

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

Annual Financial Report

For the year ended June 30, 2015

KENOWA HILLS PUBLIC SCHOOLS
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For the year ended June 30, 2015

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

October 19, 2015

The Board of Education
Kenowa Hills Public Schools

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Kenowa Hills Public Schools as of June 30, 2015, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note G to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the fiscal year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenowa Hills Public Schools' basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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



Certified Public Accountants

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MANAGEMENT'S DISCUSSION AND ANALYSIS



As management of the Kenowa Hills Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. 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 four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

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

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

District-wide Statements

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

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

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



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

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

New Accounting Pronouncements Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing (pension) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. These changes resulted in a reduction of \$39,949,194 in district-wide net position as of July 1, 2014, (to record the beginning net pension liability of \$43,186,614 less the pension contributions made after the measurement date of \$3,237,420) and now include the *net pension liability* of the District of \$40,596,519 at June 30, 2015.

Condensed District-Wide Financial Information

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

	<u>2015</u>	<u>2014</u>
Assets		
Current assets	\$ 9,013,662	\$ 11,657,667
Net capital assets	<u>29,973,029</u>	<u>31,413,081</u>
Total Assets	<u>38,986,691</u>	<u>43,070,748</u>
Deferred Outflows of Resources	<u>6,329,384</u>	<u>1,022,595</u>
Liabilities		
Current liabilities	5,640,699	8,775,321
Long-term liabilities	28,134,986	29,842,263
Net pension liability	<u>40,596,519</u>	<u>—</u>
Total Liabilities	<u>74,372,204</u>	<u>38,617,584</u>
Deferred Inflows of Resources	<u>4,487,962</u>	<u>—</u>
Net Position		
Net investment in capital assets	1,561,031	(1,604,453)
Restricted	682,583	2,375,133
Unrestricted (deficit)	<u>(35,787,705)</u>	<u>4,705,079</u>
Total Net Position	<u>\$ (33,544,091)</u>	<u>\$ 5,475,759</u>



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

	<u>2015</u>	<u>2014</u>
Program Revenues		
Charges for services	\$ 1,463,826	\$ 1,435,336
Operating grants	9,243,710	7,697,207
General Revenues		
Property taxes	12,866,088	12,105,475
State school aid, unrestricted	14,157,043	15,836,211
Interest earnings	8,458	10,218
Gain on sale of fixed assets	22,885	520,707
Other	1,840,185	536,105
Total Revenues	<u>39,602,195</u>	<u>38,141,259</u>
Expenses		
Instruction	21,756,834	21,336,416
Supporting services	11,696,908	11,328,363
Community services	623,727	550,263
Food service	1,473,065	1,388,105
Other	1,204,542	86,184
Interest expense	1,917,775	1,879,714
Total Expenses	<u>38,672,851</u>	<u>36,569,045</u>
Increase in net position	929,344	1,572,214
Net Position - Beginning of Year, as restated	<u>(34,473,435)</u>	<u>3,903,545</u>
Net Position - End of Year	<u>\$ (33,544,091)</u>	<u>\$ 5,475,759</u>

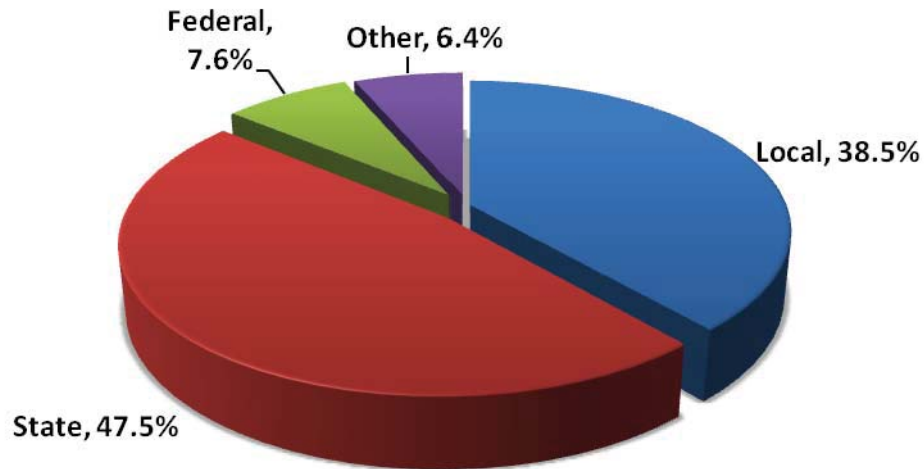
Financial Analysis of the District as a Whole

The District's financial position is influenced by many factors. The District experienced slight increase in local tax revenues however a larger decrease state funded revenues. The District prepared for this decrease in revenues by reducing operating costs but also had to use fund balance for daily operating expenses. The employee groups have worked with the administration and the Board of Education to limit the 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 increased 3.8 percent to \$39.6 million. Property taxes and unrestricted State aid accounted for most of the District's revenue, contributing 68 cents of every dollar raised. Another 23 percent came from State and Federal aid for specific programs, and the remainder from fees charged for services, interest earnings and miscellaneous sources. The chart below depicts the breakdown of the sources of revenue for the District.

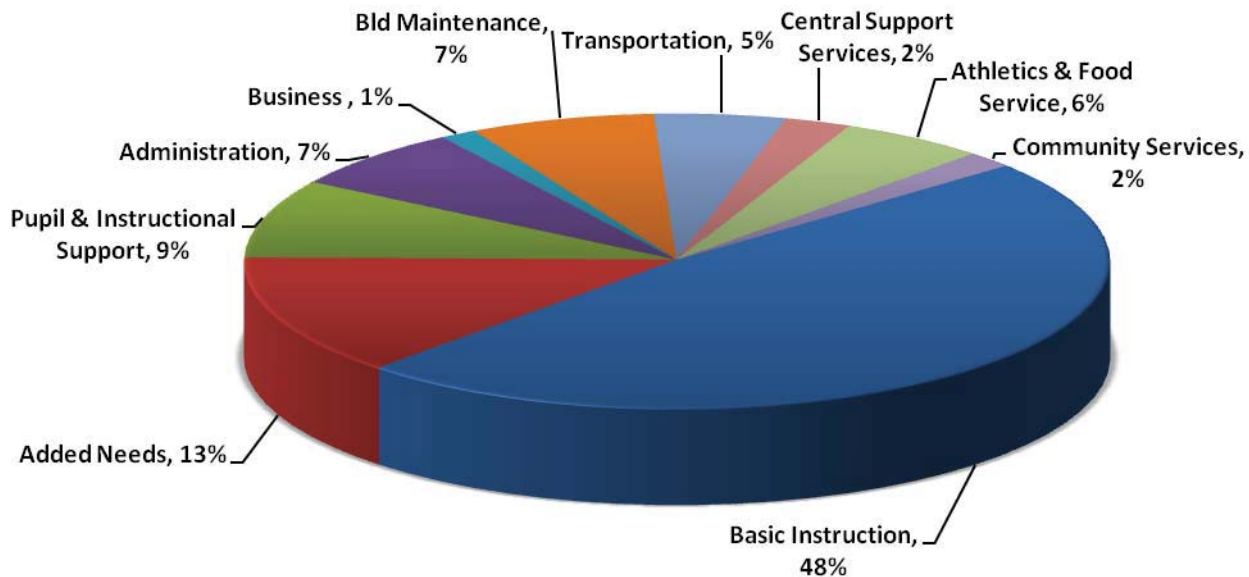


Sources of Revenue for Fiscal Year 2014-15



The total cost of all programs and services increased 5.8 percent to \$38.7 million. The District's expenses are predominantly related to instructing, caring for (added needs and pupil services) and transporting students (65 percent). The District's administrative and business activities accounted for 7 percent of total costs. Operation and maintenance expenses accounted for 6 percent.

Departmental Expenditures as Percentage of Total

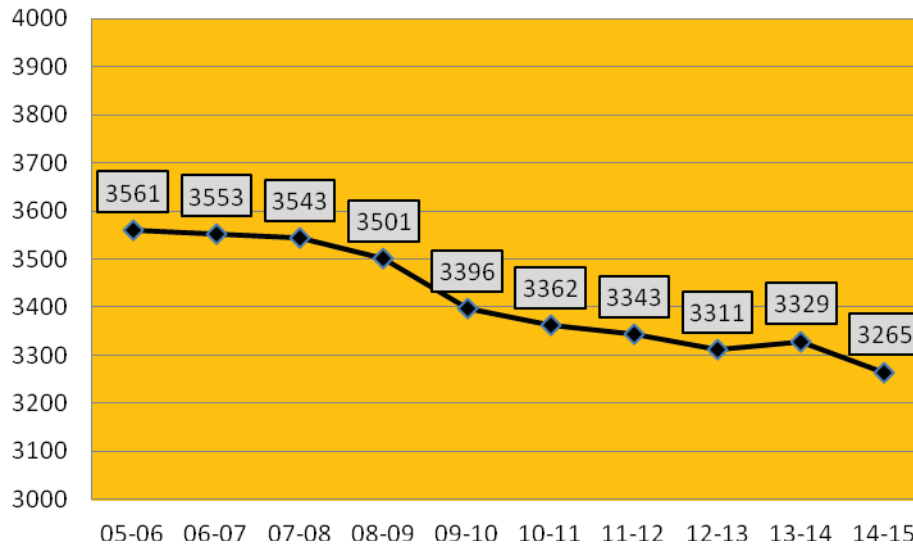


Total revenues surpassed expenses, increasing net position by \$929,344 from last year.



- The blended student count for which the District receives a foundation allowance decreased by 64 students between 2013-14 and 2014-15.

Enrollment History: 2006 through 2015



- Changes to valuations on some commercial and industrial properties, along with an increase in the housing market resulted in a 2.98% increase in taxable values over the prior year.
- Approximately 47.5% 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.
- The District reduced its fund equity by approximately 10% over the 2008-09 and 2009-10 school years from 17% to 7%. The Board of Education, during the 2009-10 school year, took prudent and dramatic steps to place the District in a position in which it can sustain itself financially, including reducing staff significantly and closing three elementary buildings. As a result, during the 2011-12 school year \$348,737 was added back to the District’s General Fund balance. This helped the District as it endured a loss of students and increased employee retirement costs during the 2012-13 school year which resulted in the District using almost 6.5% of its fund balance. During the 2013-14 school year the District was able to add back 1.6% of the lost fund balance as a result of continued efforts of the Board of Education and entire staff. However, during the 2014-15 school year the lost of 64 students from the prior year resulted in the District needing to use \$897,891 of the District’s General Fund balance to maintain programs. The District also received a 0.6% increase in per student funding which did not cover increases during this same time period. The CPI during the 2014 calendar year averaged 1.6%.



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 Fund

General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$32,179,790, total other financing sources of \$70,000, total expenditures of \$33,121,314, and total other financing uses of \$26,367. It ended the fiscal year with a fund balance of \$4,207,388, a decrease of \$897,891 from the fund balance of \$5,105,279 at June 30, 2014.

Nonmajor Funds

Special Revenue Fund

The District operates one Special Revenue Fund, for the food service program. Total revenues were \$1,413,469, total expenditures were \$1,355,223, and total other financing uses were \$70,000. The ending fund balance was \$21,941 at June 30, 2015.

Debt Service Funds

The District maintains four Debt Service Funds. Total revenues were \$4,643,374, total other financing sources (including refunding bond proceeds of \$14,425,000, and bond premium of \$2,177,441) were \$16,776,743, total expenditures were \$6,477,943, and other financing sources (including payments to escrow agent of \$16,495,443) were \$16,669,745. The ending fund balances in the Debt Service Funds totaled \$422,306.



2013 Construction Capital Projects Fund

The District sold land and obsolete buildings in prior years with the proceeds designated for additional building improvement plans in the District. Total revenues for 2014-15 were \$433, and total expenditures were zero, leaving a fund balance of \$519,375 at June 30, 2015.

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, 2015 totaled \$194,251.

General Fund Budgetary Highlights

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

- Changes made to account for the final student enrollment that determines how much foundation grant per pupil or State school aid will be received during the fiscal year. The original budget adopted in June of 2014 included the assumption of a decline in enrollment of ten (10) students however the final blended enrollment resulted in a decrease of sixty-four (64) students.
- Changes in staffing due to student educational needs, updating curriculum materials, repair and maintenance of facilities and increased costs for employee retirement pension funding.

Capital Asset and Debt Administration

Capital Assets

By the end of 2014-15, the District had invested \$53 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.) Total depreciation expense for the year was \$1,440,052.

At June 30, 2015, the District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, furniture and equipment, was \$30 million. This represents a decrease of approximately \$1.4 million from the previous year-end.

Land	\$ 1,106,100
Land improvements	2,506,937
Buildings and additions	25,419,031
Furniture and equipment	462,211
Vehicles	<u>478,750</u>
Net Capital Assets	<u><u>\$ 29,973,029</u></u>



Long-term Debt

At year end, the District had \$29.7 million in general obligation bonds and other long-term debt outstanding – a net decrease of \$4.8 million from last year. The District continued to pay down its debt, retiring \$4.37 million, and refunding \$13.6 million of outstanding bonds.

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

The District's underlying bond rating from Standard & Poor's on its general obligation unlimited tax debt is "A+". The outstanding debt was qualified by the State, and thus also carries the State's program rating of "AA".

Factors Bearing on the District's Future

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

- Michigan's economy continues to be a major concern for future school funding. The District's October 2014 student count of 3,283 was down 56 students from the October 2013 count of 3,339. State School Aid funding, which represents approximately 47.5% of the District's annual revenues, still remains below the 2006-07 funding level.
- Negotiated contract agreements are in place with teacher and support staff unions through August 2016 and transportation and all of custodial services will be provided by private contractors during the 2015-16 school year.
- The District's fund balance in its primary operating fund, the General Fund, decreased by \$897,891 during the 2014-15 fiscal year to \$4,207,388. This decrease was less than the \$982,148 projected decrease. The current fund balance represents 12.8% of the 2015-16 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 2015-16 school year will allow the District to move forward with a balanced operational program and financial outlook. However, if funding does not improve, the District will have to once again experience many reductions to discontinue an ongoing use of the Fund Balance which is projected to be \$838,188 at the end of the 2015-16 school year.

Contacting the District's Financial Management

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

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BASIC FINANCIAL STATEMENTS

KENOWA HILLS PUBLIC SCHOOLS
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash	\$ 1,050
Cash equivalents, deposits and investments (Note B)	4,859,662
Accounts receivable	55,721
Due from other governmental units (Note C)	4,075,421
Inventory	17,464
Prepaid expenses	4,344
Capital assets not being depreciated (Note E)	1,106,100
Capital assets being depreciated, net (Note E)	28,866,929
	38,986,691
Deferred Outflows of Resources	
Loss on advance bond refundings, net	230,443
Deferred pension amounts	6,098,941
	6,329,384
Liabilities	
Accounts payable	410,040
Due to other governmental units	1,347,244
Accrued interest payable	259,098
Salaries payable	1,908,646
Unearned revenue	176,722
Long-term liabilities (Note F):	
Due within one year	1,538,949
Due in more than one year	28,134,986
Net pension liability	40,596,519
	74,372,204
Deferred Inflows of Resources	
Deferred pension amounts	4,487,962
	4,487,962
Net Position	
Net investment in capital assets	1,561,031
Restricted for:	
Capital projects	519,375
Debt service	163,208
Food service	21,941
Unrestricted (deficit)	(35,809,646)
	\$(33,544,091)

See accompanying notes to basic financial statements.

KENOWA HILLS PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 21,756,834	\$ 48,440	\$ 7,099,267	\$(14,609,127)
Supporting services	11,696,908	234,985	522,153	(10,939,770)
Community services	623,727	742,925	-	119,198
Food service	1,473,065	437,476	975,876	(59,713)
Other	1,204,542	-	-	(1,204,542)
Interest expense	1,917,775	-	646,414	(1,271,361)
Total Governmental Activities	\$ 38,672,851	\$ 1,463,826	\$ 9,243,710	(27,965,315)
Taxes:				
				8,871,238
				3,994,850
				14,157,043
				8,458
				22,885
				1,840,185
				<u>28,894,659</u>
				929,344
				<u>(34,473,435)</u>
				<u><u>\$(33,544,091)</u></u>

See accompanying notes to basic financial statements.

KENOWA HILLS PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2015

Assets	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Cash	\$ 400	\$ 650	\$ 1,050
Cash equivalents, deposits and investments (Note B)	3,714,431	1,145,231	4,859,662
Accounts receivable	49,820	3,846	53,666
Due from other funds (Note D)	229,707	1,249	230,956
Due from other governmental units (Note C)	4,018,262	57,159	4,075,421
Inventory	7,740	9,724	17,464
Prepaid expenditures	4,344	-	4,344
Total Assets	\$ 8,024,704	\$ 1,217,859	\$ 9,242,563
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 406,930	\$ 3,066	\$ 409,996
Due to other funds (Note D)	684	228,261	228,945
Due to other governmental units	1,347,244	-	1,347,244
Salaries payable	1,901,874	6,772	1,908,646
Unearned revenue	160,584	16,138	176,722
Total Liabilities	3,817,316	254,237	4,071,553
 Fund Balances (Note A)			
Nonspendable	12,084	9,724	21,808
Restricted	-	953,898	953,898
Assigned for new equipment	42,927	-	42,927
Unassigned	4,152,377	-	4,152,377
Total Fund Balances	4,207,388	963,622	5,171,010
Total Liabilities and Fund Balances	\$ 8,024,704	\$ 1,217,859	\$ 9,242,563

See accompanying notes to basic financial statements.

KENOWA HILLS PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total governmental fund balances		\$ 5,171,010
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$52,929,006 and accumulated depreciation is \$22,955,977.		29,973,029
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.		230,443
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	\$(26,465,000)	
Bond premium	(2,177,441)	
Early retirement incentive	(6,000)	
Accumulated sick leave	<u>(1,025,494)</u>	(29,673,935)
Accrued interest is not included as a liability in governmental funds.		(259,098)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(40,596,519)	
Deferred outflows	6,098,941	
Deferred inflows	<u>(4,487,962)</u>	<u>(38,985,540)</u>
Total net position - governmental activities		<u><u>\$ (33,544,091)</u></u>

See accompanying notes to basic financial statements.

KENOWA HILLS PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2015

	General	Nonmajor	Total
Revenues			
Local sources	\$ 10,401,327	\$ 4,434,986	\$ 14,836,313
State sources	18,205,458	70,849	18,276,307
Federal sources	1,404,903	1,508,376	2,913,279
Interdistrict sources	2,168,102	43,065	2,211,167
Total Revenues	32,179,790	6,057,276	38,237,066
Expenditures			
Current:			
Instruction	21,153,282	-	21,153,282
Supporting services	11,346,860	-	11,346,860
Community services	621,172	-	621,172
Food service	-	1,355,223	1,355,223
Debt service:			
Principal repayment	-	4,370,000	4,370,000
Interest and fiscal charges	-	1,952,363	1,952,363
Bond issuance costs	-	91,100	91,100
Underwriter's discount	-	64,480	64,480
Total Expenditures	33,121,314	7,833,166	40,954,480
Excess (Deficiency) of Revenues Over Expenditures	(941,524)	(1,775,890)	(2,717,414)
Other Financing Sources (Uses)			
Refunding bonds issued	-	14,425,000	14,425,000
Bond premium	-	2,177,441	2,177,441
Transfers in	70,000	174,302	244,302
Transfers out	-	(244,302)	(244,302)
Payment to escrow agent	-	(16,495,443)	(16,495,443)
Other	(26,367)	-	(26,367)
Total Other Financing Sources (Uses)	43,633	36,998	80,631
Net Change In Fund Balances	(897,891)	(1,738,892)	(2,636,783)
Fund Balances, Beginning of Year	5,105,279	2,702,514	7,807,793
Fund Balances, End of Year	\$ 4,207,388	\$ 963,622	\$ 5,171,010

See accompanying notes to basic financial statements.

KENOWA HILLS PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2015

Net change in fund balances - total governmental funds \$ (2,636,783)

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

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

	Capital outlays	\$ -	
	Depreciation expense	<u>(1,440,052)</u>	(1,440,052)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Position. (14,425,000)

Bond premium is amortized over the life of the new bond issue on the Statement of Activities. (812,312)

Losses on advanced bond refundings are amortized over the life of the new bond issue on the Statement of Activities. (792,152)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 20,635,000

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. 34,588

In the Statement of Net Position, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$178,804) exceeded the amounts used/paid (\$151,082). (597,599)

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. 963,654

Total changes in net position - governmental activities \$ 929,344

See accompanying notes to basic financial statements.

KENOWA HILLS PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 9,678,887	\$10,327,027	\$10,401,327	\$ 74,300
State sources	18,142,221	18,214,995	18,205,458	(9,537)
Federal sources	1,098,832	1,447,980	1,404,903	(43,077)
Interdistrict sources	2,040,000	2,190,005	2,168,102	(21,903)
Total Revenues	<u>30,959,940</u>	<u>32,180,007</u>	<u>32,179,790</u>	<u>(217)</u>
Expenditures				
Current:				
Instruction:				
Basic programs	16,191,460	16,603,535	16,601,543	1,992
Added needs	4,479,533	4,543,983	4,551,739	(7,756)
Supporting services:				
Pupil services	1,962,170	1,830,963	1,813,211	17,752
Instructional staff services	1,043,585	1,181,837	1,173,612	8,225
General administrative services	417,081	466,913	463,743	3,170
School administrative services	1,740,349	1,906,351	1,911,923	(5,572)
Business services	440,773	474,431	470,346	4,085
Operation and maintenance services	2,331,233	2,466,395	2,410,081	56,314
Pupil transportation services	1,756,280	1,693,017	1,693,865	(848)
Central services	808,840	884,408	859,721	24,687
Other supporting services	559,305	560,623	550,358	10,265
Community services	515,586	633,040	621,172	11,868
Total Expenditures	<u>32,246,195</u>	<u>33,245,496</u>	<u>33,121,314</u>	<u>124,182</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(1,286,255)</u>	<u>(1,065,489)</u>	<u>(941,524)</u>	<u>123,965</u>
Other Financing Sources (Uses)				
Transfers in	108,012	102,835	70,000	(32,835)
Other	-	(19,494)	(26,367)	(6,873)
Total Other Financing Sources (Uses)	<u>108,012</u>	<u>83,341</u>	<u>43,633</u>	<u>(39,708)</u>
Net Change In Fund Balances	(1,178,243)	(982,148)	(897,891)	84,257
Fund Balances, Beginning of Year	<u>5,105,279</u>	<u>5,105,279</u>	<u>5,105,279</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 3,927,036</u>	<u>\$ 4,123,131</u>	<u>\$ 4,207,388</u>	<u>\$ 84,257</u>

See accompanying notes to basic financial statements.

KENOWA HILLS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2015

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 37,651	\$ 156,556
Due from other funds	-	44
	\$ 37,651	\$ 156,600
Liabilities		
Accounts payable	\$ -	\$ 630
Due to other funds	-	2,055
Due to student groups	-	153,915
	\$ -	\$ 156,600
Net Assets		
Held in trust for:		
Individuals and organizations	\$ 37,651	

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, 2015

	Private Purpose Trust Fund
Additions	
Interest earnings	\$ 513
Donations	9,500
Total additions	10,013
Deductions	
Endowment activities - scholarships	1,042
Change In Net Assets	8,971
Net Assets, Beginning of Year	28,680
Net Assets, End of Year	\$ 37,651

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

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 3,277 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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

The District’s significant accounting policies are described below.

1. Reporting Entity

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

2. District-wide and Fund Financial Statements

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

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

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*.

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

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 is the District's only major fund. Non-major funds are aggregated and presented in a single column.

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

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

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

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

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

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

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.

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

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.

Trust Funds—Trust Fund net position and results of operations are not included in the district-wide financial statements. Trust funds are reported using the economic resources measurement focus.

Agency Funds—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.

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.

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

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.

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.

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

7. Inventories and Prepaid Items

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

8. Capital Assets

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

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

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

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

9. Long-term Obligations

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

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

10. Accumulated Sick Leave/Early Retirement Incentive

Accumulated sick leave and early retirement incentive at June 30, 2015 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, 2015, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for accumulated sick leave and early retirement incentive amounted to \$1,025,494 and \$6,000, respectively.

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

11. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred charge on a previous year's bond refunding and the deferred outflows relating to the recognition of net pension liability on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as in inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements.

12. Net Position

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

13. Fund Balance

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

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

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

- 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, 2015, Kenowa Hills Public Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

13. Interfund Activity

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

14. Estimates

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

Note B – Cash Equivalents and Deposits

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.

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

- 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, 2015 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 4,859,662
Fiduciary Funds:	
Trust and Agency Funds	<u>194,207</u>
	<u>\$ 5,053,869</u>

Cash Equivalents and Deposits

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

1. Chemical Bank

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

June 30, 2015 balances are detailed as follows:

Cash equivalents	\$ 5,026,725
Deposits	<u>27,144</u>
	<u>\$ 5,053,869</u>

Custodial Credit Risk Related to Cash Equivalents and Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's cash equivalents and deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$5,053,869, and the bank balance was \$5,706,060. Of the bank balance, \$672,939 was covered by federal depository insurance and \$5,033,121 was uninsured and uncollateralized.

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.

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
June 30, 2015

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 2014 ad valorem State Education Taxes generated within the Kenowa Hills Public School District, and paid to the State of Michigan, totaled \$6,466,850.

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 October, 2014, and February, 2015. The 2014-15 "Foundation Allowance" for Kenowa Hills Public Schools was \$7,259 for 3,265 "Full Time Equivalent" students, generating \$17,629,603 in state aid payments to the District, of which \$3,210,607 was paid to the District in July and August, 2015 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

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

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

As Kenowa Hills Public Schools' electors had previously (May 8, 2007) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2014.

The District levied 3.55 mills in 2014 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 NPRES.

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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, 2015, are detailed as follows:

	Due From	Due To
Major Fund		
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 227,652	\$ 640
Agency Fund:		
Student Activities Fund	2,055	44
Total Major Fund	229,707	684
Nonmajor Funds		
Special Revenue Fund:		
Food Service Fund:		
General Fund	640	227,652
Debt Service Funds:		
2005 Debt Service Fund:		
2010 Construction Debt Service Fund	—	527
2010 Buses Debt Service Fund	—	82
2010 Construction Debt Service Fund:		
2005 Debt Service Fund	527	—
2010 Buses Debt Service Fund:		
2005 Debt Service Fund	82	—
	609	609
Total Nonmajor Funds	1,249	228,261
Fiduciary Fund		
Agency Fund:		
Student Activities Fund:		
General Fund	44	2,055
Total All Funds	\$ 231,000	\$ 231,000

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Operating transfers between funds to allocate expenditures during the year ended June 30, 2015 were as follows:

	Transfers In	Transfers Out
Major Fund		
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 70,000	\$ —
Nonmajor Funds		
Special Revenue Fund:		
Food Service Fund:		
General Fund	—	70,000
Debt Service Funds:		
2005 Debt Service Fund:		
2015 Refunding Debt Service Fund	—	174,302
2015 Refunding Debt Service Fund:		
2005 Debt Service Fund	174,302	—
	174,302	244,302
Total Nonmajor Funds	174,302	244,302
Total All Funds	\$ 244,302	\$ 244,302

Note E – Capital Assets

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

	Balances July 1, 2014	Additions	Deductions	Balances June 30, 2015
Capital assets not being depreciated:				
Land	\$ 1,106,100	\$ —	\$ —	\$ 1,106,100
Capital assets being depreciated:				
Land improvements	3,925,900	\$ —	\$ —	3,925,900
Buildings and additions	43,893,326	—	—	43,893,326
Furniture and equipment	1,673,583	—	12,483	1,661,100
Vehicles	2,360,623	—	18,043	2,342,580
	51,853,432	\$ —	\$ 30,526	51,822,906
Less accumulated depreciation for:				
Land improvements	1,242,103	\$ 176,860	\$ —	1,418,963
Buildings and additions	17,475,623	998,672	—	18,474,295
Furniture and equipment	1,080,889	130,483	12,483	1,198,889
Vehicles	1,747,836	134,037	18,043	1,863,830
	21,546,451	\$1,440,052	\$ 30,526	22,955,977
Total capital assets being depreciation, net	30,306,981			28,866,929
Net Capital Assets	\$ 31,413,081			\$ 29,973,029

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Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,108,840
Supporting services	300,251
Community services	11,520
Food service	19,441
	<u>19,441</u>
	<u>\$ 1,440,052</u>

Note F – Long-term Debt

Changes in long-term debt for the year ended June 30, 2015 are summarized as follows:

	Debt Outstanding July 1, 2014	Debt Added	Debt Retired	Debt Outstanding June 30, 2015
General obligation bonds:				
March 17, 2005 Refunding	\$ 18,635,000	\$ —	\$ 18,635,000	\$ —
June 23, 2010 – Series A	13,815,000	—	1,925,000	11,890,000
June 23, 2010 – Series B	225,000	—	75,000	150,000
February 4, 2015 Refunding	—	14,425,000	—	14,425,000
Bond premium	1,365,129	2,177,441	1,365,129	2,177,441
Early retirement incentive	14,000	—	8,000	6,000
Accumulated sick leave	419,895	806,168	200,569	1,025,494
	<u>\$ 34,474,024</u>	<u>\$ 17,408,609</u>	<u>\$ 22,208,698</u>	<u>\$ 29,673,935</u>

Long-term bonds and other obligations outstanding at June 30, 2015 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$13,815K Building and Site Series A June 23, 2010: Annual maturity of \$11,890K	May 1, 2026	6.375	\$11,890,000	\$ —
\$510K Building and Site Series B June 23, 2010: Annual maturities of \$75K	May 1, 2017	3.15 – 3.20	150,000	75,000
\$34,490K Refunding February 4, 2015: Annual maturities of \$1,060K to \$1,560K	May 1, 2026	5.00	14,425,000	1,060,000
Bond premium			2,177,441	197,949
Other Obligations				
Early retirement incentive			6,000	8,000
Accumulated sick leave			1,025,494	140,000
			<u>6,000</u>	<u>8,000</u>
			<u>1,025,494</u>	<u>140,000</u>
			<u>\$29,673,935</u>	<u>\$ 1,538,949</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,135,000	\$ 855,019	\$ 1,990,019
2017	1,190,000	799,657	1,989,657
2018	1,165,000	741,507	1,906,507
2019	1,225,000	683,257	1,908,257
2020	1,285,000	622,007	1,907,007
2021	1,355,000	557,757	1,912,757
2022	1,415,000	490,007	1,905,007
2023	1,490,000	419,257	1,909,257
2024	1,560,000	344,757	1,904,757
2025	1,560,000	266,757	1,826,757
2026	13,085,000	188,757	13,273,757
	<u>\$ 26,465,000</u>	<u>\$ 5,968,734</u>	<u>\$ 32,433,734</u>

On February 4, 2015, the District issued \$14,425,000 in general obligations bonds to advance refund \$16,265,000 of outstanding 2005 refunding serial bonds. The true interest cost of the refunding bonds was 2.5160683% resulting in a total net present value savings of \$2,335,832, or 12.978%. The net proceeds of \$16,669,745 after premium of \$2,177,441, District transfer of \$225,000, underwriter's discount of \$64,480 and bond issuance costs of \$93,216, were deposited with an escrow agent and used to retire the outstanding obligations described above. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. The final payment of outstanding principal and interest was made on May 1, 2015 from the escrow account. This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done for the fiscal year end June 30, 2015.

Note G – Retirement Plan

Summary of Significant Accounting Policies

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing

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employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

Plan Description

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS) (the “System”), a cost sharing, multiple employer, state-wide, defined benefit public employee retirement system governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board’s authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/>.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of pension plans offered by MPERS are detailed as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Membership

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

Inactive plan members or their beneficiaries currently receiving benefits:		
Regular benefits		181,489
Survivor benefits		16,855
Disability benefits		6,168
Total		204,512
Inactive plan members entitled to but not yet receiving benefits:		16,979
Active plan members:		
Vested		108,934
Non-vested		101,843
Total		210,777
Total plan members		432,268

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Benefits Provided

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

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

Pension Reform 2010

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

Pension Reform 2012

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

Option 1 members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members; 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

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Option 4 members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Deferred Compensation plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in the 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

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

Regular Retirement

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

Option 1: $FAC \times \text{total years of service} \times 1.5\%$

Option 2: $FAC \times 30 \text{ years of service} \times 1.5\% + FAC \times \text{years of service beyond 30} \times 1.25\%$

Option 3: $FAC \times \text{years of service as of transition date} \times 1.5\% + FAC \times \text{years of service after transition date} \times 1.25\%$

Option 4: $FAC \text{ as of transition date} \times \text{years of service as of transition date} \times 1.5\%$

A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member who became a member of MPSERS after June 30, 2010 may retire at age 60 with 10 or more years of credited service.

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A Basic Plan member may retire at:

- age 55 with 30 or more years of service; or
- age 60 with 10 or more years of service.

There is no mandatory retirement age.

Early Retirement

A member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc.).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An application may select only one of the following options.

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Straight Life Pension – the Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of the retiree’s death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiary.

Survivor Options - Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount (“pop-up” provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree’s death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree’s death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree’s death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan – The Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree’s pension to decrease at age 62 by approximately the same amount as that person’s Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree’s death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

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Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post-Retirement Adjustments

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

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement benefits.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

Contributions

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

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

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Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. Member contributions are determined based on date of hire and the plan selected. In addition, the District is invoiced monthly an amount that approximates 7.63% of covered payroll for “MPERS UAAL Stabilization.” This additional contribution is offset by monthly State Aid payments equal to the amounts actually billed by the Office of Retirement Services (ORS). For the plan year ended September 30, 2015, an additional 1.13% MPERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension and retiree healthcare, including the MPERS UAAL Stabilization and one-time prepayment rates, ranged from 27.52% to 31.83% of covered payroll. Plan member contribution rates range from 0.0% to 7.0% of covered payroll.

The District’s contributions to MPERS under all pension plans for the year ended June 30, 2015, inclusive of the MPERS UAAL Stabilization and one-time prepayment, totaled \$5,041,227.

Total MPERS plan actual employer contributions for retirement benefits were \$1,364.1 million for fiscal year 2014. The fiscal year 2014 annual covered payroll was \$8.79 billion. Required employer contributions based on previous year actuarial valuations for pensions included:

- \$390.0 million for fiscal year 2014 for the normal cost of pensions representing 4.5% (before reconciliation) of annual covered payroll for fiscal year 2014.
- \$1,541.9 million for fiscal year 2014 for amortization of unfunded actuarial liability representing 17.8% (before reconciliation) of annual covered payroll for fiscal year 2014.

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

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

MPERS Plan Net Pension Liability

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

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2015, the District reported a liability of \$40,596,519 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the District's proportion was .18430760%.

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

For the year ended June 30, 2015, the District recognized pension expense of \$3,288,432. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 1,497,925	\$ —
Net difference between projected and actual earnings on pension plan investments	—	4,487,962
Changes in proportion and differences between District contributions and proportionate share of contributions	—	—
District contributions subsequent to the measurement date*	4,601,016	—
Total	\$ 6,098,941	\$ 4,487,962

*This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Amount
2016	\$ 732,427
2017	732,427
2018	732,427
2019	792,538

Valuation Assumptions

The rate of investment return was 8.0% a year, compounded annually net of investment and administrative expenses of the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

The assumed real return is the rate of return in excess of wage inflation. Considering other assumptions used in the valuation, the 8.0% nominal rate translates to a net real return of 4.5% a year for the Non-Hybrid groups. Considering other assumptions used in the valuation, the 7.0% nominal rate translates to a net real return of 3.5% a year for the Hybrid group.

The rate of pay increase used for individual members is 3.5%. This assumption is used to project a member's current pay to the pay upon which System benefits will be based. The current assumption was first used for the September 30, 2004 valuation of the System.

Actuarial Cost Method – Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an Individual Entry-Age Actuarial Cost Method having the following characteristics:

- the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;
- each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability (UAAL).

Financing of Unfunded Actuarial Accrued Liabilities – Unfunded actuarial accrued liabilities (full funding credit if assets exceed liabilities) were amortized by level (principal and interest combined) percent-of-payroll contributions over a reasonable period of future years.

Amortization of UAAL Resulting from the Early Retirement Incentive (ERI) Program of 2010 – it has been reported that 1.36% of payroll will be contributed beginning in fiscal year 2013 for a 10 year period to amortize the UAAL associated with the ERI program of 2010. In order to avoid duplication of the employer contributions, the present value of future ERI amortization payments is subtracted from the unfunded actuarial accrued liability (UAAL) to determine the remaining UAAL contribution.

Actuarial Value of System Assets – The actuarial value of assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased in over a closed five year period. During periods when investment performance exceeds the assumed rate, actuarial value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, actuarial value of assets will tend to be greater than market value. The actuarial value of assets was reset to marked value as of September 30, 2006, with five-year smoothing restarted at that time. The actuarial value of assets is developed separately for the Non-Hybrid and Hybrid portions of the System. The total actuarial value of assets is the sum of these two components.

Mortality Assumptions

The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience Study

The annual actuarial report of the System used for these statements is dated September 30, 2014. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results on an actuarial experience study for the period October 1, 2007 to September 30, 2012. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

- The expected rate of return on pension plan investments is 8.0%.
- The municipal bond rate is 3.480% (based on the weekly rate closeout to but not later than the measurement date of the 20-year Bond Buyer Index as published by the Federal Reserve).
- The resulting single discount rate is 8.0%.
- The Plan Fiduciary Net Position is projected to be sufficient to make Projected Benefit Payments until 2114.

Long-Term Expected Rate of Return on Investments

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Expected Monthly Weighted Rate of Return
Domestic Equity Pools	28.0%	4.8%	1.34%
Private Equity Pools	18.0%	8.5%	1.53%
International Equity Pools	16.0%	6.1%	.98%
Fixed Income Pools	10.5%	1.5%	.16%
Real Estate & Infrastructure Pools	10.0%	5.3%	.53%
Real Return, Opportunistic, and Absolute Pools	15.5%	6.3%	.98%
Short-term Investment Pools	2.0%	(0.2%)	(.02)%
Totals	100.0%		5.50%
Inflation			2.50%
Investment Rate of Return			8.00%

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 53,522,976	\$ 40,598,519	\$ 29,705,789

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System September 30, 2014 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools>.

Payables to the Pension Plan

Payables to the pension plan totaling \$786,328 at June 30, 2015 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description and Employee Contributions

Benefit provisions of the post-employment healthcare plan are established by State statute which may be amended. Retirees have the option of health coverage, which, through 2015, is currently funded on a cash disbursement basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

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

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

Members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

in a 2% employee contribution into their Section 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) account no later than their first pay date after February 1, 2013.

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

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

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

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

Employer contributions

Required contributions for post-employment health care benefits ranged from 2.20% to 2.71% of covered payroll for the fiscal year ended June 30, 2015.

Post-employment Plan Status

At September 30, 2014, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole was \$14.5 billion. The MPSERS net assets available for these benefits were \$2.0 billion leaving an unfunded actuarial accrued liability of \$12.5 billion. The funded ratio of actuarial liability was 14%; covered payroll totaled \$8.3 billion, and unfunded actuarial liability was 151.0% of covered payroll.

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, 2015, there were no material pending claims against the District. The District paid \$104,100 in premiums to the Fund for the year ended June 30, 2015.

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, 2015, there were no material pending claims against the District. The District paid \$12,791 in premiums to the Fund for the year ended June 30, 2015.

KENOWA HILLS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2015

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 – Stewardship, Compliance and Accountability

The following District funds had actual expenditures and other financing uses exceed final budgeted expenditures for the year ended June 30, 2015:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Instruction:			
Added needs	\$ 4,543,983	\$ 4,551,739	\$ 7,756
Supporting services:			
School administrative services	1,906,351	1,911,923	5,572
Pupil transportation services	1,693,017	1,693,865	848

The District has an unrestricted net position deficit of \$35,787,705 and a total net position deficit of \$33,544,091 as of June 30, 2015. These deficit net positions result primarily from recording a net pension liability of \$39,949,194 at July 1, 2014 (see Note K).

Note K – Restatement of Net Position

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. Changes/additions to deferred outflows of resources, deferred inflows of resources and net pension liability required by the Statements decreased beginning net position by \$39,949,194 at July 1, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

KENOWA HILLS PUBLIC SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2015

	Year Ended June 30, 2015
District's proportion of the net pension liability	0.18430760%
District's proportionate share of the net pension liability	\$ 40,596,519
District's covered-employee payroll	\$ 15,633,151
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.68%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

KENOWA HILLS PUBLIC SCHOOLS
Required Supplementary Information
Schedule of District Contributions
MPERS Cost-sharing Multiple-employer Plan
June 30, 2015

	<u>Year Ended</u> <u>June 30, 2015</u>
Contractually required contribution	\$ 5,041,227
Contributions in relation to the contractually required contribution	<u>5,041,227</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 16,280,794
Contributions as a percentage of covered employee payroll	30.96%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

KENOWA HILLS PUBLIC SCHOOLS
Notes to Required Supplementary Information
June 30, 2015

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2014-15

Changes of assumptions: There were no changes of benefit assumptions in 2014-15

SUPPLEMENTARY INFORMATION

GENERAL FUND

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

KENOWA HILLS PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2015 and 2014

	2015	2014
Assets		
Cash	\$ 400	\$ 400
Cash equivalents, deposits and investments	3,714,431	4,814,173
Accounts receivable	49,820	40,348
Due from other funds	229,707	116,132
Due from other governmental units	4,018,262	3,946,096
Inventory	7,740	8,183
Prepaid expenditures	4,344	4,344
	Total Assets	Total Assets
	\$ 8,024,704	\$ 8,929,676
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 406,930	\$ 353,457
Due to other funds	684	-
Due to other governmental units	1,347,244	1,291,515
Salaries payable	1,901,874	1,928,669
Unearned revenue	160,584	250,756
	Total Liabilities	Total Liabilities
	3,817,316	3,824,397
 Fund Balances		
Nonspendable	12,084	12,527
Assigned	42,927	10,242
Unassigned	4,152,377	5,082,510
	Total Fund Balances	Total Fund Balances
	4,207,388	5,105,279
	Total Liabilities and Fund Balances	Total Liabilities and Fund Balances
	\$ 8,024,704	\$ 8,929,676

KENOWA HILLS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2015 and 2014

	2015	2014
Local sources:		
Property taxes:		
Current property taxes	\$ 8,830,210	\$ 8,561,615
Delinquent and other property taxes	27,713	29,610
Interest on delinquent taxes	13,315	14,005
	<u>8,871,238</u>	<u>8,605,230</u>
Interest earnings:		
Interest on deposits and investments	5,798	7,391
Revenue from student activities:		
Athletic admissions	73,283	55,722
Athletic participation fees	56,190	57,881
Miscellaneous athletics	15,874	15,500
	<u>145,347</u>	<u>129,103</u>
Other local revenue:		
Childcare fees	675,935	618,877
Preschool fees	66,990	76,321
Summer school tuition	13,985	16,205
On-line learning tuition	750	350
After school tuition	4,250	-
Transportation fees	12,749	12,025
Copy center fees	-	430
Class fees	29,455	38,869
Rental of school facilities	57,373	47,231
Donations	23,240	14,560
Universal service fund	76,889	58,575
Beverage consortium commissions	10,103	11,781
Sale of fixed assets	22,885	64,220
Insurance refunds	52,737	93,111
Miscellaneous	331,603	255,231
	<u>1,378,944</u>	<u>1,307,786</u>
Total local sources	10,401,327	10,049,510
State sources:		
State school aid	17,633,481	17,782,317
Special education - transportation	390,516	240,199
Special education - itinerants	130,627	331,216
Technology readiness improvement grant	49,824	-
Bus driver safety	1,010	1,357
	<u>18,205,458</u>	<u>18,355,089</u>
Total state sources	18,205,458	18,355,089
Federal sources:		
Title I	548,775	461,696
Title I - migrant	54,761	115,776
Title IIA	105,772	131,261
Title III	26,484	54,762
I.D.E.A. program	662,660	608,624
Medicaid - outreach	6,451	8,051
	<u>1,404,903</u>	<u>1,380,170</u>
Total federal sources	1,404,903	1,380,170

(Continued)

KENOWA HILLS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2015 and 2014

	2015	2014
Interdistrict sources:		
Special education - county	1,752,048	\$ 1,753,403
Special education - local school districts	135,203	111,012
Medicaid fee for service	234,648	240,260
Other	46,203	42,444
Total interdistrict sources	2,168,102	2,147,119
Total Revenues	\$ 32,179,790	\$ 31,931,888

KENOWA HILLS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2015 and 2014

	2015	2014
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 4,108,289	\$ 4,020,546
Employee benefits	2,693,639	2,469,083
Purchased services	124,798	114,958
Supplies	228,847	149,852
	<u>7,155,573</u>	<u>6,754,439</u>
Middle school:		
Salaries	2,109,199	2,026,276
Employee benefits	1,427,183	1,289,128
Purchased services	38,767	28,847
Supplies	87,647	39,183
Miscellaneous	681	375
Payments to other districts	-	25,825
	<u>3,663,477</u>	<u>3,409,634</u>
High school:		
Salaries	3,096,691	3,210,726
Employee benefits	1,972,551	1,910,681
Purchased services	194,820	123,790
Supplies	345,314	355,683
Miscellaneous	10,938	41,606
Payments to other districts	96,376	113,615
	<u>5,716,690</u>	<u>5,756,101</u>
Preschool:		
Salaries	32,518	44,187
Employee benefits	13,970	16,966
Purchased services	558	314
Supplies	3,033	1,564
Miscellaneous	741	730
Payments to other districts	6,570	6,678
	<u>57,390</u>	<u>70,439</u>
Summer school:		
Salaries	5,928	8,572
Employee benefits	2,462	3,225
Supplies	23	-
	<u>8,413</u>	<u>11,797</u>
Total basic programs	<u>16,601,543</u>	<u>16,002,410</u>
Added needs:		
Special education:		
Salaries	1,580,119	1,508,792
Employee benefits	1,066,352	964,594
Purchased services	29,887	27,570
Supplies	18,014	9,755
Payments to other districts	465,737	326,709
Miscellaneous	233	-
	<u>3,160,342</u>	<u>2,837,420</u>

(Continued)

KENOWA HILLS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2015 and 2014

	2015	2014
Compensatory education:		
Salaries	\$ 721,142	\$ 733,838
Employee benefits	487,917	460,497
Purchased services	11,480	14,445
Supplies	14,617	24,709
Payments to other districts	24,747	-
	<u>1,259,903</u>	<u>1,233,489</u>
Career and technology education:		
Salaries	64,757	82,851
Employee benefits	49,143	54,590
Purchased services	5,903	5,404
Supplies	11,641	11,397
Capital outlay	50	2,283
	<u>131,494</u>	<u>156,525</u>
Total added needs	<u>4,551,739</u>	<u>4,227,434</u>
Total instruction	21,153,282	20,229,844
Supporting services:		
Pupil services:		
Attendance services:		
Salaries	3,809	2,453
Employee benefits	2,269	821
Purchased services	67	57
	<u>6,145</u>	<u>3,331</u>
Guidance services:		
Salaries	313,765	334,653
Employee benefits	209,893	230,632
Purchased services	1,286	1,221
Supplies	1,612	824
Miscellaneous	50	395
	<u>526,606</u>	<u>567,725</u>
Health services:		
Purchased services	415	312
Supplies	1,093	1,290
Payments to other districts	126,438	119,763
	<u>127,946</u>	<u>121,365</u>
Psychological services:		
Purchased services	165	126
Supplies	3,789	2,390
Miscellaneous	229,909	211,713
	<u>233,863</u>	<u>214,229</u>
Speech pathology services:		
Purchased services	55	191
Supplies	2,077	3,193
Payments to other districts	364,453	347,397
	<u>366,585</u>	<u>350,781</u>
Social worker services:		
Purchased services	35,817	365
Supplies	567	898

(Continued)

KENOWA HILLS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2015 and 2014

	2015	2014
Social worker services: (Continued)		
Payments to other districts	\$ 333,915	\$ 318,333
	<u>370,299</u>	<u>319,596</u>
Teacher consultant services:		
Purchased services	452	382
Payments to other districts	130,612	122,587
	<u>131,064</u>	<u>122,969</u>
Other pupil support services:		
Salaries	31,786	31,785
Employee benefits	18,917	22,245
	<u>50,703</u>	<u>54,030</u>
Total pupil services	1,813,211	1,754,026
Instructional staff services:		
Salaries	257,006	168,196
Employee benefits	150,924	90,007
Purchased services	326,484	248,295
Supplies	7,923	1,523
Miscellaneous	6,449	2,303
	<u>748,786</u>	<u>510,324</u>
Educational media services:		
Salaries	102,847	135,666
Employee benefits	68,984	70,591
Purchased services	25,109	22,084
Supplies	21,010	24,505
Miscellaneous	3,386	3,372
	<u>221,336</u>	<u>256,218</u>
Supervision and direction of instruction:		
Salaries	95,409	85,416
Employee benefits	59,238	50,852
Purchased services	1,291	1,684
Supplies	610	210
Miscellaneous	-	97
	<u>156,548</u>	<u>138,259</u>
Academic student assessment:		
Salaries	4,933	5,852
Employee benefits	2,060	2,199
Purchased services	38,907	51,743
Supplies	1,042	210
	<u>46,942</u>	<u>60,004</u>
Total instructional staff services	1,173,612	964,805
General administrative services:		
Board of education:		
Salaries	4,650	5,363
Employee benefits	361	450
Purchased services	94,551	80,116

(Continued)

KENOWA HILLS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2015 and 2014

	2015	2014
General administrative services: (Continued)		
Supplies	\$ -	\$ 2,100
Miscellaneous	9,954	8,787
	<u>109,516</u>	<u>96,816</u>
Executive administration:		
Salaries	209,007	193,191
Employee benefits	138,229	122,586
Purchased services	1,720	2,273
Supplies	1,537	1,481
Miscellaneous	3,734	2,017
	<u>354,227</u>	<u>321,548</u>
Total general administrative services	463,743	418,364
School administrative services:		
Office of the principal:		
Salaries	1,157,080	1,107,932
Employee benefits	724,595	669,602
Purchased services	23,073	22,607
Supplies	6,260	3,697
Miscellaneous	915	850
	<u>1,911,923</u>	<u>1,804,688</u>
Total school administrative services	1,911,923	1,804,688
Business services:		
Fiscal services:		
Salaries	245,896	240,835
Employee benefits	152,984	141,256
Purchased services	13,791	14,015
Supplies	8,401	1,288
Miscellaneous	1,127	1,334
Payments to other districts	27,542	25,659
	<u>449,741</u>	<u>424,387</u>
Internal services:		
Salaries	37,985	33,604
Employee benefits	28,916	25,503
Purchased services	15,948	6,333
Supplies	(76,665)	(65,440)
	6,184	-
Other business services:		
Purchased services	6,733	2,005
Miscellaneous	7,688	11,481
	<u>14,421</u>	<u>13,486</u>
Total business services	470,346	437,873
Operation and maintenance services:		
Operation and maintenance:		
Salaries	287,241	291,347
Employee benefits	213,986	208,710
Purchased services	1,096,892	1,110,651

(Continued)

KENOWA HILLS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2015 and 2014

	2015	2014
Operation and maintenance: (Continued)		
Supplies	\$ 751,229	\$ 845,362
Miscellaneous	734	262
	<u>2,350,082</u>	<u>2,456,332</u>
Security services:		
Purchased services	59,999	-
Total operation and maintenance services	<u>2,410,081</u>	<u>2,456,332</u>
Pupil transportation services:		
Pupil transportation:		
Salaries	-	17,743
Employee benefits	2,625	77,091
Purchased services	1,103,143	1,078,276
Supplies	129,358	183,459
Payments to other districts	458,739	450,242
Total pupil transportation services	<u>1,693,865</u>	<u>1,806,811</u>
Central services:		
Communications services:		
Purchased services	41,237	49,482
Staff/personnel services:		
Purchased services	17,827	27,950
Miscellaneous	60	-
	<u>17,887</u>	<u>27,950</u>
Technology services:		
Salaries	222,692	255,815
Employee benefits	136,500	140,974
Purchased services	238,871	176,468
Supplies	61,036	52,920
Capital outlay	-	94,803
	<u>659,099</u>	<u>720,980</u>
Pupil accounting:		
Salaries	80,521	53,728
Employee benefits	54,378	36,821
Purchased services	4,617	1,610
Supplies	1,922	-
Miscellaneous	60	-
	<u>141,498</u>	<u>92,159</u>
Total central services	<u>859,721</u>	<u>890,571</u>
Other supporting services:		
Salaries	277,580	288,659
Employee benefits	135,052	123,199
Purchased services	70,464	69,339
Supplies	48,969	43,460
Miscellaneous	18,293	17,624
Total other supporting services	<u>550,358</u>	<u>542,281</u>
Total supporting services	<u>11,346,860</u>	<u>11,075,751</u>

(Continued)

KENOWA HILLS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2015 and 2014

	2015	2014
Community services:		
Community services direction:		
Salaries	\$ 26,585	\$ 24,780
Employee benefits	11,184	9,462
Purchased services	5,032	3,029
Supplies	2,853	1,300
	<u>45,654</u>	<u>38,571</u>
Performing Arts Center:		
Salaries	317	687
Employee benefits	137	257
Supplies	7,228	539
	<u>7,682</u>	<u>1,483</u>
Custody and care of children:		
Salaries	347,933	321,062
Employee benefits	169,826	137,874
Purchased services	10,100	6,978
Supplies	24,579	24,167
Miscellaneous	733	-
	<u>553,171</u>	<u>490,081</u>
Non-public school pupils:		
Salaries	6,739	4,628
Employee benefits	3,630	1,575
Purchased services	1,932	1,663
Supplies	394	665
Payments to other districts	1,970	-
	<u>14,665</u>	<u>8,531</u>
Total community services	621,172	538,666
Interdistrict:		
Other	-	20,487
Capital outlay:		
Land and building improvements	-	93,820
Total Expenditures	<u><u>\$ 33,121,314</u></u>	<u><u>\$ 31,958,568</u></u>

NONMAJOR GOVERNMENTAL FUNDS

KENOWA HILLS PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2015

	Special Revenue	Debt	
	Food Service	2005 Refunding	2010 Construction
Assets			
Cash	\$ 650	\$ -	\$ -
Cash equivalents, deposits and investments	206,742	30,620	371,570
Accounts receivable	3,846	-	-
Due from other funds	640	-	527
Due from other governmental units	53,217	3,942	-
Inventory	9,724	-	-
Total Assets	\$ 274,819	\$ 34,562	\$ 372,097
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 2,316	\$ 750	\$ -
Due to other funds	227,652	609	-
Salaries payable	6,772	-	-
Unearned revenue	16,138	-	-
Total Liabilities	252,878	1,359	-
Fund Balances			
Nonspendable	9,724	-	-
Restricted	12,217	33,203	372,097
Total Fund Balances	21,941	33,203	372,097
Total Liabilities and Fund Balances	\$ 274,819	\$ 34,562	\$ 372,097

Service	2015	Capital Projects	
2010	Refunding	2013	Total
Buses		Construction	
\$ -	\$ -	\$ -	\$ 650
16,924	-	519,375	1,145,231
-	-	-	3,846
82	-	-	1,249
-	-	-	57,159
-	-	-	9,724
<u>\$ 17,006</u>	<u>\$ -</u>	<u>\$ 519,375</u>	<u>\$ 1,217,859</u>
\$ -	\$ -	\$ -	\$ 3,066
-	-	-	228,261
-	-	-	6,772
-	-	-	16,138
<u>-</u>	<u>-</u>	<u>-</u>	<u>254,237</u>
-	-	-	9,724
17,006	-	519,375	953,898
<u>17,006</u>	<u>-</u>	<u>519,375</u>	<u>963,622</u>
<u>\$ 17,006</u>	<u>\$ -</u>	<u>\$ 519,375</u>	<u>\$ 1,217,859</u>

KENOWA HILLS PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2015

	Special Revenue	Debt	
	Food Service	2005 Refunding	2010 Construction
Revenues			
Local sources:			
Property taxes	\$ -	\$ 3,240,963	\$ 652,628
Interest earnings	117	1,712	345
Food sales	437,476	-	-
Total local sources	437,593	3,242,675	652,973
State sources	70,849	-	-
Federal sources	861,962	-	646,414
Interdistrict sources	43,065	-	-
Total Revenues	1,413,469	3,242,675	1,299,387
Expenditures			
Current:			
Food service	1,355,223	-	-
Debt service:			
Principal repayment	-	2,370,000	1,925,000
Interest and fiscal charges	-	942,686	827,490
Bond issuance costs	-	91,100	-
Underwriter's discount	-	64,480	-
Total Expenditures	1,355,223	3,468,266	2,752,490
Excess (Deficiency) of Revenues Over Expenditures	58,246	(225,591)	(1,453,103)
Other Financing Sources (Uses)			
Refunding bonds issued	-	14,425,000	-
Bond premium	-	2,177,441	-
Transfers in	-	-	-
Transfers out	(70,000)	(174,302)	-
Payment to escrow agent	-	(16,495,443)	-
Total Other Financing Sources (Uses)	(70,000)	(67,304)	-
Net Change in Fund Balances	(11,754)	(292,895)	(1,453,103)
Fund Balances, Beginning of Year	33,695	326,098	1,825,200
Fund Balances, End of Year	\$ 21,941	\$ 33,203	\$ 372,097

Service		Capital Projects	
2010 Buses	2015 Refunding	2013 Construction	Total
\$ 101,259	\$ -	\$ -	\$ 3,994,850
53	-	433	2,660
-	-	-	437,476
101,312	-	433	4,434,986
-	-	-	70,849
-	-	-	1,508,376
-	-	-	43,065
101,312	-	433	6,057,276
-	-	-	1,355,223
75,000	-	-	4,370,000
7,885	174,302	-	1,952,363
-	-	-	91,100
-	-	-	64,480
82,885	174,302	-	7,833,166
18,427	(174,302)	433	(1,775,890)
-	-	-	14,425,000
-	-	-	2,177,441
-	174,302	-	174,302
-	-	-	(244,302)
-	-	-	(16,495,443)
-	174,302	-	36,998
18,427	-	433	(1,738,892)
(1,421)	-	518,942	2,702,514
<u>\$ 17,006</u>	<u>\$ -</u>	<u>\$ 519,375</u>	<u>\$ 963,622</u>

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources:			
Interest earnings	\$ -	\$ 117	\$ 117
Food sales	432,029	437,476	5,447
Total local sources	432,029	437,593	5,564
State sources	55,623	70,849	15,226
Federal sources	875,191	861,962	(13,229)
Interdistrict sources	46,000	43,065	(2,935)
Total Revenues	<u>1,408,843</u>	<u>1,413,469</u>	<u>4,626</u>
Expenditures			
Current:			
Food service	1,336,654	1,355,223	(18,569)
Excess (Deficiency) of Revenues Over Expenditures	<u>72,189</u>	<u>58,246</u>	<u>(13,943)</u>
Other Financing Sources (Uses)			
Transfers out	(102,838)	(70,000)	32,838
Net Change in Fund Balances	(30,649)	(11,754)	18,895
Fund Balances, Beginning of Year	33,695	33,695	-
Fund Balances, End of Year	<u>\$ 3,046</u>	<u>\$ 21,941</u>	<u>\$ 18,895</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, 2015 and 2014

	2015	2014
Assets		
Cash	\$ 650	\$ 650
Cash equivalents, deposits and investments	206,742	108,665
Accounts receivable	3,846	-
Due from other funds	640	-
Due from other governmental units	53,217	52,072
Inventory	9,724	13,917
	Total Assets	Total Assets
	\$ 274,819	\$ 175,304
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,316	\$ 2,473
Due to other funds	227,652	116,132
Salaries payable	6,772	6,772
Unearned revenue	16,138	16,232
	Total Liabilities	Total Liabilities
	252,878	141,609
Fund Balances		
Nonspendable	9,724	13,917
Restricted	12,217	19,778
	Total Fund Balances	Total Fund Balances
	21,941	33,695
	Total Liabilities and Fund Balances	Total Liabilities and Fund Balances
	\$ 274,819	\$ 175,304

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, 2015 and 2014

	2015	2014
Revenues		
Local sources:		
Food sales:		
Children's lunches and breakfasts	\$ 288,782	\$ 301,085
Adult lunches and banquets	21,377	21,176
Milk	1,777	1,900
Ala carte	112,586	145,095
Sale of school property	-	1,000
Other	12,954	14,755
	437,476	485,011
Interest earnings:		
Interest on deposits and investments	117	104
Total local sources	437,593	485,115
State sources	70,849	78,416
Federal sources	861,962	888,973
Interdistrict sources	43,065	41,770
	1,413,469	1,494,274
Expenditures		
Current:		
Food service:		
Salaries	456,717	441,917
Employee benefits	232,946	219,147
Purchased services	39,817	34,851
Supplies	619,653	654,040
Miscellaneous	6,090	5,850
	1,355,223	1,355,805
Total Expenditures	1,355,223	1,355,805
Excess of Revenues Over Expenditures	58,246	138,469
Other Financing Sources (Uses)		
Transfers out	(70,000)	(107,819)
	(70,000)	(107,819)
Net Change In Fund Balances	(11,754)	30,650
Fund Balances, Beginning of Year	33,695	3,045
Fund Balances, End of Year	\$ 21,941	\$ 33,695

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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, 2015

	<u>2005</u> <u>Refunding</u>	<u>2010</u> <u>Construction</u>	<u>2010</u> <u>Buses</u>
Assets			
Cash equivalents, deposits and investments	\$ 30,620	\$ 371,570	\$ 16,924
Due from other funds	-	527	82
Due from other governmental units	3,942	-	-
Total Assets	<u>\$ 34,562</u>	<u>\$ 372,097</u>	<u>\$ 17,006</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 750	\$ -	\$ -
Due to other funds	609	-	-
Total Liabilities	<u>1,359</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted	<u>33,203</u>	<u>372,097</u>	<u>17,006</u>
Total Liabilities and Fund Balances	<u>\$ 34,562</u>	<u>\$ 372,097</u>	<u>\$ 17,006</u>

2015 Refunding	Totals	
	2015	2014
\$ -	\$ 419,114	\$ 2,149,173
-	609	38,532
-	3,942	704
<u>\$ -</u>	<u>\$ 423,665</u>	<u>\$ 2,188,409</u>
\$ -	\$ 750	\$ -
-	609	38,532
-	1,359	38,532
-	422,306	2,149,877
<u>\$ -</u>	<u>\$ 423,665</u>	<u>\$ 2,188,409</u>

KENOWA HILLS PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2015

	2005 Refunding	2010 Construction	2010 Buses
Revenues			
Local sources:			
Property taxes:			
Current property taxes	\$ 3,093,238	\$ 622,939	\$ 96,656
Industrial facilities taxes	125,699	25,314	3,928
Delinquent and other property taxes	14,901	2,967	458
In lieu of taxes	1,625	327	51
Interest on delinquent taxes	5,500	1,081	166
	<u>3,240,963</u>	<u>652,628</u>	<u>101,259</u>
Interest earnings:			
Interest on deposits and investments	1,712	345	53
Total local sources	<u>3,242,675</u>	<u>652,973</u>	<u>101,312</u>
Federal sources:			
QSCB interest subsidy	-	646,414	-
	<u>3,242,675</u>	<u>1,299,387</u>	<u>101,312</u>
Total Revenues	<u>3,242,675</u>	<u>1,299,387</u>	<u>101,312</u>
Expenditures			
Debt service:			
Principal repayment	2,370,000	1,925,000	75,000
Interest and fiscal charges:			
Interest expense	928,775	826,325	7,012
Paying agent fees	2,600	-	750
Tax refunds	11,311	1,165	123
Bond issuance costs	91,100	-	-
Underwriter's discount	64,480	-	-
	<u>3,468,266</u>	<u>2,752,490</u>	<u>82,885</u>
Total Expenditures	<u>3,468,266</u>	<u>2,752,490</u>	<u>82,885</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(225,591)</u>	<u>(1,453,103)</u>	<u>18,427</u>
Other Financing Sources (Uses)			
Refunding bonds issued	14,425,000	-	-
Bond premium	2,177,441	-	-
Transfers in	-	-	-
Transfers out	(174,302)	-	-
Payment to escrow agent	(16,495,443)	-	-
	<u>(67,304)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(67,304)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(292,895)</u>	<u>(1,453,103)</u>	<u>18,427</u>
Fund Balances, Beginning of Year	<u>326,098</u>	<u>1,825,200</u>	<u>(1,421)</u>
Fund Balances, End of Year	<u>\$ 33,203</u>	<u>\$ 372,097</u>	<u>\$ 17,006</u>

2015 Refunding	Totals	
	2015	2014
\$ -	\$ 3,812,833	\$ 3,400,516
-	154,941	136,515
-	18,326	9,049
-	2,003	3,982
-	6,747	5,551
-	3,994,850	3,555,613
-	2,110	2,600
-	3,996,960	3,558,213
-	646,414	641,881
-	4,643,374	4,200,094
-	4,370,000	2,330,000
174,302	1,936,414	1,876,888
-	3,350	2,075
-	12,599	19,880
-	91,100	-
-	64,480	-
174,302	6,477,943	4,228,843
(174,302)	(1,834,569)	(28,749)
-	14,425,000	-
-	2,177,441	-
174,302	174,302	-
-	(174,302)	-
-	(16,495,443)	-
174,302	106,998	-
-	(1,727,571)	(28,749)
-	2,149,877	2,178,626
\$ -	\$ 422,306	\$ 2,149,877

CAPITAL PROJECTS FUND

2013 Construction Fund — to account for proceeds from sale of school property used to finance building restoration projects.

KENOWA HILLS PUBLIC SCHOOLS
2013 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2015 and 2014

	2015	2014
Assets		
Cash equivalents, deposits and investments	\$ 519,375	\$ 518,942
Liabilities and Fund Balances		
Liabilities	\$ -	\$ -
Fund Balances		
Restricted	519,375	518,942
Total Liabilities and Fund Balances	\$ 519,375	\$ 518,942

KENOWA HILLS PUBLIC SCHOOLS
2013 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2015 and 2014

	2015	2014
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 433	\$ 123
Expenditures	-	-
Excess of Revenues Over Expenditures	433	123
Other Financing Sources		
Sale of school property	-	518,819
Net Change in Fund Balances	433	518,942
Fund Balances, Beginning of Year	518,942	-
Fund Balances, End of Year	\$ 519,375	\$ 518,942

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, 2015

	<u>Balances July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2015</u>
Assets				
Cash equivalents, deposits and investments	\$ 148,249	\$ 333,591	\$ 325,284	\$ 156,556
Due from other funds	-	44	-	44
Total Assets	<u>\$ 148,249</u>	<u>\$ 333,635</u>	<u>\$ 325,284</u>	<u>\$ 156,600</u>
Liabilities				
Accounts payable	\$ 979	\$ -	\$ 349	\$ 630
Due to other funds	-	2,055	-	2,055
Due to student groups	147,270	331,580	324,935	153,915
Total Liabilities	<u>\$ 148,249</u>	<u>\$ 333,635</u>	<u>\$ 325,284</u>	<u>\$ 156,600</u>

OTHER INFORMATION

KENOWA HILLS PUBLIC SCHOOLS
Summary of 2014 Taxes Levied and Collected
For the year ended June 30, 2015

	Kent County		
	Cities of		
	Grand Rapids	Walker	Alpine
Taxable Valuations			
Operating	\$ 137,350	\$509,463,158	\$101,873,375
Debt Service	1,150,810	803,693,856	181,365,833
Rates (Mills)			
General Fund			
2005 Debt Service Fund			
2010 Construction Debt Service Fund			
2010 Buses Debt Service Fund			
Taxes Levied 2014 Rolls			
General Fund	\$ 2,472	\$ 6,848,184	\$ 1,623,199
2005 Debt Service Fund	3,314	2,314,347	522,330
2010 Construction Debt Service Fund	667	466,081	105,191
2010 Buses Debt Service Fund	104	72,317	16,322
	<u>6,557</u>	<u>9,700,929</u>	<u>2,267,042</u>
Taxes Uncollected 2014 Rolls			
General Fund	-	10,643	1,628
2005 Debt Service Fund	-	5,109	593
2010 Construction Debt Service Fund	-	1,029	120
2010 Buses Debt Service Fund	-	160	19
	<u>-</u>	<u>16,941</u>	<u>2,360</u>
Taxes Collected 2014 Rolls			
General Fund	2,472	6,837,541	1,621,571
2005 Debt Service Fund	3,314	2,309,238	521,737
2010 Construction Debt Service Fund	667	465,052	105,071
2010 Buses Debt Service Fund	104	72,157	16,303
	<u>6,557</u>	<u>9,683,988</u>	<u>2,264,682</u>
Delinquent Taxes Collected			
General Fund	-	16,279	4,446
2005 Debt Service Fund	-	7,527	1,701
2010 Construction Debt Service Fund	-	1,516	308
2010 Buses Debt Service Fund	-	235	46
	<u>-</u>	<u>25,557</u>	<u>6,501</u>
Total Taxes Collected			
General Fund	2,472	6,853,820	1,626,017
2005 Debt Service Fund	3,314	2,316,765	523,438
2010 Construction Debt Service Fund	667	466,568	105,379
2010 Buses Debt Service Fund	104	72,392	16,349
	<u>\$ 6,557</u>	<u>\$ 9,709,545</u>	<u>\$ 2,271,183</u>

Ottawa County			
Townships of			
Plainfield	Tallmadge	Wright	Total
\$ 292,730	\$10,000,813	\$14,300,383	\$ 636,067,809
1,451,815	58,153,922	31,992,119	1,077,808,355
			18.0000
			2.8800
			0.5800
			0.0900
			<u>21.5500</u>
\$ 4,594	\$ 173,117	\$ 190,851	\$ 8,842,417
4,181	167,483	92,137	3,103,792
842	33,729	18,555	625,065
131	5,233	2,879	96,986
<u>9,748</u>	<u>379,562</u>	<u>304,422</u>	<u>12,668,260</u>
-	46	95	12,412
-	23	203	5,928
-	5	41	1,195
-	-	6	185
<u>-</u>	<u>74</u>	<u>345</u>	<u>19,720</u>
4,594	173,071	190,756	8,830,005
4,181	167,460	91,934	3,097,864
842	33,724	18,514	623,870
131	5,233	2,873	96,801
<u>9,748</u>	<u>379,488</u>	<u>304,077</u>	<u>12,648,540</u>
-	-	434	21,159
-	287	231	9,746
-	58	47	1,929
-	9	7	297
<u>-</u>	<u>354</u>	<u>719</u>	<u>33,131</u>
4,594	173,071	191,190	8,851,164
4,181	167,747	92,165	3,107,610
842	33,782	18,561	625,799
131	5,242	2,880	97,098
<u>\$ 9,748</u>	<u>\$ 379,842</u>	<u>\$ 304,796</u>	<u>\$ 12,681,671</u>