| 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>\$ 37,225,000</u> | <u>\$ 10,094,378</u> | <u>\$ 47,319,378</u> |

**Note H – Retirement Plan**

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPSERS for the year ended June 30, 2012 was \$16,278,339. 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.

The System's membership consists of the following:

- 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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan-Fixed (MIP-Fixed). Effective January 1, 1990, all new employees are automatically enrolled in the MIP Plan. Participants in the MIP or Pension Plus Plans receive benefits in addition to those available under the Basic Plan. Basic plan members make no contributions; MIP and Pension Plus Plan members contribute at rates ranging from 3% to 4.3% of gross wages; or up to 6.4% of gross wages for members entering the MIP Plus Plan on or after July 1, 2008 and the Pension Plus Plan on or after July 1, 2010. In addition, Pension Plus Plan member employees contribute 2% of gross wages to their defined contribution account.

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 Plan pairs a guaranteed retirement income (Defined Benefit) with a flexible and transferable retirement savings (Defined Contribution) account.

Districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPSERS plan. The District's contributions to the plan for the fiscal years ended June 30, 2012, 2011 and 2010 were \$3,876,112, \$3,313,645, and \$3,079,215, respectively. The contribution rates are detailed as follows:

- July 1, 2011 to September 30, 2011 – 12.16% for members who first worked before July 1, 2010, and 10.66% for members who first worked on or after July 1, 2010, plus 1% for Pension Plus members.
- October 1, 2011 to June 30, 2012 – 15.96% for members who first worked before July 1, 2010, and 14.73% for members who first worked on or after July 1, 2010, plus 1% for Pension Plus members .

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, 2010 (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 \$60.9 billion. Net assets available for retirement benefits on that date were \$43.3 billion leaving an unfunded actuarial accrued liability of \$17.6 billion. The total unfunded actuarial accrued liability increased by \$5.6 billion from September 30, 2009 to September 30, 2010. At September 30, 2010 the funded ratio of actuarial accrued liability was 71.1%; covered payroll totaled \$8.8 billion, and unfunded actuarial accrued liability was 199.4% of covered payroll.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits were 8.5% of covered payroll. At September 30, 2010, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole was \$28.6 billion. The MPSERS net assets available for these benefits were \$1 billion leaving an unfunded actuarial accrued liability of \$27.6 billion. At September 30, 2010, the funded ratio of actuarial liability was 3.5%; covered payroll totaled \$8.8 billion, and unfunded actuarial liability was 312.4% of covered payroll.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2012**

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Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2011 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

**Note I – 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, 2012, there were no material pending claims against the District. The District paid \$109,338 in premiums to the Fund for the year ended June 30, 2012.

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, 2012, there were no material pending claims against the District. The District paid \$98,808 in premiums to the Fund for the year ended June 30, 2012.

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 J – Commitments**

On June 23, 2010, the District issued \$14,325,000 of general obligation building and site bonds whose proceeds are being used for building renovations and additions, furniture and equipment purchases and new buses. At June 30, 2012, unspent balances committed to this construction project totaled approximately \$2,937,000.

**Note K – 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, 2012:

|                                | <b>Budget</b> | <b>Actual</b> | <b>Variance</b> |
|--------------------------------|---------------|---------------|-----------------|
| <b>General Fund</b>            |               |               |                 |
| Supporting services:           |               |               |                 |
| School administrative services | \$ 1,695,389  | \$ 1,703,329  | \$ 7,940        |
| Transfers out                  | 35,987        | 49,990        | 14,003          |
| Other transactions             | 166,629       | 188,501       | 21,872          |
| <b>Special Revenue Fund</b>    |               |               |                 |
| Food Service Fund              | 1,393,116     | 1,479,830     | 86,714          |

## **SUPPLEMENTAL INFORMATION**

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## **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, 2012 and 2011**

|  | 2012                | 2011                |
|--|---------------------|---------------------|
| <b>Assets</b>                              |                     |                     |
| Cash                                       | \$ 400              | \$ 400              |
| Cash equivalents, deposits and investments | 5,559,991           | 4,554,015           |
| Receivables:                               |                     |                     |
| Taxes                                      | 36,489              | 31,435              |
| Accounts                                   | 18,376              | 20,175              |
| Due from other funds                       | 274,397             | 380,830             |
| Due from other governmental units          | 3,639,565           | 3,727,872           |
| Inventory                                  | 8,284               | 48,804              |
| Prepaid expenditures                       | 74,365              | 56,829              |
|  | <b>\$ 9,611,867</b> | <b>\$ 8,820,360</b> |
| <br><b>Liabilities and Fund Balances</b>   |                     |                     |
| <b>Liabilities</b>                         |                     |                     |
| Accounts payable                           | \$ 570,807          | \$ 482,703          |
| Due to other funds                         | 59,671              | 15,000              |
| Due to other governmental units            | 1,280,709           | 1,555,605           |
| Salaries payable                           | 1,863,787           | 2,403,395           |
| Deferred revenue                           | 463,048             | 34,773              |
|  | <b>4,238,022</b>    | <b>4,491,476</b>    |
| <br><b>Fund Balances</b>                   |                     |                     |
| Nonspendable                               | 82,649              | 105,633             |
| Unassigned                                 | 5,291,196           | 4,223,251           |
|  | <b>5,373,845</b>    | <b>4,328,884</b>    |
|  | <b>\$ 9,611,867</b> | <b>\$ 8,820,360</b> |

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2012 and 2011**

|                                      | 2012              | 2011              |
|--------------------------------------|-------------------|-------------------|
| Local sources:                       |                   |                   |
| Property taxes:                      |                   |                   |
| Current property taxes               | \$ 9,256,700      | \$ 9,815,132      |
| Delinquent property taxes            | 15,819            | 7,599             |
| Other property taxes                 | 3,831             | 32,806            |
| Interest on delinquent taxes         | 17,750            | 25,505            |
|                                      | <u>9,294,100</u>  | <u>9,881,042</u>  |
| Interest earnings:                   |                   |                   |
| Interest on deposits and investments | 4,651             | 10,641            |
| Revenue from student activities:     |                   |                   |
| Athletic admissions                  | 71,573            | 74,501            |
| Athletic participation fees          | 55,641            | 60,453            |
| Miscellaneous athletics              | 15,280            | 15,220            |
|                                      | <u>142,494</u>    | <u>150,174</u>    |
| Other local revenue:                 |                   |                   |
| Childcare fees                       | 602,100           | 459,965           |
| Preschool fees                       | 90,527            | 99,545            |
| Summer school tuition                | 15,052            | 14,085            |
| On-line learning tuition             | 1,560             | 2,125             |
| Transportation fees                  | 14,253            | 11,695            |
| Copy center fees                     | 1,246             | 30,149            |
| Class fees                           | 24,730            | 37,096            |
| Rental of school facilities          | 59,658            | 63,460            |
| Donations                            | 13,246            | 9,714             |
| Telephone commission reimbursements  | 36,974            | 53,813            |
| Beverage consortium commissions      | 12,864            | 20,163            |
| Sale of school property              | 10,290            | 12,866            |
| Insurance refunds                    | 34,286            | 35,390            |
| Miscellaneous                        | 37,981            | 14,964            |
|                                      | <u>954,767</u>    | <u>865,030</u>    |
| Total local sources                  | 10,396,012        | 10,906,887        |
| State sources:                       |                   |                   |
| State school aid                     | 15,657,444        | 16,100,151        |
| Special education - transportation   | 432,861           | 637,817           |
| Special education - itinerants       | 33,708            | 106,971           |
| Great Start Readiness program        | 40,630            | -                 |
|                                      | <u>16,164,643</u> | <u>16,844,939</u> |
| Total state sources                  | 16,164,643        | 16,844,939        |
| Federal sources:                     |                   |                   |
| Stabilization - ARRA                 | -                 | 394,421           |
| Education jobs program               | 747,290           | -                 |
| Title I                              | 498,795           | 426,571           |
| Title I - ARRA                       | 4,405             | 110,088           |
| Title I - migrant                    | 122,402           | 113,300           |
| Title IIA                            | 76,583            | 86,344            |
| Title III                            | 40,051            | 30,542            |

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2012 and 2011**

|  | 2012                        | 2011                        |
|--|-----------------------------|-----------------------------|
| Federal sources: (Continued)               |                             |                             |
| I.D.E.A. program                           | \$ 618,048                  | \$ 670,136                  |
| I.D.E.A. program - ARRA                    | -                           | 405,297                     |
| Medicaid - outreach                        | 2,507                       | 11,318                      |
| Learn and serve grant                      | 600                         | -                           |
| McKinney-Vento homeless grant              | 1,372                       | -                           |
| Total federal sources                      | <u>2,112,053</u>            | <u>2,248,017</u>            |
| Interdistrict sources:                     |                             |                             |
| Special education - county                 | 1,917,189                   | 1,901,864                   |
| Special education - local school districts | 46,764                      | 36,831                      |
| Medicaid fee for service                   | 443,927                     | 144,044                     |
| Other                                      | 51,456                      | -                           |
| Total interdistrict sources                | <u>2,459,336</u>            | <u>2,082,739</u>            |
| <b>Total Revenues</b>                      | <u><u>\$ 31,132,044</u></u> | <u><u>\$ 32,082,582</u></u> |

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2012 and 2011**

|                             | 2012              | 2011              |
|-----------------------------|-------------------|-------------------|
| Current:                    |                   |                   |
| Instruction:                |                   |                   |
| Basic programs:             |                   |                   |
| Elementary:                 |                   |                   |
| Salaries                    | \$ 4,083,480      | \$ 3,893,753      |
| Employee benefits           | 2,232,439         | 2,044,341         |
| Purchased services          | 68,260            | 56,469            |
| Supplies                    | 111,598           | 97,066            |
| Capital outlay              | -                 | 3,111             |
| Payments to other districts | 9,450             | -                 |
|                             | <u>6,505,227</u>  | <u>6,094,740</u>  |
| Middle school:              |                   |                   |
| Salaries                    | 2,088,493         | 2,101,385         |
| Employee benefits           | 1,134,473         | 1,095,755         |
| Purchased services          | 24,467            | 31,361            |
| Supplies                    | 45,997            | 42,960            |
| Miscellaneous               | 839               | 1,279             |
|                             | <u>3,294,269</u>  | <u>3,272,740</u>  |
| High school:                |                   |                   |
| Salaries                    | 3,019,568         | 3,225,647         |
| Employee benefits           | 1,624,529         | 1,662,979         |
| Purchased services          | 118,750           | 119,538           |
| Supplies                    | 103,161           | 113,772           |
| Capital outlay              | 858               | 291               |
| Miscellaneous               | 10,848            | 10,523            |
| Payments to other districts | 107,317           | 71,092            |
|                             | <u>4,985,031</u>  | <u>5,203,842</u>  |
| Preschool:                  |                   |                   |
| Salaries                    | 66,057            | -                 |
| Employee benefits           | 23,213            | -                 |
| Purchased services          | 1,649             | -                 |
| Supplies                    | 10,969            | -                 |
| Capital outlay              | 2,581             | -                 |
| Miscellaneous               | 1,831             | -                 |
| Payments to other districts | 6,527             | -                 |
|                             | <u>112,827</u>    | <u>-</u>          |
| Summer school:              |                   |                   |
| Salaries                    | 3,948             | 6,000             |
| Employee benefits           | 1,188             | 1,512             |
| Supplies                    | 2                 | 41                |
|                             | <u>5,138</u>      | <u>7,553</u>      |
| Total basic programs        | <u>14,902,492</u> | <u>14,578,875</u> |
| Added needs:                |                   |                   |
| Special education:          |                   |                   |
| Salaries                    | 1,537,624         | 1,679,480         |
| Employee benefits           | 828,185           | 865,858           |
| Purchased services          | 23,352            | 21,680            |
| Supplies                    | 10,062            | 1,333             |
| Payments to other districts | 464,426           | 300,171           |
|                             | <u>2,863,649</u>  | <u>2,868,522</u>  |

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2012 and 2011**

|                                  | 2012             | 2011             |
|----------------------------------|------------------|------------------|
| Compensatory education:          |                  |                  |
| Salaries                         | \$ 464,050       | \$ 547,069       |
| Employee benefits                | 254,735          | 268,410          |
| Purchased services               | 20,631           | 13,362           |
| Supplies                         | 15,398           | 87,408           |
| Capital outlay                   | 1,249            | 2,950            |
| Miscellaneous                    | -                | 600              |
| Payments to other districts      | 10,075           | -                |
|                                  | <u>766,138</u>   | <u>919,799</u>   |
| Career and technology education: |                  |                  |
| Salaries                         | 74,716           | 86,292           |
| Employee benefits                | 45,772           | 47,886           |
| Purchased services               | 1,180            | 952              |
| Supplies                         | 6,761            | 9,890            |
| Capital outlay                   | 28,200           | 10,687           |
|                                  | <u>156,629</u>   | <u>155,707</u>   |
| Total added needs                | <u>3,786,416</u> | <u>3,944,028</u> |
| Total instruction                | 18,688,908       | 18,522,903       |
| Pupil services:                  |                  |                  |
| Attendance services:             |                  |                  |
| Salaries                         | 698              | 43,088           |
| Employee benefits                | 4,828            | 25,937           |
| Purchased services               | 100              | -                |
|                                  | <u>5,626</u>     | <u>69,025</u>    |
| Guidance services:               |                  |                  |
| Salaries                         | 345,111          | 350,512          |
| Employee benefits                | 207,542          | 197,607          |
| Purchased services               | 9,124            | 1,775            |
| Miscellaneous                    | -                | 54               |
|                                  | <u>561,777</u>   | <u>549,948</u>   |
| Health services:                 |                  |                  |
| Purchased services               | 26               | 33,489           |
| Supplies                         | 160              | 183              |
| Payments to other districts      | 110,213          | 63,383           |
|                                  | <u>110,399</u>   | <u>97,055</u>    |
| Psychological services:          |                  |                  |
| Purchased services               | 179              | 236              |
| Supplies                         | 1,479            | -                |
| Miscellaneous                    | 194,893          | 195,654          |
|                                  | <u>196,551</u>   | <u>195,890</u>   |
| Speech pathology services:       |                  |                  |
| Salaries                         | -                | 5,050            |
| Employee benefits                | -                | 398              |
| Purchased services               | -                | 860              |
| Supplies                         | 897              | 704              |
| Payments to other districts      | 311,131          | 315,768          |
|                                  | <u>312,028</u>   | <u>322,780</u>   |

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2012 and 2011**

|   | 2012           | 2011           |
|---|----------------|----------------|
| Social worker services:                   |                |                |
| Salaries                                  | \$ 780         | \$ -           |
| Employee benefits                         | 62             | 752            |
| Purchased services                        | 699            | 559            |
| Supplies                                  | 2              | 488            |
| Payments to other districts               | 346,993        | 408,877        |
|   | <u>348,536</u> | <u>410,676</u> |
| Teacher consultant services:              |                |                |
| Salaries                                  | -              | 25,658         |
| Employee benefits                         | -              | 14,424         |
| Purchased services                        | 114            | 274            |
| Payments to other districts               | 113,935        | 115,593        |
|   | <u>114,049</u> | <u>155,949</u> |
| Other pupil support services:             |                |                |
| Salaries                                  | 29,050         | -              |
| Employee benefits                         | 36,913         | -              |
|   | <u>65,963</u>  | <u>-</u>       |
| Total pupil services                      | 1,714,929      | 1,801,323      |
| Instructional staff services:             |                |                |
| Salaries                                  | 204,640        | 25,369         |
| Employee benefits                         | 101,404        | 6,309          |
| Purchased services                        | 28,616         | 75,765         |
| Supplies                                  | 6,263          | 5,422          |
| Capital outlay                            | 2,674          | -              |
| Miscellaneous                             | 1,131          | 1,171          |
|   | <u>344,728</u> | <u>114,036</u> |
| Educational media services:               |                |                |
| Salaries                                  | 133,586        | 198,994        |
| Employee benefits                         | 75,534         | 90,609         |
| Purchased services                        | 19,887         | 12,174         |
| Supplies                                  | 26,336         | 26,689         |
| Capital outlay                            | 1,505          | 784            |
| Miscellaneous                             | 3,521          | 3,435          |
|   | <u>260,369</u> | <u>332,685</u> |
| Supervision and direction of instruction: |                |                |
| Salaries                                  | 97,989         | 95,690         |
| Employee benefits                         | 35,432         | 52,109         |
| Purchased services                        | 795            | 593            |
| Supplies                                  | 659            | 1,196          |
|   | <u>134,875</u> | <u>149,588</u> |
| Academic student assessment:              |                |                |
| Purchased services                        | 38,123         | -              |
| Supplies                                  | 2,535          | (74)           |
|   | <u>40,658</u>  | <u>(74)</u>    |
| Total instructional staff services        | 780,630        | 596,235        |

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2012 and 2011**

|                                       | 2012      | 2011      |
|---------------------------------------|-----------|-----------|
| General administrative services:      |           |           |
| Board of education:                   |           |           |
| Salaries                              | \$ 7,257  | \$ 7,635  |
| Employee benefits                     | 1,028     | 584       |
| Purchased services                    | 72,600    | 69,695    |
| Miscellaneous                         | 12,241    | 9,314     |
|                                       | 93,126    | 87,228    |
| Executive administration:             |           |           |
| Salaries                              | 177,342   | 360,380   |
| Employee benefits                     | 108,716   | 190,049   |
| Purchased services                    | 10,341    | 13,738    |
| Supplies                              | 4,574     | 6,524     |
| Capital outlay                        | 607       | 11,396    |
| Miscellaneous                         | 2,373     | 6,367     |
|                                       | 303,953   | 588,454   |
| Total general administrative services | 397,079   | 675,682   |
| School administrative services:       |           |           |
| Office of the principal:              |           |           |
| Salaries                              | 1,020,119 | 985,715   |
| Employee benefits                     | 579,225   | 521,957   |
| Purchased services                    | 96,845    | 103,144   |
| Supplies                              | 4,107     | 5,203     |
| Capital outlay                        | 982       | -         |
| Miscellaneous                         | 2,051     | 2,307     |
|                                       | 1,703,329 | 1,618,326 |
| Total school administrative services  |           |           |
| Business services:                    |           |           |
| Fiscal services:                      |           |           |
| Salaries                              | 263,337   | 258,445   |
| Employee benefits                     | 129,145   | 113,592   |
| Purchased services                    | 14,467    | 51,434    |
| Supplies                              | 2,028     | 1,451     |
| Miscellaneous                         | 3,657     | 9,680     |
| Payments to other districts           | 72,818    | -         |
|                                       | 485,452   | 434,602   |
| Internal services:                    |           |           |
| Salaries                              | 56,819    | 77,784    |
| Employee benefits                     | 43,643    | 43,871    |
| Purchased services                    | 17,747    | 17,095    |
| Supplies                              | (4,576)   | 12,468    |
|                                       | 113,633   | 151,218   |
| Other business services:              |           |           |
| Purchased services                    | 1,843     | 1,213     |
| Supplies                              | -         | 213       |
| Miscellaneous                         | 8,882     | 171,666   |
|                                       | 10,725    | 173,092   |
| Total business services               | 609,810   | 758,912   |

(Continued)



**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2012 and 2011**

|  | 2012             | 2011             |
|--|------------------|------------------|
| Operation and maintenance services:      |                  |                  |
| Operation and maintenance:               |                  |                  |
| Salaries                                 | \$ 551,432       | \$ 653,225       |
| Employee benefits                        | 359,695          | 425,489          |
| Purchased services                       | 824,148          | 855,122          |
| Supplies                                 | 660,985          | 666,588          |
| Capital outlay                           | 7,031            | 4,847            |
| Miscellaneous                            | 4,795            | 2,857            |
|  | <u>2,408,086</u> | <u>2,608,128</u> |
| Security services:                       |                  |                  |
| Salaries                                 | -                | 51,628           |
| Employee benefits                        | 661              | 52,016           |
|  | <u>661</u>       | <u>103,644</u>   |
| Total operation and maintenance services | 2,408,747        | 2,711,772        |
| Pupil transportation services:           |                  |                  |
| Pupil transportation:                    |                  |                  |
| Salaries                                 | 669,159          | 658,891          |
| Employee benefits                        | 353,205          | 287,293          |
| Purchased services                       | 47,011           | 42,070           |
| Supplies                                 | 269,066          | 238,227          |
| Capital outlay                           | 849              | 130              |
| Miscellaneous                            | 1,620            | 1,755            |
| Payments to other districts              | 636,689          | 599,844          |
| Total pupil transportation services      | <u>1,977,599</u> | <u>1,828,210</u> |
| Central services:                        |                  |                  |
| Communications services:                 |                  |                  |
| Purchased services                       | 68,724           | 57,373           |
| Staff/personnel services:                |                  |                  |
| Purchased services                       | 29,363           | 9,085            |
| Supplies                                 | 381              | 3                |
|  | <u>29,744</u>    | <u>9,088</u>     |
| Technology services:                     |                  |                  |
| Salaries                                 | 202,597          | 257,269          |
| Employee benefits                        | 118,603          | 128,475          |
| Purchased services                       | 70,415           | 69,302           |
| Supplies                                 | 17,969           | 13,006           |
| Capital outlay                           | 2,095            | 12,625           |
|  | <u>411,679</u>   | <u>480,677</u>   |
| Pupil accounting:                        |                  |                  |
| Salaries                                 | 24,961           | 2,610            |
| Employee benefits                        | 10,772           | 726              |
| Purchased services                       | 88               | -                |
|  | <u>35,821</u>    | <u>3,336</u>     |
| Total central services                   | <u>545,968</u>   | <u>550,474</u>   |

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2012 and 2011**

|                                  | 2012                        | 2011                        |
|----------------------------------|-----------------------------|-----------------------------|
| Other supporting services:       |                             |                             |
| Salaries                         | \$ 312,907                  | \$ 317,106                  |
| Employee benefits                | 116,362                     | 102,529                     |
| Purchased services               | 72,873                      | 54,749                      |
| Supplies                         | 33,076                      | 39,701                      |
| Capital outlay                   | 17,269                      | 6,282                       |
| Miscellaneous                    | 22,059                      | 25,768                      |
| Total other supporting services: | <u>574,546</u>              | <u>546,135</u>              |
| Total supporting services        | 10,712,637                  | 11,087,069                  |
| Community services:              |                             |                             |
| Community services direction:    |                             |                             |
| Salaries                         | 26,549                      | -                           |
| Employee benefits                | 12,191                      | -                           |
| Purchased services               | 1,540                       | -                           |
| Supplies                         | 1,313                       | -                           |
| Capital outlay                   | 3,056                       | -                           |
|                                  | <u>44,649</u>               | <u>-</u>                    |
| Community recreation:            |                             |                             |
| Salaries                         | -                           | 77,994                      |
| Employee benefits                | -                           | 21,935                      |
| Purchased services               | -                           | 938                         |
| Supplies                         | -                           | 2,741                       |
| Miscellaneous                    | -                           | 1,649                       |
|                                  | <u>-</u>                    | <u>105,257</u>              |
| Performing Arts Center:          |                             |                             |
| Salaries                         | 4,328                       | 57,583                      |
| Employee benefits                | 1,404                       | 29,737                      |
| Purchased services               | 700                         | 1,528                       |
| Supplies                         | 446                         | 13,586                      |
| Capital outlay                   | -                           | 3,237                       |
| Miscellaneous                    | -                           | 27                          |
|                                  | <u>6,878</u>                | <u>105,698</u>              |
| Custody and care of children:    |                             |                             |
| Salaries                         | 326,747                     | 249,508                     |
| Employee benefits                | 113,332                     | 75,896                      |
| Purchased services               | 7,141                       | 4,829                       |
| Supplies                         | 25,763                      | 18,722                      |
| Miscellaneous                    | 35                          | 325                         |
|                                  | <u>473,018</u>              | <u>349,280</u>              |
| Non-public school pupils:        |                             |                             |
| Salaries                         | 435                         | -                           |
| Employee benefits                | 140                         | -                           |
| Purchased services               | 1,470                       | 2,733                       |
| Supplies                         | 757                         | 4,585                       |
|                                  | <u>2,802</u>                | <u>7,318</u>                |
| Total community services         | 527,347                     | 567,553                     |
| Interdistrict:                   |                             |                             |
| Other                            | 3,010                       | 3,890                       |
|                                  | <u>3,010</u>                | <u>3,890</u>                |
| <b>Total Expenditures</b>        | <u><u>\$ 29,931,902</u></u> | <u><u>\$ 30,181,415</u></u> |

## **NONMAJOR GOVERNMENTAL FUNDS**

**KENOWA HILLS PUBLIC SCHOOLS**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2012**

|  | Special<br>Revenue | Debt Service         |                   |
|--|--------------------|----------------------|-------------------|
|  | Food<br>Service    | 2010<br>Construction | 2010<br>Buses     |
| <b>Assets</b>                              |                    |                      |                   |
| Cash                                       | \$ 650             | \$ -                 | \$ -              |
| Cash equivalents, deposits and investments | 163,546            | 793,414              | 50,839            |
| Taxes receivable                           | -                  | 3,882                | 578               |
| Due from other funds                       | 53,181             | 995,991              | 149,617           |
| Due from other governmental units          | 9,340              | -                    | -                 |
| Inventory                                  | 15,950             | -                    | -                 |
| <b>Total Assets</b>                        | <b>\$ 242,667</b>  | <b>\$ 1,793,287</b>  | <b>\$ 201,034</b> |
| <b>Liabilities and Fund Balances</b>       |                    |                      |                   |
| <b>Liabilities</b>                         |                    |                      |                   |
| Accounts payable                           | \$ 2,500           | \$ -                 | \$ -              |
| Due to other funds                         | 219,628            | 194,072              | 92,220            |
| Salaries payable                           | 7,254              | -                    | -                 |
| Deferred revenue                           | 13,285             | 3,882                | 578               |
| <b>Total Liabilities</b>                   | <b>242,667</b>     | <b>197,954</b>       | <b>92,798</b>     |
| <b>Fund Balances</b>                       |                    |                      |                   |
| Restricted                                 | -                  | 1,595,333            | 108,236           |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 242,667</b>  | <b>\$ 1,793,287</b>  | <b>\$ 201,034</b> |

| <u>Capital Projects</u>     |                     |
|-----------------------------|---------------------|
| <u>2010</u>                 |                     |
| <u>Construction - Buses</u> | <u>Total</u>        |
| \$ -                        | \$ 650              |
| 46,132                      | 1,053,931           |
| -                           | 4,460               |
| -                           | 1,198,789           |
| -                           | 9,340               |
| -                           | 15,950              |
| <u>\$ 46,132</u>            | <u>\$ 2,283,120</u> |

|                  |                     |
|------------------|---------------------|
| \$ -             | \$ 2,500            |
| -                | 505,920             |
| -                | 7,254               |
| -                | 17,745              |
| <u>-</u>         | <u>533,419</u>      |
| <u>46,132</u>    | <u>1,749,701</u>    |
| <u>\$ 46,132</u> | <u>\$ 2,283,120</u> |

**KENOWA HILLS PUBLIC SCHOOLS**  
**Combining Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**For the year ended June 30, 2012**

|  | Special<br>Revenue | Debt Service         |                   |
|--|--------------------|----------------------|-------------------|
|  | Food<br>Service    | 2010<br>Construction | 2010<br>Buses     |
| <b>Revenues</b>  |                    |                      |                   |
| Local sources:   |                    |                      |                   |
| Property taxes   | \$ -               | \$ 896,833           | \$ 132,864        |
| Interest earnings  | 321                | 1,639                | 244               |
| Food sales   | 567,153            | -                    | -                 |
| Total local sources  | 567,474            | 898,472              | 133,108           |
| State sources  | 57,783             | -                    | -                 |
| Federal sources  | 781,289            | 697,319              | -                 |
| Interdistrict sources  | 42,212             | -                    | -                 |
| <b>Total Revenues</b>  | <b>1,448,758</b>   | <b>1,595,791</b>     | <b>133,108</b>    |
| <b>Expenditures</b>  |                    |                      |                   |
| Current:   |                    |                      |                   |
| Food service   | 1,479,830          | -                    | -                 |
| Capital outlay   | -                  | -                    | -                 |
| Debt service:  |                    |                      |                   |
| Principal repayment  | -                  | -                    | 70,000            |
| Interest and fiscal charges  | -                  | 827,695              | 12,390            |
| <b>Total Expenditures</b>  | <b>1,479,830</b>   | <b>827,695</b>       | <b>82,390</b>     |
| <b>Excess (Deficiency) of Revenues<br/>        Over Expenditures</b> | <b>(31,072)</b>    | <b>768,096</b>       | <b>50,718</b>     |
| <b>Other Financing Sources (Uses)</b>                                |                    |                      |                   |
| Transfers in   | 49,990             | -                    | -                 |
| Transfers out  | (34,451)           | -                    | -                 |
| <b>Total Other Financing Sources (Uses)</b>                          | <b>15,539</b>      | <b>-</b>             | <b>-</b>          |
| <b>Net Change in Fund Balances</b>                                   | <b>(15,533)</b>    | <b>768,096</b>       | <b>50,718</b>     |
| <b>Fund Balances, Beginning of Year</b>                              | <b>15,533</b>      | <b>827,237</b>       | <b>57,518</b>     |
| <b>Fund Balances, End of Year</b>                                    | <b>\$ -</b>        | <b>\$ 1,595,333</b>  | <b>\$ 108,236</b> |

| Capital<br>Projects     |              |
|-------------------------|--------------|
| 2010                    |              |
| Construction -<br>Buses | Total        |
| \$ -                    | \$ 1,029,697 |
| 210                     | 2,414        |
| -                       | 567,153      |
| 210                     | 1,599,264    |
| -                       | 57,783       |
| -                       | 1,478,608    |
| -                       | 42,212       |
| 210                     | 3,177,867    |
| -                       | 1,479,830    |
| 241,906                 | 241,906      |
| -                       | 70,000       |
| -                       | 840,085      |
| 241,906                 | 2,631,821    |
| (241,696)               | 546,046      |
| -                       | 49,990       |
| -                       | (34,451)     |
| -                       | 15,539       |
| (241,696)               | 561,585      |
| 287,828                 | 1,188,116    |
| \$ 46,132               | \$ 1,749,701 |

**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, 2012**

|  | <u>Budget</u>    | <u>Actual</u>    | <u>Variance</u>    |
|--|------------------|------------------|--------------------|
| <b>Revenues</b>  |                  |                  |                    |
| Local sources:   |                  |                  |                    |
| Interest earnings  | \$ 200           | \$ 321           | \$ 121             |
| Food sales   | <u>570,230</u>   | <u>567,153</u>   | <u>(3,077)</u>     |
| Total local sources  | 570,430          | 567,474          | (2,956)            |
| State sources  | 97,050           | 57,783           | (39,267)           |
| Federal sources  | 687,100          | 781,289          | 94,189             |
| Interdistrict sources  | <u>41,000</u>    | <u>42,212</u>    | <u>1,212</u>       |
| <b>Total Revenues</b>  | <u>1,395,580</u> | <u>1,448,758</u> | <u>53,178</u>      |
| <b>Expenditures</b>  |                  |                  |                    |
| Current:   |                  |                  |                    |
| Food service   | <u>1,393,116</u> | <u>1,479,830</u> | <u>(86,714)</u>    |
| <b>Excess (Deficiency) of Revenues<br/>        Over Expenditures</b> | <u>2,464</u>     | <u>(31,072)</u>  | <u>(33,536)</u>    |
| <b>Other Financing Sources (Uses)</b>                                |                  |                  |                    |
| Transfers in   | 9,250            | 49,990           | 40,740             |
| Transfers out  | <u>-</u>         | <u>(34,451)</u>  | <u>(34,451)</u>    |
| <b>Total Other Financing Sources (Uses)</b>                          | <u>9,250</u>     | <u>15,539</u>    | <u>6,289</u>       |
| <b>Net Change in Fund Balances</b>                                   | 11,714           | (15,533)         | (27,247)           |
| <b>Fund Balances, Beginning of Year</b>                              | <u>15,533</u>    | <u>15,533</u>    | <u>-</u>           |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ 17,997</u> | <u>\$ -</u>      | <u>\$ (27,247)</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, 2012 and 2011**

|  | 2012              | 2011              |
|--|-------------------|-------------------|
| <b>Assets</b>                              |                   |                   |
| Cash                                       | \$ 650            | \$ 650            |
| Cash equivalents, deposits and investments | 163,546           | 156,516           |
| Due from other funds                       | 53,181            | -                 |
| Due from other governmental units          | 9,340             | 52,599            |
| Inventory                                  | 15,950            | 16,956            |
|  | <b>\$ 242,667</b> | <b>\$ 226,721</b> |
| <br><b>Liabilities and Fund Balances</b>   |                   |                   |
| <b>Liabilities</b>                         |                   |                   |
| Accounts payable                           | \$ 2,500          | \$ 7,006          |
| Due to other funds                         | 219,628           | 178,507           |
| Salaries payable                           | 7,254             | 13,056            |
| Deferred revenue                           | 13,285            | 12,619            |
|  | <b>242,667</b>    | <b>211,188</b>    |
| <br><b>Fund Balances</b>                   |                   |                   |
| Nonspendable                               | -                 | 15,533            |
|  | <b>\$ 242,667</b> | <b>\$ 226,721</b> |
|  | <b>\$ 242,667</b> | <b>\$ 226,721</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, 2012 and 2011**

|  | 2012             | 2011             |
|--|------------------|------------------|
| <b>Revenues</b>  |                  |                  |
| Local sources:   |                  |                  |
| Food sales:  |                  |                  |
| Children's lunches                                       | \$ 345,925       | \$ 342,865       |
| Adult lunches and banquets                               | 29,379           | 27,246           |
| Milk   | 3,001            | 3,199            |
| Ala carte  | 164,115          | 161,771          |
| Other  | 24,733           | 26,188           |
|  | <u>567,153</u>   | <u>561,269</u>   |
| Interest earnings:                                       |                  |                  |
| Interest on deposits and investments                     | 321              | 260              |
| Total local sources                                      | <u>567,474</u>   | <u>561,529</u>   |
| State sources  | 57,783           | 81,786           |
| Federal sources  | 781,289          | 690,431          |
| Interdistrict sources                                    | 42,212           | 40,929           |
|  | <u>1,448,758</u> | <u>1,374,675</u> |
| <b>Total Revenues</b>                                    |                  |                  |
| <b>Expenditures</b>                                      |                  |                  |
| Current:   |                  |                  |
| Food service:  |                  |                  |
| Salaries   | 484,549          | 487,319          |
| Employee benefits  | 255,232          | 211,618          |
| Purchased services                                       | 25,400           | 40,691           |
| Supplies   | 683,322          | 624,090          |
| New equipment and furniture                              | 10,529           | 339              |
| Miscellaneous  | 20,798           | 15,700           |
|  | <u>1,479,830</u> | <u>1,379,757</u> |
| <b>Total Expenditures</b>                                |                  |                  |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <u>(31,072)</u>  | <u>(5,082)</u>   |
| <b>Other Financing Sources (Uses)</b>                    |                  |                  |
| Transfers in   | 49,990           | -                |
| Transfers out  | (34,451)         | -                |
|  | <u>15,539</u>    | <u>-</u>         |
| <b>Total Other Financing Sources (Uses)</b>              |                  |                  |
| <b>Net Change In Fund Balances</b>                       | (15,533)         | (5,082)          |
| <b>Fund Balances, Beginning of Year</b>                  | <u>15,533</u>    | <u>20,615</u>    |
| <b>Fund Balances, End of Year</b>                        | <u>\$ -</u>      | <u>\$ 15,533</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, 2012**

|  | <u>2005</u>                | <u>2010<br/>Construction</u> | <u>2010<br/>Buses</u>    |
|--|----------------------------|------------------------------|--------------------------|
| <b>Assets</b>                              |                            |                              |                          |
| Cash equivalents, deposits and investments | \$ 1,745,159               | \$ 793,414                   | \$ 50,839                |
| Taxes receivable                           | 24,813                     | 3,882                        | 578                      |
| Due from other funds                       | 285,355                    | 995,991                      | 149,617                  |
| <b>Total Assets</b>                        | <b><u>\$ 2,055,327</u></b> | <b><u>\$ 1,793,287</u></b>   | <b><u>\$ 201,034</u></b> |
| <b>Liabilities and Fund Balances</b>       |                            |                              |                          |
| <b>Liabilities</b>                         |                            |                              |                          |
| Due to other funds                         | \$ 1,190,629               | \$ 194,072                   | \$ 92,220                |
| Deferred revenue                           | 24,813                     | 3,882                        | 578                      |
| <b>Total Liabilities</b>                   | <b><u>1,215,442</u></b>    | <b><u>197,954</u></b>        | <b><u>92,798</u></b>     |
| <b>Fund Balances</b>                       |                            |                              |                          |
| Restricted                                 | <u>839,885</u>             | <u>1,595,333</u>             | <u>108,236</u>           |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$ 2,055,327</u></b> | <b><u>\$ 1,793,287</u></b>   | <b><u>\$ 201,034</u></b> |

| Totals              |                     |
|---------------------|---------------------|
| 2012                | 2011                |
| \$ 2,589,412        | \$ 2,786,510        |
| 29,273              | 29,873              |
| <u>1,430,963</u>    | <u>1,430,963</u>    |
| <u>\$ 4,049,648</u> | <u>\$ 4,247,346</u> |
|                     |                     |
| \$ 1,476,921        | \$ 1,433,208        |
| 29,273              | 29,873              |
| <u>1,506,194</u>    | <u>1,463,081</u>    |
|                     |                     |
| <u>2,543,454</u>    | <u>2,784,265</u>    |
| <u>\$ 4,049,648</u> | <u>\$ 4,247,346</u> |

**KENOWA HILLS PUBLIC SCHOOLS**  
**Debt Service Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

|   | 2005              | 2010<br>Construction | 2010<br>Buses     |
|---|-------------------|----------------------|-------------------|
| <b>Revenues</b>                         |                   |                      |                   |
| Local sources:                          |                   |                      |                   |
| Property taxes:                         |                   |                      |                   |
| Current property taxes                  | \$ 2,205,677      | \$ 863,091           | \$ 127,865        |
| Industrial facilities taxes             | 76,879            | 30,083               | 4,457             |
| Delinquent property taxes               | 3,795             | 1,485                | 220               |
| In lieu of taxes                        | 1,485             | 581                  | 86                |
| Interest on delinquent taxes            | 4,071             | 1,593                | 236               |
| Other taxes                             | -                 | -                    | -                 |
|   | <u>2,291,907</u>  | <u>896,833</u>       | <u>132,864</u>    |
| Interest earnings:                      |                   |                      |                   |
| Interest on deposits and investments    | 4,664             | 1,639                | 244               |
| Total local sources                     | <u>2,296,571</u>  | <u>898,472</u>       | <u>133,108</u>    |
| Federal sources:                        |                   |                      |                   |
| QSCB interest subsidy                   | -                 | 697,319              | -                 |
| <b>Total Revenues</b>                   | <u>2,296,571</u>  | <u>1,595,791</u>     | <u>133,108</u>    |
| <b>Expenditures</b>                     |                   |                      |                   |
| Debt service:                           |                   |                      |                   |
| Principal repayment                     | 2,050,000         | -                    | 70,000            |
| Interest and fiscal charges:            |                   |                      |                   |
| Interest expense                        | 1,251,525         | 826,326              | 12,118            |
| Paying agent fees                       | 270               | 550                  | 151               |
| Tax refunds                             | 54,401            | 819                  | 121               |
| <b>Total Expenditures</b>               | <u>3,356,196</u>  | <u>827,695</u>       | <u>82,390</u>     |
| <b>Net Change in Fund Balances</b>      | (1,059,625)       | 768,096              | 50,718            |
| <b>Fund Balances, Beginning of Year</b> | <u>1,899,510</u>  | <u>827,237</u>       | <u>57,518</u>     |
| <b>Fund Balances, End of Year</b>       | <u>\$ 839,885</u> | <u>\$ 1,595,333</u>  | <u>\$ 108,236</u> |



| Totals       |              |
|--------------|--------------|
| 2012         | 2011         |
| \$ 3,196,633 | \$ 3,321,655 |
| 111,419      | 126,078      |
| 5,500        | 5,874        |
| 2,152        | 5,536        |
| 5,900        | 7,889        |
| -            | 28           |
| 3,321,604    | 3,467,060    |
| 6,547        | 10,680       |
| 3,328,151    | 3,477,740    |
| 697,319      | 596,595      |
| 4,025,470    | 4,074,335    |
| 2,120,000    | 2,040,000    |
| 2,089,969    | 2,048,677    |
| 971          | 700          |
| 55,341       | 16,839       |
| 4,266,281    | 4,106,216    |
| (240,811)    | (31,881)     |
| 2,784,265    | 2,816,146    |
| \$ 2,543,454 | \$ 2,784,265 |

## **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, 2012 and 2011**

|  | 2012                | 2011                 |
|--|---------------------|----------------------|
| <b>Assets</b>                              |                     |                      |
| Cash equivalents, deposits and investments | \$ 2,897,014        | \$ 11,645,645        |
| Due from other funds                       | -                   | 15,000               |
| Accrued interest receivable                | 15,731              | -                    |
| <b>Total Assets</b>                        | <b>\$ 2,912,745</b> | <b>\$ 11,660,645</b> |
| <br><b>Liabilities and Fund Balances</b>   |                     |                      |
| <b>Liabilities</b>                         |                     |                      |
| Accounts payable                           | \$ 21,416           | \$ 1,474,163         |
| Due to other funds                         | -                   | 200,078              |
| <b>Total Liabilities</b>                   | 21,416              | 1,674,241            |
| <b>Fund Balances</b>                       |                     |                      |
| Restricted                                 | 2,891,329           | 9,986,404            |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 2,912,745</b> | <b>\$ 11,660,645</b> |

**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, 2012 and 2011**

|   | <u>2012</u>                | <u>2011</u>                |
|---|----------------------------|----------------------------|
| <b>Revenues</b>                         |                            |                            |
| Local sources:                          |                            |                            |
| Interest earnings:                      |                            |                            |
| Interest on deposits and investments    | \$ 9,550                   | \$ 42,513                  |
| Other local revenue:                    |                            |                            |
| Miscellaneous                           | -                          | 15,000                     |
| <b>Total Revenue</b>                    | <u>9,550</u>               | <u>57,513</u>              |
| <b>Expenditures</b>                     |                            |                            |
| Capital outlay:                         |                            |                            |
| Purchased services                      | 139,554                    | 894,503                    |
| Legal services                          | 7,476                      | 1,920                      |
| Buildings and additions                 | 5,124,606                  | 2,615,126                  |
| Equipment and furniture                 | 1,832,989                  | 161,511                    |
| Miscellaneous                           | -                          | 34,265                     |
| Bond issuance costs                     | -                          | 90,782                     |
| <b>Total Expenditures</b>               | <u>7,104,625</u>           | <u>3,798,107</u>           |
| <b>Net Change in Fund Balances</b>      | (7,095,075)                | (3,740,594)                |
| <b>Fund Balances, Beginning of Year</b> | <u>9,986,404</u>           | <u>13,726,998</u>          |
| <b>Fund Balances, End of Year</b>       | <u><u>\$ 2,891,329</u></u> | <u><u>\$ 9,986,404</u></u> |

**KENOWA HILLS PUBLIC SCHOOLS**  
**2010 Construction - Buses Capital Projects Fund**  
**Comparative Balance Sheet**  
**June 30, 2012 and 2011**

|  | 2012      | 2011       |
|--|-----------|------------|
| <b>Assets</b>                              |           |            |
| Cash equivalents, deposits and investments | \$ 46,132 | \$ 287,828 |
| <b>Liabilities and Fund Balances</b>       |           |            |
| <b>Liabilities</b>                         | \$ -      | \$ -       |
| <b>Fund Balances</b>                       |           |            |
| Restricted                                 | 46,132    | 287,828    |
| <b>Total Liabilities and Fund Balances</b> | \$ 46,132 | \$ 287,828 |

**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, 2012 and 2011**

|   | 2012      | 2011       |
|---|-----------|------------|
| <b>Revenues</b>                         |           |            |
| Interest earnings:                      |           |            |
| Interest on deposits and investments    | \$ 210    | \$ 281     |
| <b>Expenditures</b>                     |           |            |
| Capital outlay:                         |           |            |
| School bus purchases                    | 241,906   | 222,453    |
| <b>Net Change in Fund Balances</b>      | (241,696) | (222,172)  |
| <b>Fund Balances, Beginning of Year</b> | 287,828   | 510,000    |
| <b>Fund Balances, End of Year</b>       | \$ 46,132 | \$ 287,828 |

## **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, 2012**

|  | <u>Balances<br/>July 1, 2011</u> | <u>Additions</u>  | <u>Deductions</u> | <u>Balances<br/>June 30, 2012</u> |
|--|----------------------------------|-------------------|-------------------|-----------------------------------|
| <b>Assets</b>                              |                                  |                   |                   |                                   |
| Cash equivalents, deposits and investments | <u>\$ 132,495</u>                | <u>\$ 335,711</u> | <u>\$ 338,638</u> | <u>\$ 129,568</u>                 |
| <b>Liabilities</b>                         |                                  |                   |                   |                                   |
| Accounts payable                           | \$ 5,382                         | \$ 229,814        | \$ 235,196        | \$ -                              |
| Due to other funds                         | -                                | 2,321             | -                 | 2,321                             |
| Due to student groups                      | <u>127,113</u>                   | <u>287,680</u>    | <u>287,546</u>    | <u>127,247</u>                    |
| <b>Total Liabilities</b>                   | <u>\$ 132,495</u>                | <u>\$ 519,815</u> | <u>\$ 522,742</u> | <u>\$ 129,568</u>                 |



## **OTHER INFORMATION**

**KENOWA HILLS PUBLIC SCHOOLS**  
**Summary of 2011 Taxes Levied and Collected**  
**For the year ended June 30, 2012**

|                                     | Kent County     |                     |                     |
|-------------------------------------|-----------------|---------------------|---------------------|
|                                     | Cities of       |                     |                     |
|                                     | Grand Rapids    | Walker              | Alpine              |
| <b>Taxable Valuations</b>           |                 |                     |                     |
| Operating                           | \$ 326,220      | \$478,546,255       | \$107,066,162       |
| Debt Service                        | 1,169,620       | 801,459,776         | 189,558,879         |
| <b>Rates (Mills)</b>                |                 |                     |                     |
| General Fund                        |                 |                     |                     |
| 2005 Debt Service Fund              |                 |                     |                     |
| 2010 Construction Debt Service Fund |                 |                     |                     |
| 2010 Buses Debt Service Fund        |                 |                     |                     |
| <b>Taxes Levied 2011 Rolls</b>      |                 |                     |                     |
| General Fund                        | \$ 5,872        | \$ 7,145,500        | \$ 1,756,416        |
| 2005 Debt Service Fund              | 2,397           | 1,642,894           | 388,458             |
| 2010 Construction Debt Service Fund | 938             | 642,872             | 152,005             |
| 2010 Buses Debt Service Fund        | 139             | 95,240              | 22,519              |
|                                     | <u>9,346</u>    | <u>9,526,506</u>    | <u>2,319,398</u>    |
| <b>Taxes Uncollected 2011 Rolls</b> |                 |                     |                     |
| General Fund                        | -               | 14,646              | 3,199               |
| 2005 Debt Service Fund              | -               | 5,310               | 1,100               |
| 2010 Construction Debt Service Fund | -               | 2,075               | 430                 |
| 2010 Buses Debt Service Fund        | -               | 307                 | 64                  |
|                                     | <u>-</u>        | <u>22,338</u>       | <u>4,793</u>        |
| <b>Taxes Collected 2011 Rolls</b>   |                 |                     |                     |
| General Fund                        | 5,872           | 7,130,854           | 1,753,217           |
| 2005 Debt Service Fund              | 2,397           | 1,637,584           | 387,358             |
| 2010 Construction Debt Service Fund | 938             | 640,797             | 151,575             |
| 2010 Buses Debt Service Fund        | 139             | 94,933              | 22,455              |
|                                     | <u>9,346</u>    | <u>9,504,168</u>    | <u>2,314,605</u>    |
| <b>Delinquent Taxes Collected</b>   |                 |                     |                     |
| General Fund                        | -               | 1,547               | 706                 |
| 2005 Debt Service Fund              | -               | 1,168               | 75                  |
| 2010 Construction Debt Service Fund | -               | 328                 | 29                  |
| 2010 Buses Debt Service Fund        | -               | 48                  | 4                   |
|                                     | <u>-</u>        | <u>3,091</u>        | <u>814</u>          |
| <b>Total Taxes Collected</b>        |                 |                     |                     |
| General Fund                        | 5,872           | 7,132,401           | 1,753,923           |
| 2005 Debt Service Fund              | 2,397           | 1,637,632           | 387,362             |
| 2010 Construction Debt Service Fund | 938             | 640,797             | 151,575             |
| 2010 Buses Debt Service Fund        | 139             | 94,933              | 22,455              |
|                                     | <u>\$ 9,346</u> | <u>\$ 9,505,763</u> | <u>\$ 2,315,315</u> |

(Continued)

| Ottawa County   |                   |                   |                      |
|-----------------|-------------------|-------------------|----------------------|
| Townships of    |                   |                   |                      |
| Plainfield      | Tallmadge         | Wright            | Total                |
| \$ 286,628      | \$10,775,164      | \$11,520,090      | \$ 608,520,519       |
| 1,443,713       | 56,164,831        | 30,220,983        | 1,080,017,802        |
|                 |                   |                   | 18.0000              |
|                 |                   |                   | 2.0493               |
|                 |                   |                   | 0.8019               |
|                 |                   |                   | 0.1188               |
|                 |                   |                   | <u>20.9700</u>       |
| \$ 5,159        | \$ 178,535        | \$ 180,726        | \$ 9,272,208         |
| 2,959           | 115,096           | 61,930            | 2,213,734            |
| 1,158           | 45,038            | 24,233            | 866,244              |
| 172             | 6,672             | 3,590             | 128,332              |
| <u>9,448</u>    | <u>345,341</u>    | <u>270,479</u>    | <u>12,480,518</u>    |
| -               | -                 | 154               | 17,999               |
| -               | -                 | 324               | 6,734                |
| -               | -                 | 126               | 2,631                |
| -               | -                 | 19                | 390                  |
| <u>-</u>        | <u>-</u>          | <u>623</u>        | <u>27,754</u>        |
| 5,159           | 178,535           | 180,572           | 9,254,209            |
| 2,959           | 115,096           | 61,606            | 2,207,000            |
| 1,158           | 45,038            | 24,107            | 863,613              |
| 172             | 6,672             | 3,571             | 127,942              |
| <u>9,448</u>    | <u>345,341</u>    | <u>269,856</u>    | <u>12,452,764</u>    |
| -               | -                 | -                 | 2,253                |
| -               | -                 | -                 | 1,243                |
| -               | -                 | -                 | 357                  |
| -               | -                 | -                 | 52                   |
| <u>-</u>        | <u>-</u>          | <u>-</u>          | <u>3,905</u>         |
| 5,159           | 178,535           | 180,572           | 9,256,462            |
| 2,959           | 115,096           | 61,606            | 2,207,052            |
| 1,158           | 45,038            | 24,107            | 863,613              |
| 172             | 6,672             | 3,571             | 127,942              |
| <u>\$ 9,448</u> | <u>\$ 345,341</u> | <u>\$ 269,856</u> | <u>\$ 12,455,069</u> |

**KENOWA HILLS PUBLIC SCHOOLS**  
**Summary of 2011 Taxes Levied and Collected**  
**For the year ended June 30, 2012**

|  | Kent County  |                  |                  |
|--|--------------|------------------|------------------|
|  | Cities of    |                  |                  |
|  | Grand Rapids | Walker           | Alpine           |
| <b>Taxes Uncollected – June 30, 2012</b> |              |                  |                  |
| General Fund:                            |              |                  |                  |
| 2011                                     | \$ -         | \$ 14,646        | \$ 3,199         |
| 2010                                     | -            | 5,247            | 3,087            |
| 2009                                     | -            | 7,871            | 2,024            |
|  | -            | 27,764           | 8,310            |
| 2005 Debt Service Fund:                  |              |                  |                  |
| 2011                                     | -            | 5,310            | 1,100            |
| 2010                                     | -            | 1,630            | 1,192            |
| 2009                                     | -            | 13,920           | 1,214            |
|  | -            | 20,860           | 3,506            |
| 2010 Construction Debt Service Fund:     |              |                  |                  |
| 2011                                     | -            | 2,075            | 430              |
| 2010                                     | -            | 767              | 467              |
|  | -            | 2,842            | 897              |
| 2010 Buses Debt Service Fund:            |              |                  |                  |
| 2011                                     | -            | 307              | 64               |
| 2010                                     | -            | 114              | 70               |
|  | -            | 421              | 134              |
| <b>Total Taxes Uncollected</b>           | <b>\$ -</b>  | <b>\$ 51,887</b> | <b>\$ 12,847</b> |

| Ottawa County |               |               |                  |
|---------------|---------------|---------------|------------------|
| Townships of  |               |               |                  |
| Plainfield    | Tallmadge     | Wright        | Total            |
| \$ -          | \$ -          | \$ 154        | \$ 17,999        |
| -             | 16            | 113           | 8,463            |
| -             | 52            | 80            | 10,027           |
| -             | 68            | 347           | 36,489           |
| -             | -             | 324           | 6,734            |
| -             | 5             | 40            | 2,867            |
| -             | 29            | 49            | 15,212           |
| -             | 34            | 413           | 24,813           |
| -             | -             | 126           | 2,631            |
| -             | 2             | 15            | 1,251            |
| -             | 2             | 141           | 3,882            |
| -             | -             | 19            | 390              |
| -             | 1             | 3             | 188              |
| -             | 1             | 22            | 578              |
| <u>\$ -</u>   | <u>\$ 105</u> | <u>\$ 923</u> | <u>\$ 65,762</u> |