

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

Annual Financial Report

For the year ended June 30, 2017

**KENOWA HILLS PUBLIC SCHOOLS**  
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For the year ended June 30, 2017

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

October 30, 2017

The Board of Education  
Kenowa Hills Public Schools

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kenowa Hills Public Schools (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Kenowa Hills Public Schools as of June 30, 2017, 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.

## 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 30, 2017 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, 2017. 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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, deferred outflows of resources, liabilities, and deferred inflows of resources - 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.

**Condensed District-Wide Financial Information**

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

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets	\$ 25,139,240	\$ 29,158,256
Net capital assets	<u>31,580,037</u>	<u>28,828,072</u>
<b>Total Assets</b>	<u><b>56,719,277</b></u>	<u><b>57,986,328</b></u>
<b>Deferred Outflows of Resources</b>	<u><b>7,353,414</b></u>	<u><b>6,628,651</b></u>
<b>Liabilities</b>		
Current liabilities	8,102,140	7,788,115
Long-term liabilities	39,659,485	43,036,886
Net pension liability	<u>46,898,384</u>	<u>45,833,590</u>
<b>Total Liabilities</b>	<u><b>94,660,009</b></u>	<u><b>96,658,591</b></u>
<b>Deferred Inflows of Resources</b>	<u><b>140,239</b></u>	<u><b>151,814</b></u>
<b>Net Position</b>		
Net investment in capital assets	2,528,794	1,354,392
Restricted	3,917,442	2,553,852
Unrestricted (deficit)	<u>(37,173,793)</u>	<u>(36,103,670)</u>
<b>Total Net Position</b>	<u><b>\$ (30,727,557)</b></u>	<u><b>\$ (32,195,426)</b></u>



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

	<u>2017</u>	<u>2016</u>
<b>Program Revenues</b>		
Charges for services	\$ 1,429,551	\$ 1,408,225
Operating grants	9,949,340	9,891,711
<b>General Revenues</b>		
Property taxes	14,275,250	13,061,407
State school aid, unrestricted	13,607,737	14,106,767
Interest earnings	113,812	13,968
Gain on sale of fixed assets	2,725	6,933
Insurance refunds and claims	3,148,267	-
Other	854,118	669,417
<b>Total Revenues</b>	<u>43,380,800</u>	<u>39,158,428</u>
<b>Expenses</b>		
Instruction	22,857,971	22,133,051
Supporting services	15,379,392	11,947,891
Community services	741,937	674,516
Food service	1,106,122	1,295,955
Other	22,414	192,066
Interest expense	1,805,095	1,566,284
<b>Total Expenses</b>	<u>41,912,931</u>	<u>37,809,763</u>
Increase in net assets	1,467,869	1,348,665
<b>Net Position, Beginning of Year</b>	<u>(32,195,426)</u>	<u>(33,544,091)</u>
<b>Net Position, End of Year</b>	<u>\$ (30,727,557)</u>	<u>\$ (32,195,426)</u>

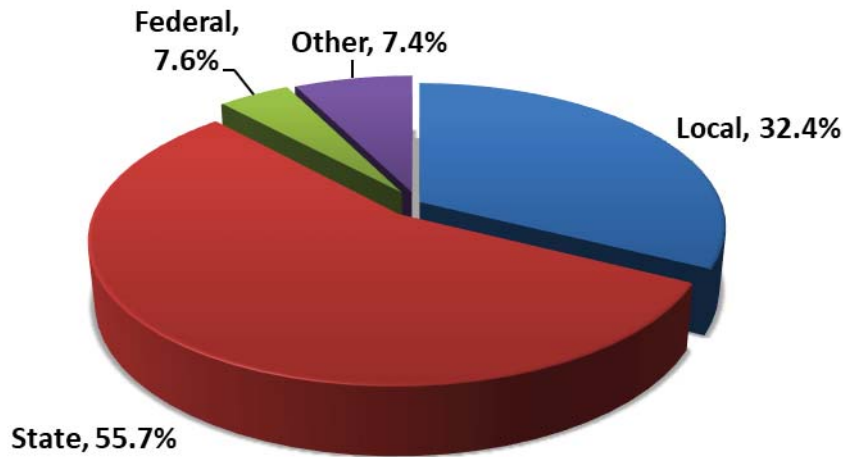
**Financial Analysis of the District as a Whole**

The District's financial position is influenced by many factors. The District experienced an increase in local tax revenues and decreased 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 District's total revenues increased to \$43.4 million. Property taxes and unrestricted State aid accounted for most of the District's revenue, contributing 64% of every dollar raised. Another 23% 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.

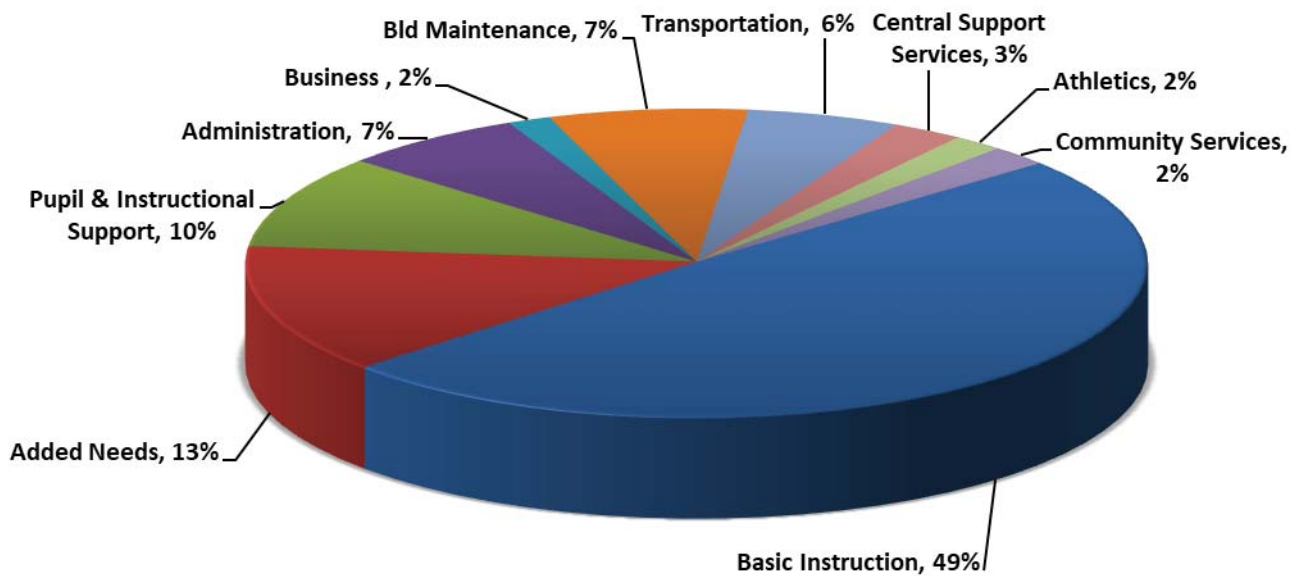


Sources of Revenue for Fiscal Year 2016-17



The total cost of all programs and services increased 10.85 percent to \$41.9 million. The District's expenses are predominantly related to instructing, caring for (added needs and pupil services) and transporting students (60 percent). The District's administrative and business activities accounted for 8 percent of total costs. Operation and maintenance expenses accounted for 6 percent.

**Departmental Expenditures as Percentage of Total**

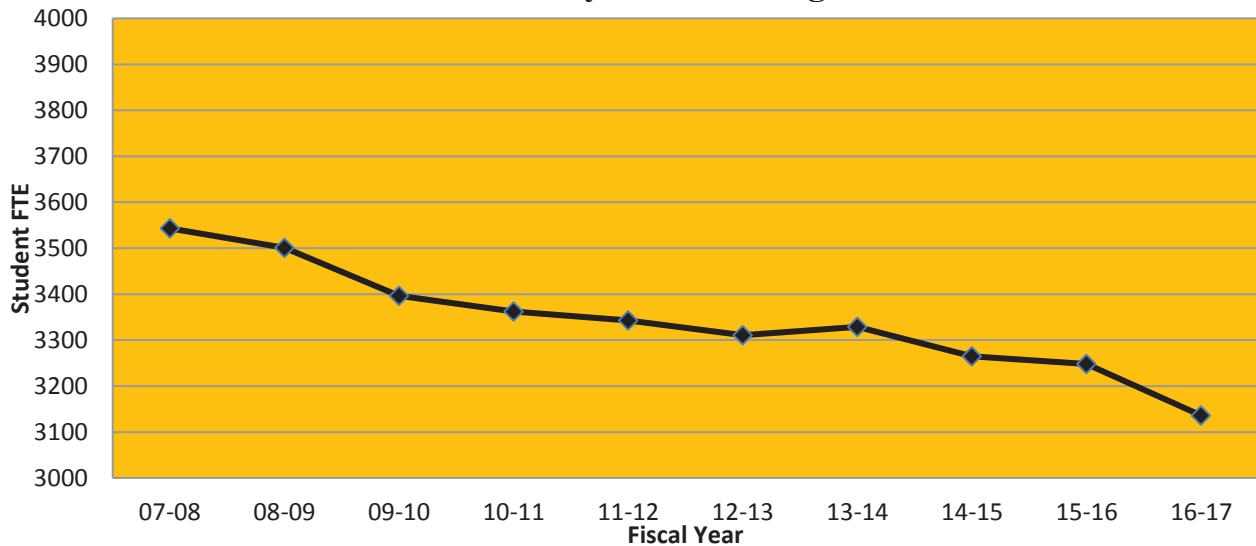


- Total revenues surpassed expenses, increasing net position by \$1,467,869 from last year.



- The blended student count for which the District receives a foundation allowance decreased by 112 students between 2015-16 and 2016-17.

**Enrollment History: 2007 through 2017**



- Changes to valuations on some commercial and industrial properties, along with an increase in the housing market resulted in a 1.17% increase in taxable values over the prior year. This is the third consecutive year of positive change which followed seven years of decline.
- Approximately 55.7% of the District’s revenue is funded by the State of Michigan, this is down from 2015-16. This is a result of the enrollment decline and is cause for the District to remain cautious regarding funding.
- 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 loss 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. Prior to beginning the 2015-16 school year the District reduced \$1.2 million of spending to keep its spending in balance with revenue. As a result the District was able to add \$99,044 back to the District’s General Fund balance bringing the end of year total to 13.2% of expenditures. The estimated Fund balance after a use of approximately \$1.1 million in reserves for Fiscal year 2016-17 is 10%.

**Fund Financial Statements**

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



The District utilizes two kinds of funds:

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

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

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

#### **Major Funds**

##### General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$32,918,792, total other financing sources of \$91,325, total expenditures of \$34,090,521, and total other financing uses of \$15. It ended the fiscal year with a fund balance of \$3,226,013, a decrease of \$1,080,419 from the fund balance of \$4,306,432 at June 30, 2016.

##### 2016 Construction Capital Projects Fund

The 2016 Construction Capital Projects Fund accounts for bond proceeds and voter approved capital improvement projects. Total revenues totaled \$84,254, with total expenditures of \$4,545,466 for the fiscal year. The fund balance at year end was \$13,203,243, a decrease of \$4,461,212 from the fund balance of \$17,664,455 at June 30, 2016.

##### 2010 Debt Service Fund

The District maintains one major Debt Service Fund. Total revenues were \$1,290,529, and total expenditures were \$470,164. The ending fund balances in the 2010 Debt Service Fund totaled \$2,610,637, an increase of \$820,365 from the fund balance of \$1,790,272 at June 30, 2016.

#### **Nonmajor Funds**

##### Special Revenue Fund

The District operates one Special Revenue Fund, for the food service program. Total revenues were \$1,408,883, total expenditures were \$1,261,648, and total other financing uses were \$91,325. The ending fund balance was \$93,196 at June 30, 2017.



Debt Service Funds

The District maintains four nonmajor Debt Service Funds. Total revenues were \$4,105,537, and total expenditures were \$3,793,608. The ending fund balances in the Debt Service Funds totaled \$1,111,399 at June 30, 2017.

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 2016-17 were \$3,143,207, and total expenditures were \$2,951,497, leaving a fund balance of \$446,557 at June 30, 2017.

Fiduciary Funds

The District has Scholarship Funds, a Student Activities Fund, and a Flexible Spending Fund. The assets of these funds are being held for the benefit of the District’s students and employees. Balances on hand at June 30, 2017 totaled \$317,628.

**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:

- Due to the actual enrollment being deviating significantly from budgeted enrollment, the District used \$1.1 million in reserves to balance it’s budget in Fiscal year 2016-17. It is expected that the District’s budget will be balanced for Fiscal Year 2017-18 as expenditure reductions
- The Regional Enhancement millage passed in Kent County on May 2<sup>nd</sup>, 2017 will provide additional revenues in addition to State Funding that will assist the District in balancing the Fiscal Year 2017-18 budget.

**Capital Asset and Debt Administration**

**Capital Assets**

By the end of 2016-17, the District had invested \$56.7 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 \$1,481,431.

At June 30, 2017, the District’s investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, furniture and equipment, was \$31.6 million. This represents an increase of approximately \$2.7 million from the previous year-end.

Land	\$ 1,106,100
Construction in progress	3,629,710
Land improvements	2,153,217
Buildings and additions	23,509,145
Furniture and equipment	417,371
Vehicles	764,494
	764,494
<b>Net Capital Assets</b>	<b>\$ 31,580,037</b>



### **Long-term Debt**

At year end, the District had \$43 million in general obligation bonds and other long-term debt outstanding – a decrease of \$3.2 million from last year. The District continued to pay down its debt, retiring \$3.5 million as of June 2017.

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 "AA-". 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 adjustments to the use of the School Aid Fund continues to be a major concern for future K-12 school funding. The District's October 2016 student count of 3,136 was down 112 students from the October 2015 count of 3,248. State School Aid funding, which represents approximately 55.7% of the District's annual revenues, is \$1 per student above 2007-08 funding level.
- Negotiated contract agreements are in place with teacher and support staff unions through August 2018 and transportation and all of custodial services will be provided by private contractors through the 2017-18 school year.
- The District's fund balance in its primary operating fund, the General Fund, decreased by \$1.1 million during the 2016-17 fiscal year to \$3.2 million. This decrease was less than the \$1.6 million projected decrease. The current fund balance represents 9.43% of the 2016-17 General Fund operational expenditures. As a result of this Fund Balance, the District is reducing staff to provide a solid foundation for the 2017-18 budget year.

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

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



## **BASIC FINANCIAL STATEMENTS**

**KENOWA HILLS PUBLIC SCHOOLS**  
**Statement of Net Position**  
**June 30, 2017**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 504
Cash equivalents, deposits and investments (Note B)	21,450,508
Accounts receivable	22,465
Due from other governmental units (Note C)	3,635,842
Inventory	18,378
Prepaid expenses	11,543
Capital assets not being depreciated (Note E)	4,735,810
Capital assets being depreciated, net (Note E)	26,844,227
	<b>56,719,277</b>
<b>Deferred Outflows of Resources</b>	
Loss on advance bond refundings, net	188,545
Deferred pension amounts	7,164,869
	<b>7,353,414</b>
<b>Liabilities</b>	
Accounts payable	691,678
Due to other governmental units	1,656,944
Accrued interest payable	344,347
Salaries payable	1,907,341
Unearned revenue	192,232
Long-term liabilities (Note F):	
Due within one year	3,309,598
Due in more than one year	39,659,485
Net pension liability	46,898,384
	<b>94,660,009</b>
<b>Deferred Inflows of Resources</b>	
Deferred pension amounts	140,239
	<b>140,239</b>
<b>Net Position</b>	
Net investment in capital assets	2,528,794
Restricted for:	
Capital outlay	446,557
Debt service	3,377,689
Food service	93,196
Unrestricted (deficit)	(37,173,793)
	<b>\$(30,727,557)</b>

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Statement of Activities**  
**For the year ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
<b>Governmental Activities</b>				
Instruction	\$ 22,857,971	\$ 33,961	\$ 8,011,846	\$(14,812,164)
Supporting services	15,379,392	193,302	587,748	(14,598,342)
Community services	741,937	773,660	-	31,723
Food service	1,106,122	428,628	979,879	302,385
Other	22,414	-	77,076	54,662
Interest on long-term debt	1,805,095	-	292,791	(1,512,304)
<b>Total Governmental Activities</b>	<u>\$ 41,912,931</u>	<u>\$ 1,429,551</u>	<u>\$ 9,949,340</u>	<u>(30,534,040)</u>
<b>General Revenues</b>				
Taxes:				
				9,258,857
				5,016,393
				13,607,737
				113,812
				2,725
				3,148,267
				<u>854,118</u>
				<b>Total General Revenues</b>
				<u>32,001,909</u>
				<b>Change in Net Position</b>
				1,467,869
				<b>Net Position - Beginning of Year</b>
				<u>(32,195,426)</u>
				<b>Net Position - End of Year</b>
				<u><u>\$(30,727,557)</u></u>

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

<b>Assets</b>	<b>General</b>	<b>2016 Construction</b>	<b>2010 Debt Service</b>	<b>Nonmajor</b>	<b>Total</b>
Cash	\$ 400	\$ -	\$ -	\$ 104	\$ 504
Cash equivalents, deposits and investments (Note B)	3,742,467	13,207,764	2,610,637	1,889,640	21,450,508
Accounts receivable	17,556	-	-	1,128	18,684
Due from other funds	284,064	12,766	-	8,859	305,689
Due from other governmental units (Note C)	3,597,555	-	-	38,287	3,635,842
Inventory	7,360	-	-	11,018	18,378
Prepaid expenditures	6,083	-	-	5,460	11,543
<b>Total Assets</b>	<b>\$ 7,655,485</b>	<b>\$13,220,530</b>	<b>\$2,610,637</b>	<b>\$ 1,954,496</b>	<b>\$25,441,148</b>
 <b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 691,678	\$ -	\$ -	\$ -	\$ 691,678
Due to other funds	2,476	17,287	-	282,145	301,908
Due to other governmental units	1,656,944	-	-	-	1,656,944
Salaries payable	1,903,716	-	-	3,625	1,907,341
Unearned revenue	174,658	-	-	17,574	192,232
<b>Total Liabilities</b>	<b>4,429,472</b>	<b>17,287</b>	<b>-</b>	<b>303,344</b>	<b>4,750,103</b>
<b>Fund Balances (Note A)</b>					
Nonspendable	13,443	-	-	16,478	29,921
Restricted	-	13,203,243	2,610,637	1,634,674	17,448,554
Assigned for superintendent contract	6,013	-	-	-	6,013
Assigned for new equipment	14,663	-	-	-	14,663
Unassigned	3,191,894	-	-	-	3,191,894
<b>Total Fund Balances</b>	<b>3,226,013</b>	<b>13,203,243</b>	<b>2,610,637</b>	<b>1,651,152</b>	<b>20,691,045</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,655,485</b>	<b>\$13,220,530</b>	<b>\$2,610,637</b>	<b>\$ 1,954,496</b>	<b>\$25,441,148</b>

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2017**

<b>Total governmental fund balances</b>		<b>\$ 20,691,045</b>
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 \$56,745,760 and accumulated depreciation is \$25,165,723.		31,580,037
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.		188,545
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	\$(38,345,000)	
Bond premium	(4,098,031)	
Accumulated sick leave	<u>(526,052)</u>	(42,969,083)
Accrued interest is not included as a liability in governmental funds.		(344,347)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(46,898,384)	
Deferred outflows	7,164,869	
Deferred inflows	<u>(140,239)</u>	<u>(39,873,754)</u>
<b>Total net position - governmental activities</b>		<b><u><u>\$(30,727,557)</u></u></b>

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Statement of Revenues, Expenditures and**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2017**

	General	2016 Construction	2010 Debt Service	Nonmajor	Total
<b>Revenues</b>					
Local sources	\$10,711,461	\$ 84,254	\$ 997,738	\$7,600,672	\$19,394,125
State sources	18,411,632	-	-	141,446	18,553,078
Federal sources	1,477,245	-	292,791	910,526	2,680,562
Interdistrict sources	2,318,454	-	-	4,983	2,323,437
<b>Total Revenues</b>	<b>32,918,792</b>	<b>84,254</b>	<b>1,290,529</b>	<b>8,657,627</b>	<b>42,951,202</b>
<b>Expenditures</b>					
Current:					
Instruction	21,308,501	-	-	-	21,308,501
Supporting services	12,045,626	343,899	-	1,269,010	13,658,535
Food service	-	-	-	1,261,648	1,261,648
Community services	724,394	-	-	-	724,394
Capital outlay	12,000	4,200,117	-	1,682,487	5,894,604
Debt service:					
Principal repayment	-	-	-	2,475,000	2,475,000
Interest and fiscal charges	-	-	470,164	1,318,607	1,788,771
Bond issuance costs	-	1,450	-	-	1,450
<b>Total Expenditures</b>	<b>34,090,521</b>	<b>4,545,466</b>	<b>470,164</b>	<b>8,006,752</b>	<b>47,112,903</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,171,729)</b>	<b>(4,461,212)</b>	<b>820,365</b>	<b>650,875</b>	<b>(4,161,701)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	91,325	-	-	-	91,325
Transfers out	-	-	-	(91,325)	(91,325)
Other uses	(15)	-	-	-	(15)
<b>Total Other Financing Sources (Uses)</b>	<b>91,310</b>	<b>-</b>	<b>-</b>	<b>(91,325)</b>	<b>(15)</b>
<b>Net Change in Fund Balances</b>	<b>(1,080,419)</b>	<b>(4,461,212)</b>	<b>820,365</b>	<b>559,550</b>	<b>(4,161,716)</b>
<b>Fund Balances, Beginning of Year</b>	<b>4,306,432</b>	<b>17,664,455</b>	<b>1,790,272</b>	<b>1,091,602</b>	<b>24,852,761</b>
<b>Fund Balances, End of Year</b>	<b>\$ 3,226,013</b>	<b>\$13,203,243</b>	<b>\$2,610,637</b>	<b>\$1,651,152</b>	<b>\$20,691,045</b>

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, 2017**

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**Net change in fund balances - total governmental funds** \$ (4,161,716)

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

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

	Capital outlays	\$ 4,237,059	
	Depreciation expense	<u>(1,481,431)</u>	2,755,628

In the Statement of Activities, only the loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold/retired. (3,663)

Bond premium is amortized over the life of the new bond issue on the Statement of Activities. 429,598

Losses on advanced bond refundings are amortized over the life of the new bond issue on the Statement of Activities. (20,949)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 2,475,000

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. (16,325)

In the Statement of Net Position, early retirement incentive, accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$593,549) exceeded the amounts earned (\$275,746). 317,803

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. (307,507)

**Total changes in net position - governmental activities** \$ 1,467,869

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$10,304,058	\$10,650,297	\$10,711,461	\$ 61,164
State sources	18,682,333	18,491,348	18,411,632	(79,716)
Federal sources	1,456,240	1,524,325	1,477,245	(47,080)
Interdistrict sources	2,257,670	2,315,712	2,318,454	2,742
<b>Total Revenues</b>	<b>32,700,301</b>	<b>32,981,682</b>	<b>32,918,792</b>	<b>(62,890)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	16,238,559	16,881,742	16,716,664	165,078
Added needs	4,526,271	4,639,832	4,591,837	47,995
Supporting services:				
Pupil services	1,930,501	1,906,891	1,983,910	(77,019)
Instructional staff services	1,358,961	1,467,507	1,349,691	117,816
General administrative services	498,100	503,133	454,255	48,878
School administrative services	1,843,163	1,868,676	1,808,577	60,099
Business services	513,168	490,134	639,096	(148,962)
Operation and maintenance services	2,500,371	2,555,159	2,439,413	115,746
Pupil transportation services	1,802,340	1,952,928	1,877,780	75,148
Central services	917,264	960,075	871,173	88,902
Other support services	674,726	666,025	621,731	44,294
Community services	661,312	688,350	724,394	(36,044)
Capital outlay	-	-	12,000	(12,000)
<b>Total Expenditures</b>	<b>33,464,736</b>	<b>34,580,452</b>	<b>34,090,521</b>	<b>489,931</b>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<b>(764,435)</b>	<b>(1,598,770)</b>	<b>(1,171,729)</b>	<b>427,041</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	113,871	87,710	91,325	3,615
Transfers out	(60,521)	(88,400)	-	88,400
Other uses	-	-	(15)	(15)
<b>Total Other Financing Sources (Uses)</b>	<b>53,350</b>	<b>(690)</b>	<b>91,310</b>	<b>92,000</b>
<b>Net Change in Fund Balances</b>	<b>(711,085)</b>	<b>(1,599,460)</b>	<b>(1,080,419)</b>	<b>519,041</b>
<b>Fund Balances, Beginning of Year</b>	<b>4,306,432</b>	<b>4,306,432</b>	<b>4,306,432</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ 3,595,347</b>	<b>\$ 2,706,972</b>	<b>\$ 3,226,013</b>	<b>\$ 519,041</b>

See accompanying notes to basic financial statements.



**KENOWA HILLS PUBLIC SCHOOLS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2017**

	Private Purpose Trust Fund	Agency Funds
<b>Assets</b>		
Cash equivalents, deposits and investments (Note B)	\$ 40,379	\$ 277,249
<b>Liabilities</b>		
Due to other funds (Note D)	-	\$ 3,781
Due to student groups	-	265,993
Due to employees	-	7,475
<b>Total Liabilities</b>	-	\$ 277,249
<b>Net Position</b>		
Held in trust for: Individuals and organizations	\$ 40,379	

See accompanying notes to basic financial statements.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the year ended June 30, 2017**

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	Private Purpose Trust Fund
<b>Additions</b>	
Interest on deposits and investments	\$ 152
Donations	16,301
<b>Total Additions</b>	16,453
<b>Deductions</b>	
Scholarships	16,900
<b>Change In Net Assets</b>	(447)
<b>Net Position, Beginning of Year</b>	40,826
<b>Net Position, End of Year</b>	\$ 40,379

See accompanying notes to basic financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

Kenowa Hills Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 3,137 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, 2017**

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Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2016 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

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

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

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

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

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

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

#### **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, 2017**

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*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, and the Flexible Spending Fund to account for employee insurance contributions. The funds are segregated and held in trust for the students and employees.

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, 2017**

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**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. 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, 2017**

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**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 fair 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
Furniture and equipment	3-10 years
Vehicles	5-10 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, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

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

**10. Accumulated Sick Leave**

Accumulated sick leave at June 30, 2017 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, 2017, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for accumulated sick leave amounted to \$526,052.



**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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### **11. Retirement Plan**

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 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

### **12. 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 an 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.

### **13. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets 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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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#### **14. Fund Balance**

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

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

As of June 30, 2017, 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.

#### **15. 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.

#### **16. Estimates**

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

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

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

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

Balances at June 30, 2017 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 21,450,508
Fiduciary Funds:	
Trust and Agency Funds	<u>317,628</u>
	<u>\$ 21,768,136</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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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June 30, 2017 balances are detailed as follows:

Cash equivalents	\$ 6,728,281	
Deposits	35,291	
	<u>6,763,572</u>	

*Custodial Credit Risk Related to Cash Equivalents and Deposits*

Custodial credit risk is the risk that in the event of bank failure, the District's cash equivalents and deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$6,763,572, and the bank balance was \$6,940,965. Of the bank balance, \$1,835,261 was covered by federal depository insurance and \$5,105,704 was uninsured and uncollateralized.

**Investments**

As of June 30, 2017 the District had the following investment:

	<b>Standard &amp; Poor's Rating</b>	
Surplus Funds Investment Pool Accounts:		
BNY Mellon Cash and Fixed Income Account	AA	\$ 2,131,312
Michigan Liquid Asset Fund	AAAm	<u>12,873,252</u>
		<u>\$ 15,004,564</u>

The BNY Mellon Cash and Fixed Income Account and the Michigan Liquid Asset Fund Plus (MILAF) are external pooled investment funds that include qualified investments in accordance with the applicable sections of the Michigan School Code. The funds are not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2017.

*Custodial Credit Risk Related to Investments*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. At June 30, 2017, the District had no investments that were subject to custodial credit risk.

*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**  
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*Concentration of Credit Risk*

The District minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

*Foreign Currency Risk*

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

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

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2016 and October 2016. The 2016-17 "Foundation Allowance" for Kenowa Hills Public Schools was \$7,519 for 3,136 "Full Time Equivalent" students, generating \$17,906,517 in state aid payments to the District, of which \$3,270,319 was paid to the District in July and August 2017 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 2016.

The District levied 4.41 mills in 2016 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.

**KENOWA HILLS PUBLIC SCHOOLS**  
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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).

The District is subject to tax abatements granted by the County of Kent with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2017, the District's property tax revenues were reduced by approximately \$1,345,614 under these agreements.

**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, 2017, are detailed as follows:

<u>Major Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 269,379	\$ 2,476
Capital Projects Fund:		
2016 Construction Fund	10,904	-
Agency Fund:		
Student Activities Fund	3,781	-
2016 Construction Fund:		
General Fund	-	10,904
Capital Projects Fund:		
2013 Construction Fund	12,766	6,383
	<u>296,830</u>	<u>19,763</u>
Total Major Fund		

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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	<b>Due From</b>	<b>Due To</b>
<b>Nonmajor Funds</b>		
Special Revenue Fund:		
Food Service Fund:		
General Fund	\$ 2,476	\$ 269,379
Capital Projects Fund:		
2013 Construction Fund:		
2016 Construction Fund	6,383	12,766
Total Nonmajor Funds	8,859	282,145
<b>Fiduciary Fund</b>		
Agency Fund:		
Student Activities Fund:		
General Fund	-	3,781
<b>Total All Funds</b>	<b>\$ 305,689</b>	<b>\$ 305,689</b>

Operating transfers between funds to allocate expenditures during the year ended June 30, 2017 were as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Fund</b>		
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 91,325	\$ -
<b>Nonmajor Funds</b>		
Special Revenue Fund:		
Food Service Fund:		
General Fund	-	91,325
<b>Total All Funds</b>	<b>\$ 91,325</b>	<b>\$ 91,325</b>

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

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balances July 1, 2016	Additions	Deduction	Balances June 30, 2017
Capital assets not depreciated:				
Land	\$ 1,106,100	\$ -	\$ -	\$ 1,106,100
Construction in Progress	-	3,629,710	-	3,629,710
Total capital assets not being depreciated	<u>1,106,100</u>	<u>\$ 3,629,710</u>	<u>\$ -</u>	<u>4,735,810</u>
Capital assets being depreciated:				
Land improvements	3,925,900	\$ -	\$ -	3,925,900
Buildings	43,893,326	91,182	-	43,984,508
Furniture and equipment	1,651,742	172,767	186,700	1,637,809
Vehicles	2,379,243	343,400	260,910	2,461,733
Total capital assets being depreciated	<u>51,850,211</u>	<u>\$ 607,349</u>	<u>\$ 447,610</u>	<u>52,009,950</u>
Less accumulated depreciation for:				
Land improvements	1,595,823	\$ 176,860	\$ -	1,772,683
Buildings	19,472,795	1,002,568	-	20,475,363
Furniture and equipment	1,260,063	143,412	183,037	1,220,438
Vehicles	1,799,558	158,591	260,910	1,697,239
Total accumulated depreciation	<u>24,128,239</u>	<u>\$ 1,481,431</u>	<u>\$ 443,947</u>	<u>25,165,723</u>
Total capital assets being depreciated, net	<u>27,721,972</u>			<u>26,844,227</u>
<b>Net Capital Assets</b>	<u><u>\$ 28,828,072</u></u>			<u><u>\$ 31,580,037</u></u>



**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,140,703
Supporting services	308,878
Community services	11,851
Food service	19,999
	<u>\$ 1,481,431</u>

**Note F – Long-term Debt**

Changes in long-term debt for the year ended June 30, 2017 are summarized as follows:

	Debt Outstanding July 1, 2016	Debt Added	Debt Retired	Debt Outstanding June 30, 2017
General obligation bonds:				
June 23, 2010 – Series A	\$ 11,890,000	\$ —	\$ —	\$ 11,890,000
June 23, 2010 – Series B	75,000	—	75,000	—
February 4, 2015 Refunding	13,365,000	—	1,115,000	12,250,000
June 2, 2016	15,490,000	—	1,285,000	14,205,000
Bond premium	4,527,629	—	429,598	4,098,031
Accumulated sick leave	843,855	275,746	593,549	526,052
	<u>\$46,191,484</u>	<u>\$ 275,746</u>	<u>\$ 3,498,147</u>	<u>\$ 42,969,083</u>

Long-term bonds and other obligations outstanding at June 30, 2017 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
<b>General Obligation Bonds</b>				
\$13,815K Building and Site Series A June 23, 2010:				
Principal due in full on final maturity date	May 1, 2026	6.375	\$11,890,000	\$ —
\$14,425K Refunding February 4, 2015:				
Annual maturities of \$1,060K to \$1,560K	May 1, 2026	5.00	12,250,000	1,165,000
\$15,490K Refunding June 2, 2016:				
Annual maturities of \$50K to \$1,465K	May 1, 2045	4.00 - 5.00	14,205,000	1,465,000
Bond premium			4,098,031	429,598
<b>Other Obligations</b>				
Accumulated sick leave			526,052	250,000
			<u>\$42,969,083</u>	<u>\$ 3,309,598</u>

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 2,630,000	\$ 1,437,107	\$ 4,067,107
2019	1,225,000	1,320,257	2,545,257
2020	1,335,000	1,259,007	2,594,007
2021	1,455,000	1,192,257	2,647,257
2022	1,515,000	1,119,507	2,634,507
2023	1,615,000	1,043,757	2,658,757
2024	1,810,000	963,007	2,773,007
2025	1,935,000	872,507	2,807,507
2026	13,485,000	775,757	14,260,757
2027	540,000	567,000	1,107,000
2028	600,000	540,000	1,140,000
2029	600,000	510,000	1,110,000
2030	600,000	480,000	1,080,000
2031	600,000	450,000	1,050,000
2032	600,000	420,000	1,020,000
2033	600,000	390,000	990,000
2034	600,000	360,000	960,000
2035	600,000	330,000	930,000
2036	600,000	300,000	900,000
2037	600,000	270,000	870,000
2038	600,000	240,000	840,000
2039	600,000	210,000	810,000
2040	600,000	180,000	780,000
2041	600,000	150,000	750,000
2042	600,000	120,000	720,000
2043	600,000	90,000	690,000
2044	600,000	60,000	660,000
2045	600,000	30,000	630,000
	<b>\$ 38,345,000</b>	<b>\$ 15,680,159</b>	<b>\$ 54,025,159</b>

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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**Note G – Retirement Plan**

*Plan Description*

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

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

The System's financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

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:

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

*Membership*

At September 30, 2016, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	187,546
Survivor benefits	17,274
Disability benefits	6,187
<b>Total</b>	<b>211,007</b>
Inactive plan members entitled to but not yet receiving benefits:	
	<b>17,868</b>
Active plan members:	
Vested	104,159
Non-vested	103,486
<b>Total</b>	<b>207,645</b>
<b>Total plan members</b>	<b>436,520</b>

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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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. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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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 Basic Plan 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 60<sup>th</sup> 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.

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

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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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 and Funded Status**

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided". Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB) (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 21 year period for the 2015 fiscal year.



**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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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% to 10.53% of covered payroll for “MPSERS 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). Employer contribution requirements for pension and retiree healthcare, including the MPSERS UAAL Stabilization and one-time prepayment rates, ranged from 20.96% to 25.78% of covered payroll. Plan member contribution rates range from 0.0% to 7.0% of covered payroll.

The District’s contributions to MPSERS under all pension plans for the year ended June 30, 2017, inclusive of the MSPERS UAAL Stabilization and one-time prepayment, totaled \$4,958,290.

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, 2016, there were 11,113 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2016. The average remaining length of a contract was approximately 5.7 years for 2016. The short-term receivable was \$20.7 million and the discounted long-term receivable was \$52.8 million at September 30, 2016.

***MPSERS Plan Net Pension Liability (in thousands)***

Total Pension Liability	\$ 68,970,001
Plan Fiduciary Net Position	<u>43,460,579</u>
Net Pension Liability	<u><u>\$ 25,509,422</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.01%
Net Pension Liability as a Percentage of Covered Employee Payroll	299.75%
Total Covered Payroll	\$ 8,510,200

***Proportionate Share of Reporting Unit’s Net Pension Liability***

On June 30, 2017, the District reported a liability of \$46,898,384 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, 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. The District’s proportion was .18765011% at September 30, 2015, and .18797564% at September 30, 2016.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
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***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2017, the District recognized pension expense of \$4,667,507. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 584,478	\$ 111,150
Changes of assumptions	733,220	—
Net difference between projected and actual earnings on pension plan investment earnings	779,451	—
Changes in proportion and differences between District contributions and proportionate share of contributions	573,222	29,089
District contributions subsequent to the measurement date*	4,494,498	—
<b>Total</b>	<b>\$ 7,164,869</b>	<b>\$ 140,239</b>

\*This amount, reported as deferred outflows of resources related to pensions resulting from Reporting Unit contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

<b>Year ended June 30</b>	<b>Amount</b>
2018	\$ 566,826
2019	505,520
2020	1,271,841
2021	185,945

***Actuarial Assumptions***

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

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	8.0%
Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5% - 12.3%, including wage inflation of 3.5%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males, and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2015 valuation. The total pension liability as of September 30, 2016 is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.6273 for non-university employers, 1.2456 for university employers].
- Recognition period for assets in years is 5.000.
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report ([www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr)).

***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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

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**Notes to Basic Financial Statements**  
**June 30, 2017**

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate & Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short-term Investment Pools	2.0%	0.0%
<b>Total</b>	<b>100.0%</b>	

***Discount Rate***

A discount rate of 8.0% was used to measure the total pension liability (7% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the District's Proportionate Share 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 (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	<u>1% Decrease (Non-Hybrid/Hybrid)* 7.0%/6.0%</u>	<u>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0%/7.0%</u>	<u>1% Increase (Non-Hybrid/Hybrid)* 9.0%/8.0%</u>
District's proportionate share of the net pension liability	\$ 60,393,314	\$ 46,898,384	\$ 35,520,861

***Michigan Public School Employees Retirement System (MPERS) 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, 2016 Comprehensive Annual Financial Report, available here: ([www.michigan.gov/documents/orsschools/MPERS\\_CAFR\\_2016\\_Final\\_510211\\_7.pdf](http://www.michigan.gov/documents/orsschools/MPERS_CAFR_2016_Final_510211_7.pdf))

***Payables to the Michigan Public School Employee Retirement System (MPERS)***

Payables to the pension plan totaling \$637,890 at June 30, 2017 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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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## **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 2016, 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 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.

**KENOWA HILLS PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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***Employer contributions***

Required contributions for post-employment health care benefits ranged from 6.40% to 8.78% of covered payroll for the fiscal year ended June 30, 2017. The District's required and actual contributions to the Plan for retiree health care benefits for the fiscal years ending June 30, 2017, 2016 and 2015 were \$983,254, \$991,269, and \$458,546, respectively.

***Post-employment Plan Status***

At September 30, 2016, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole was \$12.8 billion. The MPSERS net assets available for these benefits were \$3.5 billion leaving an unfunded actuarial accrued liability of \$9.3 billion. The funded ratio of actuarial liability was 27.5%; covered payroll totaled \$8.3 billion, and unfunded actuarial liability was 112.6% of covered payroll.

**Note I – Risk Management and Benefits**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for property loss, errors and omissions, workers' compensation, health benefits, and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in fiscal 2016-17, and as of year ended June 30, 2017, there were no material pending claims against the District.

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

The District has an unrestricted net position deficit of \$37,173,793 and a total net position deficit of \$30,727,557, as of June 30, 2017. These deficit net positions result primarily from the net pension liability of \$39,873,754 (net of deferred outflows and inflows of resources related to the pension plan).

**Note K – Commitments**

On June 16, 2016, the District issued \$15,490,000 of general obligation 2016 Construction bonds whose proceeds are being used for land improvements, building renovations and additions and furniture and equipment purchases. At June 30, 2017, unspent balances committed to these construction projects totaled \$13,203,243, which are expected to be fully expended by the year ended June 30, 2019.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**KENOWA HILLS PUBLIC SCHOOLS**  
**Required Supplementary Information**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**MPERS Cost-sharing Multiple-employer Plan**  
**June 30, 2017**

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	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2017</u>
District's proportion of the net pension liability	0.18430760%	0.18765011%	0.18797564%
District's proportionate share of the net pension liability	\$ 40,596,519	\$ 45,833,590	\$ 46,898,384
District's covered-employee payroll	\$ 15,633,151	\$ 15,620,996	\$ 15,815,358
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.68%	293.41%	296.54%
Plan fiduciary net position as a percentage of the total pension liability	66.15%	62.92%	63.01%

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**  
**MPSERS Cost-sharing Multiple-employer Plan**  
**June 30, 2017**

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	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2017</u>
Contractually required contribution	\$ 5,041,227	\$ 4,726,864	\$ 4,958,290
Contributions in relation to the contractually required contribution	<u>5,041,227</u>	<u>4,726,864</u>	<u>4,958,290</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 16,280,794	\$ 15,273,063	\$ 15,748,557
Contributions as a percentage of covered employee payroll	30.96%	30.95%	31.48%

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, 2017**

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**Note A – Net Pension Liability and Contributions**

**Changes of benefit terms:** There were no changes of benefit terms in 2016-17.

**Changes of assumptions:** There were no changes of benefit assumptions in 2016-17.

## **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, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Cash	\$ 400	\$ 400
Cash equivalents, deposits and investments	3,742,467	4,341,978
Accounts receivable	17,556	11,856
Due from other funds	284,064	151,007
Due from other governmental units	3,597,555	3,848,337
Inventory	7,360	7,360
Prepaid expenditures	6,083	4,344
	<b>Total Assets</b>	<b>Total Assets</b>
	<b>\$ 7,655,485</b>	<b>\$ 8,365,282</b>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 691,678	\$ 489,089
Due to other funds	2,476	36,511
Due to other governmental units	1,656,944	1,523,148
Salaries payable	1,903,716	1,873,598
Unearned revenue	174,658	136,504
	<b>Total Liabilities</b>	<b>Total Liabilities</b>
	<b>4,429,472</b>	<b>4,058,850</b>
 <b>Fund Balances</b>		
Nonspendable	13,443	11,704
Assigned for superintendent contract	6,013	6,013
Assigned for new equipment	14,663	14,663
Unassigned	3,191,894	4,274,052
	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>
	<b>3,226,013</b>	<b>4,306,432</b>
	<b>Total Liabilities and Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>
	<b>\$ 7,655,485</b>	<b>\$ 8,365,282</b>

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2017 and 2016**

	2017	2016
Local sources:		
Property taxes:		
Current property taxes	\$ 9,231,250	\$ 9,038,386
Delinquent and other property taxes	15,884	30,123
Interest on delinquent taxes	11,723	12,968
	<u>9,258,857</u>	<u>9,081,477</u>
Interest earnings:		
Interest on deposits and investments	24,436	8,744
Revenue from student activities:		
Athletic admissions	61,853	66,359
Athletic participation fees	59,375	55,870
Miscellaneous athletics	16,996	-
	<u>138,224</u>	<u>122,229</u>
Other local revenue:		
Childcare fees	702,956	694,580
Preschool fees	70,704	56,932
Summer school tuition	5,540	5,500
On-line learning tuition	350	600
After school tuition	3,020	5,275
Transportation fees	9,624	4,843
Class fees	25,051	25,878
Rental of school facilities	53,647	53,777
Donations	17,287	28,287
Universal service fund	36,363	68,376
Beverage consortium commissions	9,091	5,144
Sale of fixed assets	2,725	10,130
Insurance refunds	58,317	27,198
Miscellaneous	295,269	131,263
	<u>1,289,944</u>	<u>1,117,783</u>
Total local sources	10,711,461	10,330,233
State sources:		
State aid	17,788,334	18,353,394
Special education - transportation	374,488	333,695
Special education - itinerants	91,758	54,127
Technology readiness improvement grant	156,661	26,444
Bus driver safety	391	1,756
	<u>18,411,632</u>	<u>18,769,416</u>
Total state sources	18,411,632	18,769,416
Federal sources:		
Title I	507,984	500,601
Title I - migrant	68,134	61,822
Title IIA	72,659	76,485
Title III	23,274	27,205
I.D.E.A. program	799,650	769,441
Medicaid - outreach	5,544	3,439
	<u>1,477,245</u>	<u>1,438,993</u>
Total federal sources	1,477,245	1,438,993

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Interdistrict sources:		
Special education - county	\$ 1,870,984	\$ 1,838,974
Special education - tuition	174,997	132,475
Medicaid fee for service	224,220	241,258
McKinney Vento Homeless grant	5,463	6,062
Other	42,790	6,712
Total interdistrict sources	<u>2,318,454</u>	<u>2,225,481</u>
<b>Total Revenues</b>	<u><u>\$ 32,918,792</u></u>	<u><u>\$ 32,764,123</u></u>

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2017 and 2016**

	2017	2016
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 4,126,041	\$ 3,935,195
Employee benefits	2,878,016	2,738,586
Purchased services	176,605	141,721
Supplies	421,214	410,295
Miscellaneous	235	-
	<u>7,602,111</u>	<u>7,225,797</u>
Middle school:		
Salaries	1,973,590	1,951,386
Employee benefits	1,442,563	1,368,771
Purchased services	42,755	21,975
Supplies	158,985	90,984
Miscellaneous	628	625
Payments to other districts	-	310
	<u>3,618,521</u>	<u>3,434,051</u>
High school:		
Salaries	2,908,467	2,966,079
Employee benefits	2,046,250	2,034,887
Purchased services	182,712	162,041
Supplies	178,023	183,959
Miscellaneous	10,515	12,465
Payments to other districts	100,811	123,662
	<u>5,426,778</u>	<u>5,483,093</u>
Preschool:		
Salaries	38,469	33,811
Employee benefits	18,023	15,565
Purchased services	601	521
Supplies	2,394	3,924
Miscellaneous	553	379
Payments to other districts	6,286	6,518
	<u>66,326</u>	<u>60,718</u>
Summer school:		
Salaries	1,524	6,402
Employee benefits	501	2,894
Supplies	903	47
	<u>2,928</u>	<u>9,343</u>
Total basic programs	<u>16,716,664</u>	<u>16,213,002</u>
Added needs:		
Special education:		
Salaries	1,740,607	1,602,915
Employee benefits	1,217,269	1,126,884
Purchased services	34,044	52,833
Supplies	27,135	12,142
Payments to other school districts	399,609	419,798
	<u>3,418,664</u>	<u>3,214,572</u>

(Continued)



**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2017 and 2016**

	2017	2016
Compensatory education:		
Salaries	\$ 564,635	\$ 598,752
Employee benefits	397,338	410,844
Purchased services	28,195	18,512
Supplies	9,048	11,764
Miscellaneous	144	32,510
	<u>999,360</u>	<u>1,072,382</u>
Career and technology education:		
Salaries	86,518	88,784
Employee benefits	69,001	69,543
Purchased services	5,631	5,728
Supplies	7,088	21,468
Miscellaneous	5,575	378
	<u>173,813</u>	<u>185,901</u>
Total added needs	<u>4,591,837</u>	<u>4,472,855</u>
Total instruction	<u>21,308,501</u>	<u>20,685,857</u>
Supporting services:		
Pupil services:		
Attendance services:		
Salaries	3,560	4,638
Employee benefits	1,947	2,414
Purchased services	29	-
	<u>5,536</u>	<u>7,052</u>
Guidance services:		
Salaries	342,446	310,179
Employee benefits	261,579	222,515
Purchased services	668	1,254
Supplies	2,338	1,936
Miscellaneous	50	50
	<u>607,081</u>	<u>535,934</u>
Health services:		
Purchased services	482	433
Supplies	2,157	1,299
Payments to other school districts	80,292	103,134
	<u>82,931</u>	<u>104,866</u>
Psychological services:		
Purchased services	119	26,403
Supplies	691	1,015
Payments to other school districts	242,257	225,212
	<u>243,067</u>	<u>252,630</u>
Speech pathology services:		
Employee benefits	-	1,000
Purchased services	216	-
Supplies	2,841	2,532
Miscellaneous	1,000	-
Payments to other school districts	479,872	440,640
	<u>483,929</u>	<u>444,172</u>

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2017 and 2016**

	2017	2016
Social worker services:		
Purchased services	\$ 35,689	\$ 35,228
Supplies	1,783	791
Payments to other school districts	302,116	274,017
	<u>339,588</u>	<u>310,036</u>
Teacher consultant services:		
Purchased services	267	478
Supplies	19	41
Payments to other school districts	149,491	133,796
	<u>149,777</u>	<u>134,315</u>
Other pupil services:		
Salaries	37,257	31,865
Employee benefits	34,432	27,572
Miscellaneous	312	-
	<u>72,001</u>	<u>59,437</u>
Total pupil services	<u>1,983,910</u>	<u>1,848,442</u>
Instructional staff services:		
Improvement of instruction:		
Salaries	479,322	433,557
Employee benefits	328,970	297,088
Purchased services	167,915	160,156
Supplies	7,681	12,756
Miscellaneous	3,952	5,790
	<u>987,840</u>	<u>909,347</u>
Library:		
Salaries	54,738	54,200
Employee benefits	42,443	40,085
Purchased services	19,950	22,162
Supplies	16,450	20,857
Miscellaneous	3,305	3,344
	<u>136,886</u>	<u>140,648</u>
Supervision and direction of instruction:		
Salaries	104,237	102,178
Employee benefits	70,946	66,132
Purchased services	2,043	288
Supplies	529	892
Miscellaneous	310	-
	<u>178,065</u>	<u>169,490</u>
Academic student assessment:		
Salaries	12,865	10,520
Employee benefits	8,763	6,046
Purchased services	23,690	26,910
Supplies	1,582	3,873
	<u>46,900</u>	<u>47,349</u>
Total instructional staff services	<u>1,349,691</u>	<u>1,266,834</u>

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2017 and 2016**

	2017	2016
General administrative services:		
Board of education:		
Salaries	\$ 4,605	\$ 4,875
Employee benefits	354	377
Purchased services	84,927	96,057
Miscellaneous	9,661	9,201
	99,547	110,510
Executive administration:	206,080	209,000
Salaries	144,304	144,692
Employee benefits	1,578	2,716
Purchased services	568	629
Supplies	2,178	3,195
Miscellaneous	354,708	360,232
Total general administrative services	454,255	470,742
School administrative services:		
Office of the principal:		
Salaries	1,081,754	1,068,814
Employee benefits	704,772	738,910
Purchased services	17,221	15,892
Supplies	3,875	4,537
Miscellaneous	955	955
Total school administrative services	1,808,577	1,829,108
Business services:		
Fiscal services:		
Salaries	257,431	227,519
Employee benefits	191,024	161,816
Purchased services	13,774	14,430
Supplies	2,597	1,343
Miscellaneous	2,260	1,510
Payments to other districts	26,885	27,018
	493,971	433,636
Internal services:		
Salaries	35,782	35,552
Employee benefits	30,620	29,511
Purchased services	1,583	7,838
Supplies	(51,290)	(72,900)
	16,695	1
Other business services:		
Purchased services	2,662	1,850
Miscellaneous	125,768	10,988
	128,430	12,838
Total business services	639,096	446,475

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2017 and 2016**

	2017	2016
Operation and maintenance services:		
Operation and maintenance:		
Salaries	\$ 275,243	\$ 289,085
Employee benefits	200,657	241,459
Purchased services	1,134,918	1,090,634
Supplies	752,306	677,802
Miscellaneous	111	165
	2,363,235	2,299,145
Security services:		
Purchased services	76,178	71,730
Total operation and maintenance services	2,439,413	2,370,875
 Pupil transportation services:		
Pupil transportation:		
Purchased services	1,235,245	1,169,505
Supplies	98,608	87,025
Miscellaneous	-	416
Payments to other school districts	543,927	496,343
Total pupil transportation services	1,877,780	1,753,289
 Central services:		
Communication services:		
Purchased services	85,052	84,656
Supplies	1,001	-
	86,053	84,656
Staff/personnel services:		
Purchased services	36,582	14,027
Miscellaneous	5,552	-
	42,134	14,027
Technology services:		
Salaries	211,213	167,513
Employee benefits	134,120	108,063
Purchased services	209,381	237,444
Supplies	9,242	17,841
Capital outlay	-	60,633
Miscellaneous	878	-
	564,834	591,494
Pupil accounting services:		
Salaries	100,863	99,271
Employee benefits	71,198	69,839
Purchased services	4,789	1,183
Supplies	1,122	996
Miscellaneous	180	120
	178,152	171,409
Total central services	871,173	861,586

(Continued)

**KENOWA HILLS PUBLIC SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2017 and 2016**

	2017	2016
Other supporting services:		
Athletics:		
Salaries	\$ 322,023	\$ 276,182
Employee benefits	173,961	140,980
Purchased services	69,940	75,165
Supplies	38,778	30,670
Miscellaneous	17,029	16,625
Total other supporting services	621,731	539,622
Total supporting services	12,045,626	11,386,973
Community services:		
Community services direction:		
Salaries	27,619	27,858
Employee benefits	12,957	12,696
Purchased services	5,011	3,406
Supplies	1,086	8,356
	46,673	52,316
Performing arts center:		
Salaries	304	-
Employee benefits	137	-
Purchased services	110	-
Supplies	7,451	7,019
	8,002	7,019
Custody and care of children:		
Salaries	398,027	355,579
Employee benefits	240,454	196,176
Purchased services	7,882	7,674
Supplies	18,293	21,505
Miscellaneous	295	-
	664,951	580,934
Welfare activities:		
Supplies	691	993
Nonpublic school pupils:		
Salaries	-	1,519
Employee benefits	-	686
Purchased services	4,077	8,258
Supplies	-	44
Payments to other school districts	-	7
	4,077	10,514
Total community services	724,394	651,776
Facilities acquisition, construction and improvements:		
Building improvement services:		
Capital outlay	12,000	-
	12,000	-
<b>Total Expenditures</b>	<b>\$ 34,090,521</b>	<b>\$ 32,724,606</b>

**NONMAJOR GOVERNMENTAL FUNDS**

**KENOWA HILLS PUBLIC SCHOOLS**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2017**

	Special Revenue		Debt
	Food Service	2005 Refunding	2010 Buses
<b>Assets</b>			
Cash	\$ 104	\$ -	\$ -
Cash equivalents, deposits and investments	325,301	2,516	66,878
Accounts receivable	1,128	-	-
Due from other funds	2,476	-	-
Due from other governmental units	38,287	-	-
Inventory	11,018	-	-
Prepaid expenditures	5,460	-	-
<b>Total Assets</b>	<b>\$ 383,774</b>	<b>\$ 2,516</b>	<b>\$ 66,878</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ 269,379	\$ -	\$ -
Salaries payable	3,625	-	-
Unearned revenue	17,574	-	-
<b>Total Liabilities</b>	<b>290,578</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Nonspendable	16,478	-	-
Restricted	76,718	2,516	66,878
<b>Total Fund Balances</b>	<b>93,196</b>	<b>2,516</b>	<b>66,878</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 383,774</b>	<b>\$ 2,516</b>	<b>\$ 66,878</b>

Service	2015	2016	Capital Projects 2013	Total
Refunding	Refunding	Refunding	Construction	
\$ -	\$ -	\$ -	\$ -	\$ 104
906,472	135,533	452,940	452,940	1,889,640
-	-	-	-	1,128
-	-	6,383	6,383	8,859
-	-	-	-	38,287
-	-	-	-	11,018
-	-	-	-	5,460
\$ 906,472	\$ 135,533	\$ 459,323	\$ 459,323	\$ 1,954,496
\$ -	\$ -	\$ 12,766	\$ 12,766	\$ 282,145
-	-	-	-	3,625
-	-	-	-	17,574
-	-	12,766	12,766	303,344
-	-	-	-	16,478
906,472	135,533	446,557	446,557	1,634,674
906,472	135,533	446,557	446,557	1,651,152
\$ 906,472	\$ 135,533	\$ 459,323	\$ 459,323	\$ 1,954,496



**KENOWA HILLS PUBLIC SCHOOLS**  
**Combining Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**For the year ended June 30, 2017**

	Special Revenue <u>Food Service</u>	<u>2005 Refunding</u>	Debt <u>2010 Buses</u>
<b>Revenues</b>			
Local sources:			
Property taxes	\$ -	\$ -	\$ 113,283
Interest earnings	376	-	219
Food sales	428,628	-	-
Other local sources	-	-	-
Total local sources	<u>429,004</u>	<u>-</u>	<u>113,502</u>
State sources	64,370	2,516	2,171
Federal sources	910,526	-	-
Interdistrict sources	4,983	-	-
<b>Total Revenues</b>	<u>1,408,883</u>	<u>2,516</u>	<u>115,673</u>
<b>Expenditures</b>			
Current:			
Supporting services:			
Operation and maintenance	-	-	-
Food service	1,261,648	-	-
Capital outlay	-	-	-
Debt service:			
Principal repayment	-	-	75,000
Interest and fiscal charges	-	-	3,250
<b>Total Expenditures</b>	<u>1,261,648</u>	<u>-</u>	<u>78,250</u>
<b>Excess of Revenues         Over Expenditures</b>	<u>147,235</u>	<u>2,516</u>	<u>37,423</u>
<b>Other Financing Uses</b>			
Transfers out	(91,325)	-	-
<b>Net Change in Fund Balances</b>	<u>55,910</u>	<u>2,516</u>	<u>37,423</u>
<b>Fund Balances, Beginning of Year</b>	<u>37,286</u>	<u>-</u>	<u>29,455</u>
<b>Fund Balances, End of Year</b>	<u>\$ 93,196</u>	<u>\$ 2,516</u>	<u>\$ 66,878</u>

Service		Capital Projects	
2015	2016	2013	Total
Refunding	Refunding	Construction	
\$ 1,883,249	\$ 2,021,495	\$ -	\$ 4,018,027
3,775	3,924	1,322	9,616
-	-	-	428,628
-	-	3,141,885	3,141,885
1,887,024	2,025,419	3,143,207	7,598,156
36,041	38,864	-	143,962
-	-	-	910,526
-	-	-	4,983
1,923,065	2,064,283	3,143,207	8,657,627
-	-	1,269,010	1,269,010
-	-	-	1,261,648
-	-	1,682,487	1,682,487
1,115,000	1,285,000	-	2,475,000
671,608	643,750	-	1,318,608
1,786,608	1,928,750	2,951,497	8,006,753
136,457	135,533	191,710	650,874
-	-	-	(91,325)
136,457	135,533	191,710	559,549
770,015	-	254,847	1,091,603
\$ 906,472	\$ 135,533	\$ 446,557	\$ 1,651,152

**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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Local sources:			
Interest earnings	\$ 225	\$ 376	\$ 151
Food sales	423,828	428,628	4,800
Total local sources	<u>424,053</u>	<u>429,004</u>	<u>4,951</u>
State sources	65,978	64,370	(1,608)
Federal sources	906,006	910,526	4,520
Interdistrict sources	-	4,983	4,983
<b>Total Revenues</b>	<u>1,396,037</u>	<u>1,408,883</u>	<u>12,846</u>
<b>Expenditures</b>			
Current:			
Food service	1,308,327	1,261,648	46,679
<b>Excess of Revenues Over Expenditures</b>	87,710	147,235	59,525
<b>Other Financing Uses</b>			
Transfers out	(87,710)	(91,325)	(3,615)
<b>Net Change in Fund Balances</b>	-	55,910	55,910
<b>Fund Balances, Beginning of Year</b>	<u>37,286</u>	<u>37,286</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 37,286</u>	<u>\$ 93,196</u>	<u>\$ 55,910</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, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Cash	\$ 104	\$ 650
Cash equivalents, deposits and investments	325,301	181,352
Accounts receivable	1,128	1,351
Due from other funds	2,476	-
Due from other governmental units	38,287	13,402
Inventory	11,018	9,444
Prepaid expenditures	5,460	-
	<b>\$ 383,774</b>	<b>\$ 206,199</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 161
Due to other funds	269,379	148,728
Salaries payable	3,625	4,510
Unearned revenue	17,574	15,514
	<b>290,578</b>	<b>168,913</b>
<b>Fund Balances</b>		
Nonspendable	16,478	9,444
Restricted	76,718	27,842
	<b>93,196</b>	<b>37,286</b>
	<b>\$ 383,774</b>	<b>\$ 206,199</b>

**KENOWA HILLS PUBLIC SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2017 and 2016**

	2017	2016
<b>Revenues</b>		
Local sources:		
Food sales:		
Children's lunches	\$ 260,803	\$ 255,143
Adult lunches	11,475	10,126
Milk	1,208	1,692
Ala carte	114,736	121,583
Banquets	10,608	8,848
Other	29,798	21,476
	<u>428,628</u>	<u>418,868</u>
Interest earnings:		
Interest on deposits and investments	376	170
Total local sources	<u>429,004</u>	<u>419,038</u>
State sources	64,370	66,250
Federal sources	910,526	903,813
Interdistrict sources	4,983	8,315
	<u>1,408,883</u>	<u>1,397,416</u>
<b>Expenditures</b>		
Current:		
Food service:		
Salaries	412,687	406,087
Employee benefits	179,924	228,743
Purchased services	23,549	27,314
Supplies	610,950	614,518
Capital outlay	29,803	-
Miscellaneous	4,735	5,217
	<u>1,261,648</u>	<u>1,281,879</u>
<b>Total Expenditures</b>	<u>1,261,648</u>	<u>1,281,879</u>
<b>Excess of Revenues Over Expenditures</b>	<u>147,235</u>	<u>115,537</u>
<b>Other Financing Sources (Uses)</b>		
Transfers out	(91,325)	(100,192)
	<u>55,910</u>	<u>15,345</u>
<b>Net Change in Fund Balances</b>	<u>55,910</u>	<u>15,345</u>
<b>Fund Balances, Beginning of Year</b>	<u>37,286</u>	<u>21,941</u>
<b>Fund Balances, End of Year</b>	<u>\$ 93,196</u>	<u>\$ 37,286</u>

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## **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.



**KENOWA HILLS PUBLIC SCHOOLS**  
**Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2017**

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<b>Assets</b>	<u>205</u> <u>Refunding</u>	<u>2010</u> <u>Construction</u>	<u>2010</u> <u>Buses</u>
Cash equivalents, deposits and investments	<u>\$ 2,516</u>	<u>\$ 2,610,637</u>	<u>\$ 66,878</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balances</b>			
Restricted	<u>2,516</u>	<u>2,610,637</u>	<u>66,878</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,516</u>	<u>\$ 2,610,637</u>	<u>\$ 66,878</u>

2015 Refunding	2016 Refunding	Totals	
		2017	2016
\$ 906,472	\$ 135,533	\$ 3,722,036	\$ 2,589,742
\$ -	\$ -	\$ -	\$ -
906,472	135,533	3,722,036	2,589,742
\$ 906,472	\$ 135,533	\$ 3,722,036	\$ 2,589,742

**KENOWA HILLS PUBLIC SCHOOLS**  
**Debt Service Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2017**

<b>Revenues</b>	<u>2005 Refunding</u>	<u>2010 Construction</u>	<u>2010 Buses</u>
Local sources:			
Property taxes:			
Current property taxes	\$ -	\$ 941,241	\$ 109,448
Industrial facilities taxes	-	28,857	3,355
Delinquent and other property taxes	-	23,930	307
In lieu of taxes	-	120	14
Interest on delinquent taxes	-	1,702	159
	<u>-</u>	<u>995,850</u>	<u>113,283</u>
Interest earnings:			
Interest on deposits and investments	-	1,888	219
Total local sources	<u>-</u>	<u>997,738</u>	<u>113,502</u>
State sources	<u>-</u>	<u>-</u>	<u>2,171</u>
Federal sources:			
QSCB interest subsidy	-	292,791	-
	<u>-</u>	<u>292,791</u>	<u>-</u>
<b>Total Revenues</b>	<u>-</u>	<u>1,290,529</u>	<u>115,673</u>
<b>Expenditures</b>			
Debt service:			
Principal repayment	-	-	75,000
Interest and fiscal charges:			
Interest expense	-	465,197	2,400
Paying agent fees	-	3,600	750
Tax refunds	-	1,367	100
	<u>-</u>	<u>470,164</u>	<u>78,250</u>
<b>Total Expenditures</b>	<u>-</u>	<u>470,164</u>	<u>78,250</u>
<b>Excess of Revenues     Over Expenditures</b>	<u>-</u>	<u>820,365</u>	<u>37,423</u>
<b>Other Financing Sources (Uses)</b>			
Other	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>820,365</u>	<u>37,423</u>
<b>Fund Balances, Beginning of Year</b>	<u>-</u>	<u>1,790,272</u>	<u>29,455</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ 2,610,637</u>	<u>\$ 66,878</u>

2015 Refunding	2016 Refunding	Totals	
		2017	2016
\$ 1,816,816	\$ 1,959,099	\$ 4,826,604	\$ 3,803,061
55,700	60,062	147,974	162,221
7,562	-	31,799	6,896
231	249	614	1,974
2,940	2,085	6,886	5,778
<u>1,883,249</u>	<u>2,021,495</u>	<u>5,013,877</u>	<u>3,979,930</u>
3,775	3,924	9,806	2,712
<u>1,887,024</u>	<u>2,025,419</u>	<u>5,023,683</u>	<u>3,982,642</u>
<u>36,041</u>	<u>38,864</u>	<u>77,076</u>	<u>-</u>
-	-	292,791	586,210
<u>1,923,065</u>	<u>2,064,283</u>	<u>5,393,550</u>	<u>4,568,852</u>
1,115,000	1,285,000	2,475,000	1,135,000
668,250	643,250	1,779,097	1,484,001
750	500	5,600	4,750
2,608	-	4,075	8,608
<u>1,786,608</u>	<u>1,928,750</u>	<u>4,263,772</u>	<u>2,632,359</u>
<u>136,457</u>	<u>135,533</u>	<u>1,129,778</u>	<u>1,936,493</u>
-	-	-	230,943
-	-	-	33,203
-	-	-	(33,203)
-	-	-	230,943
<u>136,457</u>	<u>135,533</u>	<u>1,129,778</u>	<u>2,167,436</u>
<u>770,015</u>	<u>-</u>	<u>2,589,742</u>	<u>422,306</u>
<u>\$ 906,472</u>	<u>\$ 135,533</u>	<u>\$ 3,719,520</u>	<u>\$ 2,589,742</u>

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## **CAPITAL PROJECTS FUNDS**

2013 Construction—to account for bond proceeds used to finance land improvements, building construction and renovation projects and furniture and equipment purchases.

2016 Construction—to account for bond proceeds used to finance land improvements, building construction and renovation projects and furniture and equipment purchases.

**KENOWA HILLS PUBLIC SCHOOLS**  
**2013 Construction Capital Projects Fund**  
**Comparative Balance Sheet**  
**June 30, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 452,940	\$ 251,706
Due from other funds	6,383	21,848
	<b>Total Assets</b>	<b>Total Assets</b>
	\$ 459,323	\$ 273,554
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 18,707
Due to other funds	12,766	-
	<b>Total Liabilities</b>	<b>Total Liabilities</b>
	12,766	18,707
<b>Fund Balances</b>		
Restricted	446,557	254,847
	<b>Total Liabilities and Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>
	\$ 459,323	\$ 273,554

**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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 1,322	\$ 287
Other local sources:		
Insurance refunds	3,141,885	-
<b>Total Revenues</b>	<u>3,143,207</u>	<u>287</u>
<b>Expenditures</b>		
Current:		
Supporting services		
Operation and maintenance	1,269,010	-
Pupil transportation services	-	246,108
Capital outlay:		
Building improvements	1,682,487	18,707
<b>Total Expenditures</b>	<u>2,951,497</u>	<u>264,815</u>
<b>Net Change in Fund Balances</b>	<u>191,710</u>	<u>(264,528)</u>
<b>Fund Balances, Beginning of Year</b>	<u>254,847</u>	<u>519,375</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 446,557</u></u>	<u><u>\$ 254,847</u></u>



**KENOWA HILLS PUBLIC SCHOOLS**  
**2016 Construction Capital Projects Fund**  
**Comparative Balance Sheet**  
**June 30, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 13,207,764	\$ 17,894,055
Due from other funds	12,766	-
<b>Total Assets</b>	<b>\$ 13,220,530</b>	<b>\$ 17,894,055</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 229,600
Due to other funds	17,287	-
<b>Total Liabilities</b>	<b>17,287</b>	<b>229,600</b>
<b>Fund Balances</b>		
Restricted	13,203,243	17,664,455
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,220,530</b>	<b>\$ 17,894,055</b>

**KENOWA HILLS PUBLIC SCHOOLS**  
**2016 Construction Capital Projects Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 84,254	\$ 2,055
<b>Expenditures</b>		
Supporting services:		
Pupil transportation services:		
Pupil transportation:		
School buses	343,899	-
Capital outlay:		
Architecture and engineering	722,988	-
Other construction services	1,078,690	-
Building improvements	1,967,339	245,285
New equipment and furniture	431,100	-
Debt service:		
Bond issuance costs	1,450	90,952
Underwriter's discount	-	39,500
<b>Total Expenditures</b>	<u>4,545,466</u>	<u>375,737</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(4,461,212)</u>	<u>(373,682)</u>
<b>Other Financing Sources</b>		
Bonds issued	-	15,490,000
Bond premium	-	2,548,137
<b>Total Other Financing Sources</b>	<u>-</u>	<u>18,038,137</u>
<b>Net Change in Fund Balances</b>	(4,461,212)	17,664,455
<b>Fund Balances, Beginning of Year</b>	<u>17,664,455</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 13,203,243</u></u>	<u><u>\$ 17,664,455</u></u>

## **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**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the year ended June 30, 2017**

	<u>Balances July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2017</u>
<b>Student Activities Fund</b>				
<b>Assets</b>				
Cash equivalents, deposits and investments	\$ 218,949	\$ 364,745	\$ 313,920	\$ 269,774
Due from other funds	14,663	10,326	24,989	-
<b>Total Assets</b>	<u>\$ 233,612</u>	<u>\$ 375,071</u>	<u>\$ 338,909</u>	<u>\$ 269,774</u>
<b>Liabilities</b>				
Due to other funds	\$ 2,279	\$ 17,508	\$ 16,006	\$ 3,781
Due to student groups	231,333	354,162	319,502	265,993
<b>Total Liabilities</b>	<u>\$ 233,612</u>	<u>\$ 371,670</u>	<u>\$ 335,508</u>	<u>\$ 269,774</u>
<b>Flexible Spending Fund</b>				
<b>Assets</b>				
Cash equivalents, deposits and investments	<u>\$ 8,725</u>	<u>\$ 29,299</u>	<u>\$ 30,549</u>	<u>\$ 7,475</u>
<b>Liabilities</b>				
Due to employees	<u>\$ 8,725</u>	<u>\$ 29,299</u>	<u>\$ 30,549</u>	<u>\$ 7,475</u>
<b>Total All Funds</b>				
<b>Assets</b>				
Cash equivalents, deposits and investments	\$ 227,674	\$ 394,044	\$ 344,469	\$ 277,249
Due from other funds	14,663	10,326	24,989	-
<b>Total Assets</b>	<u>\$ 242,337</u>	<u>\$ 404,370</u>	<u>\$ 369,458</u>	<u>\$ 277,249</u>
<b>Liabilities</b>				
Due to other funds	\$ 2,279	\$ 17,508	\$ 16,006	\$ 3,781
Due to student groups	231,333	354,162	319,502	265,993
Due to employees	8,725	29,299	30,549	7,475
<b>Total Liabilities</b>	<u>\$ 242,337</u>	<u>\$ 400,969</u>	<u>\$ 366,057</u>	<u>\$ 277,249</u>