



Kent County, Michigan

Annual Financial Report

For the year ended June 30, 2016

KELLOGGSVILLE PUBLIC SCHOOLS
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Year ended June 30, 2016

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

October 26, 2016

The Board of Education
Kelloggsville 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 Kelloggsville Public Schools (the "District") as of and for the year ended June 30, 2016, 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 Kelloggsville Public Schools as of June 30, 2016, 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 Kelloggsville 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 26, 2016 on our consideration of Kelloggsville 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 Kelloggsville Public Schools' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Hungerford Nichols".

Certified Public Accountants

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Kelloggsville 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, 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

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

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

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

District-wide Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base 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>2016</u> | <u>2015</u> |
|---------------------------------------|------------------------------|------------------------------|
| Assets | | |
| Current assets | \$ 35,045,409 | \$ 38,739,981 |
| Net capital assets | <u>29,824,470</u> | <u>25,101,474</u> |
| Total Assets | <u>64,869,879</u> | <u>63,841,455</u> |
| Deferred Outflows of Resources | <u>4,062,898</u> | <u>4,338,236</u> |
| Liabilities | | |
| Current liabilities | 4,951,553 | 4,806,082 |
| Long-term liabilities | 33,604,758 | 34,778,353 |
| Net pension liability | <u>32,339,949</u> | <u>29,594,294</u> |
| Total Liabilities | <u>70,896,260</u> | <u>69,178,729</u> |
| Deferred Inflows of Resources | <u>470,983</u> | <u>3,271,661</u> |
| Net Position | | |
| Net investment in capital assets | 24,285,749 | 23,305,490 |
| Restricted | 4,198 | 171,863 |
| Unrestricted (deficit) | <u>(26,724,410)</u> | <u>(27,748,052)</u> |
| Total Net Position | <u>\$ (2,434,466)</u> | <u>\$ (4,270,699)</u> |

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

| | <u>2016</u> | <u>2015</u> |
|---|------------------------------|------------------------------|
| Program Revenues | | |
| Charges for services | \$ 482,759 | \$ 426,160 |
| Operating grants | 8,064,274 | 6,779,117 |
| General Revenues | | |
| Property taxes | 5,519,310 | 5,329,592 |
| State school aid, unrestricted | 13,131,731 | 12,415,394 |
| Interest earnings | 87,630 | 2,309 |
| Gain (loss) on disposal of capital assets | — | (16,561) |
| Other | 135,721 | 137,243 |
| Total Revenues | <u>27,421,425</u> | <u>25,073,254</u> |
| Expenses | | |
| Instruction | 13,875,905 | 13,519,040 |
| Supporting services | 8,428,599 | 7,506,465 |
| Community services | 288,228 | 278,367 |
| Food service | 1,639,104 | 1,549,068 |
| Other | 5,415 | 382,850 |
| Interest on long-term debt | 1,343,961 | 409,440 |
| Depreciation - unallocated | 3,977 | 3,878 |
| Total Expenses | <u>25,585,189</u> | <u>23,649,108</u> |
| Increase in net position | 1,836,233 | 1,424,146 |
| Net Position - Beginning of Year | <u>(4,270,699)</u> | <u>(5,694,845)</u> |
| Net Position - End of Year | <u><u>\$ (2,434,466)</u></u> | <u><u>\$ (4,270,699)</u></u> |

Financial Analysis of the District as a Whole

Total revenues exceeded expenses by \$1,836,233, increasing total net position from a deficit of \$4,270,699 to a deficit of \$2,434,466. Unrestricted net assets increased by \$1,023,642 to a deficit of \$26,724,410 at June 30, 2016. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$220,316 during the fiscal year.

Property taxes and state aid accounted for most of the District's revenue, contributing about 67 cents of every dollar raised. Another 29 percent came from state and federal aid for specific programs and the remainder from fees charged for services and miscellaneous sources.

The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (68 percent).

- Total revenues surpassed expenses, increasing net position \$1,836,233 from the prior year.
- The cost of all governmental activities this year was \$25,585,189.

- Some of the costs were financed by the users of the District's programs totaling \$482,759.
- Federal and state governments subsidized certain programs with grants and contributions of \$8,064,274.
- The balance of the District's costs were financed by District taxpayers, state school aid and interest earnings, totaling \$19,357,151.
- These general revenues consisted of \$5,519,310 of property taxes, \$13,131,731 of unrestricted state aid based on the state-wide education aid formula, investment earnings of \$87,630, and other revenues of \$135,721.

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 the reader 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 explain 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. Kelloggsville Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is our primary operating fund. The General Fund had total revenues of \$23,062,626, total expenditures of \$21,807,161, and total other financing uses of \$39,465. It ended the fiscal year with a fund balance of \$2,794,811, up from \$1,578,811 at June 30, 2015.

Capital Projects Fund

The 2015 Construction Capital Projects Fund accounts for bond proceeds and voter approved capital improvement projects. The fund had total revenues of \$86,045, with total expenditures of \$5,270,823 for the fiscal year. The fund balance at year end was \$28,534,488.

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and child care programs. Total revenue of all special revenue funds was \$1,751,480, and total expenditures of \$1,746,675. Of the ending fund balances, \$202,746 is attributable to the Food Service Fund, and \$32,746 is attributable to the Child Care Fund.

Debt Service Funds

The District operates three Debt Service Funds. Total revenues were \$2,476,420, and total expenditures were \$2,692,181. Transfers from other District funds totaled \$34,050. The ending fund balances totaled \$4,110.

Fiduciary Funds

The Student Activity Fund and the Scholarship Fund are operated as Fiduciary Funds of the District. The assets of these funds are being held for the benefit of the District's students. Balances on hand at June 30, 2016 totaled \$259,041. The Student Activities portion was \$166,460 and the Scholarship Funds portion was \$92,581.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget three times to comply with Michigan Department of Education guidelines. These budget amendments fall into two categories:

- Changes made in January to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year.
- Changes in May and final changes in June for increases in appropriations to prevent budget overruns.
- Actual revenues were \$306,158 higher than expected which is a result of not expending all of our grant funds.
- Final expenditures were \$319,766 lower than anticipated due to the decrease in expected payables and not expending all of our grant funds.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2016, the District had a \$43,537,223 investment in a broad range of capital assets, including school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

Capital asset purchases totaled \$5,278,356 in the fiscal year. Accumulated depreciation increased \$555,360. The net book value of capital assets at June 30, 2016 is detailed as follows:

| | |
|---------------------------|-----------------------------|
| Land | \$ 11,767,057 |
| Construction in progress | 5,026,942 |
| Land improvements | 561,137 |
| Buildings and additions | 11,762,617 |
| Furniture and equipment | 85,028 |
| Vehicles | <u>621,689</u> |
| Net Capital Assets | <u>\$ 29,824,470</u> |

Long-term Debt

At year end, the District had \$34,844,396 in general obligation bonds and other long-term debt outstanding – a net decrease of \$1,469,998 from last year. The District continued to pay down its debt, retiring \$1.35 million of outstanding bonds.

The District's bond rating for General Obligation, Unlimited Tax debt was upgraded to an "A" Standard and Poor's rating. The District's other obligations include compensated absences. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.

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:

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan. The impact of the State's economic problems is demonstrated by the number of families below the poverty level and an increasing percentage of Kelloggsville students who qualify for free and reduced-cost school lunches. Analysts are predicting a slow recovery to the situation. Furthermore, the economic difficulties are resulting in jobs leaving the State which ultimately leads to families moving and a loss of students for the District.
- Since the School District's revenue is heavily dependent on State funding, and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues.
- With lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities, District Administration continues to be diligent in maintaining a reasonable level of reserves (fund balance). Measures to accomplish this include, but are not limited to: cooperative agreements with Kent Intermediate School District as well as neighboring public and parochial schools, and application for and use of grant funding for programs to improve the education of our students.

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, Kelloggsville Public Schools, 242 – 52nd Street, Kentwood, MI, 49508.

BASIC FINANCIAL STATEMENTS

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Net Position
June 30, 2016

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash | \$ 300 |
| Cash equivalents, deposits and investments (Note B) | 31,227,471 |
| Accounts receivable | 86,994 |
| Due from other governmental units (Note C) | 3,712,267 |
| Inventory | 4,875 |
| Prepaid expenses | 13,502 |
| Capital assets not being depreciated (Note E) | 16,793,999 |
| Capital assets being depreciated, net (Note E) | 13,030,471 |
| | 64,869,879 |
| Deferred Outflows of Resources | |
| Deferred pension amounts | 4,062,898 |
| | 4,062,898 |
| Liabilities | |
| Accounts payable | 171,885 |
| State aid anticipation note payable (Note F) | 995,000 |
| Due to other governmental units | 936,427 |
| Accrued interest payable | 235,407 |
| Salaries payable | 1,373,196 |
| Long-term liabilities (Note G): | |
| Due within one year | 1,239,638 |
| Due in more than one year | 33,604,758 |
| Net pension liability | 32,339,949 |
| | 70,896,260 |
| Deferred Inflows of Resources | |
| Deferred pension amounts | 470,983 |
| | 470,983 |
| Net Position | |
| Net investment in capital assets | 24,285,749 |
| Restricted for: | |
| Debt service | (231,297) |
| Child care | 32,746 |
| Food service | 202,746 |
| Unrestricted (deficit) | (26,724,410) |
| | \$ (2,434,466) |

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2016

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--------------------------------------|-----------------------------|--------------------------|----------------------------|--|
| | | Charges for Services | Operating Grants | |
| Governmental Activities | | | | |
| Instruction | \$ 13,875,905 | \$ 11,996 | \$ 6,277,520 | \$ (7,586,389) |
| Supporting services | 8,428,599 | 102,411 | 403,749 | (7,922,439) |
| Community services | 288,228 | 106,575 | 6,952 | (174,701) |
| Food service | 1,639,107 | 261,777 | 1,376,053 | (1,277) |
| Other | 5,415 | - | - | (5,415) |
| Interest on long-term debt | 1,343,961 | - | - | (1,343,961) |
| Depreciation - unallocated* | 3,977 | - | - | (3,977) |
| Total Governmental Activities | <u>\$ 25,585,192</u> | <u>\$ 482,759</u> | <u>\$ 8,064,274</u> | <u>(17,038,159)</u> |
| General Revenues | | | | |
| Taxes: | | | | |
| | | | | 3,043,349 |
| | | | | 2,475,961 |
| | | | | 13,131,731 |
| | | | | 87,630 |
| | | | | <u>135,721</u> |
| | | | | 18,874,392 |
| | | | | 1,836,233 |
| | | | | (4,270,699) |
| | | | | <u>\$ (2,434,466)</u> |

*This amount excludes direct depreciation expenses of the various programs.
See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2016

| Assets | <u>General</u> | <u>2015 Construction</u> | <u>Nonmajor</u> | <u>Total</u> |
|---|---------------------|------------------------------|-------------------|---------------------|
| Cash | \$ 300 | \$ - | \$ - | \$ 300 |
| Cash equivalents, deposits and investments (Note B) | 2,466,281 | 28,592,693 | 168,497 | 31,227,471 |
| Accounts receivable | 86,994 | - | - | 86,994 |
| Due from other funds | 62,141 | - | - | 62,141 |
| Due from other governmental units (Note C) | 3,642,101 | - | 70,166 | 3,712,267 |
| Inventory | - | - | 4,875 | 4,875 |
| Prepaid expenditures | 13,502 | - | - | 13,502 |
| Total Assets | <u>\$ 6,271,319</u> | <u>\$28,592,693</u> | <u>\$ 243,538</u> | <u>\$35,107,550</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 171,885 | \$ - | \$ - | \$ 171,885 |
| State aid anticipation note payable | 995,000 | - | - | 995,000 |
| Due to other funds | - | 58,205 | 3,936 | 62,141 |
| Due to other governmental units | 936,427 | - | - | 936,427 |
| Salaries payable | 1,373,196 | - | - | 1,373,196 |
| Total Liabilities | <u>3,476,508</u> | <u>58,205</u> | <u>3,936</u> | <u>3,538,649</u> |
| Fund Balances (Note A) | | | | |
| Nonspendable | 13,502 | - | 4,875 | 18,377 |
| Restricted | - | 28,534,488 | 231,746 | 28,766,234 |
| Assigned for subsequent year expenditures | - | - | 2,981 | 2,981 |
| Unassigned | 2,781,309 | - | - | 2,781,309 |
| Total Fund Balances | <u>2,794,811</u> | <u>28,534,488</u> | <u>239,602</u> | <u>31,568,901</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,271,319</u> | <u>\$28,592,693</u> | <u>\$ 243,538</u> | <u>\$35,107,550</u> |

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016

| | | |
|---|------------------|-------------------------------------|
| Total governmental fund balances | | \$ 31,568,901 |
| 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 \$43,537,223 and accumulated depreciation is \$13,712,753. | | 29,824,470 |
| 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 | \$(32,560,000) | |
| Installment purchase agreement | (221,148) | |
| Bond premium | (1,292,061) | |
| Severance pay | (134,639) | |
| Accumulated sick leave | <u>(636,548)</u> | (34,844,396) |
| Accrued interest is not included as a liability in governmental funds. | | (235,407) |
| Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds: | | |
| Net pension liability | (32,339,949) | |
| Deferred outflows | 4,062,898 | |
| Deferred inflows | <u>(470,983)</u> | <u>(28,748,034)</u> |
| Total net position - governmental activities | | <u><u>\$ (2,434,466)</u></u> |

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

| | General | 2015 Construction | Nonmajor | Total |
|--|---------------------|----------------------|-------------------|---------------------|
| Revenues | | | | |
| Local sources | \$ 3,249,626 | \$ 86,045 | \$ 2,844,895 | \$ 6,180,566 |
| State sources | 16,480,234 | - | 64,625 | 16,544,859 |
| Federal sources | 1,657,634 | - | 1,318,380 | 2,976,014 |
| Interdistrict sources | 1,675,132 | - | - | 1,675,132 |
| Total Revenues | 23,062,626 | 86,045 | 4,227,900 | 27,376,571 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 13,490,278 | - | - | 13,490,278 |
| Supporting services | 8,105,706 | 171,300 | 11,910 | 8,288,916 |
| Community services | 151,971 | - | 113,178 | 265,149 |
| Food service | - | - | 1,621,587 | 1,621,587 |
| Capital outlay | - | 5,099,523 | - | 5,099,523 |
| Interdistrict | 1,000 | - | - | 1,000 |
| Debt service: | | | | |
| Principal repayment | 52,487 | - | 1,345,000 | 1,397,487 |
| Interest and fiscal charges | 5,719 | - | 1,347,181 | 1,352,900 |
| Total Expenditures | 21,807,161 | 5,270,823 | 4,438,856 | 31,516,840 |
| Excess (Deficiency) of Revenues Over Expenditures | 1,255,465 | (5,184,778) | (210,956) | (4,140,269) |
| Other Financing Sources (Uses) | | | | |
| Other | - | - | 300 | 300 |
| Transfers in | - | - | 34,050 | 34,050 |
| Transfers out | (34,050) | - | - | (34,050) |
| Other | (5,415) | - | - | (5,415) |
| Total Other Financing Sources (Uses) | (39,465) | - | 34,350 | (5,115) |
| Net Change in Fund Balances | 1,216,000 | (5,184,778) | (176,606) | (4,145,384) |
| Fund Balances, Beginning of Year | 1,578,811 | 33,719,266 | 416,208 | 35,714,285 |
| Fund Balances, End of Year | \$ 2,794,811 | \$28,534,488 | \$ 239,602 | \$31,568,901 |

See accompanying notes to basic financial statements.

KELLOGGSVILLE 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, 2016

Net change in fund balances - total governmental funds \$ (4,145,384)

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

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

| | | | |
|--|----------------------|------------------|-----------|
| | Capital outlays | \$ 5,278,356 | |
| | Depreciation expense | <u>(555,360)</u> | 4,722,996 |

| | |
|---|--------|
| Bond premium is amortized over the life of the new bond issue on the Statement of Activities. | 44,554 |
|---|--------|

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 effect the Statement of Activities:

| | | |
|---|---------------|-----------|
| Repayment of bonds | 1,345,000 | |
| Repayment of installment purchase agreement | <u>52,487</u> | 1,397,487 |

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.

8,939

In the Statement of Net Position, severance pay and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$162,882) exceeded the amounts earned (\$134,925).

27,957

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

(220,316)

Total changes in net position - governmental activities

\$ 1,836,233

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 3,004,945 | \$ 3,216,682 | \$ 3,249,626 | \$ 32,944 |
| State sources | 14,808,927 | 16,416,316 | 16,480,234 | 63,918 |
| Federal sources | 1,437,758 | 1,598,228 | 1,657,634 | 59,406 |
| Interdistrict sources | 1,516,000 | 1,525,242 | 1,675,132 | 149,890 |
| Total Revenues | 20,767,630 | 22,756,468 | 23,062,626 | 306,158 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 10,270,084 | 10,544,870 | 10,418,640 | 126,230 |
| Added needs | 2,843,394 | 3,143,785 | 3,071,638 | 72,147 |
| Supporting services: | | | | |
| Pupil services | 949,307 | 1,013,801 | 1,023,950 | (10,149) |
| Instructional staff services | 491,073 | 648,679 | 651,075 | (2,396) |
| General administrative services | 513,326 | 526,423 | 521,686 | 4,737 |
| School administrative services | 1,464,079 | 1,542,811 | 1,558,880 | (16,069) |
| Business services | 513,601 | 543,373 | 542,447 | 926 |
| Operation and maintenance services | 1,534,059 | 1,721,261 | 1,680,512 | 40,749 |
| Pupil transportation services | 1,001,765 | 1,075,642 | 1,026,579 | 49,063 |
| Central services | 530,017 | 560,242 | 545,524 | 14,718 |
| Other support services | 582,058 | 569,284 | 555,053 | 14,231 |
| Community services | 190,034 | 144,576 | 151,971 | (7,395) |
| Interdistrict | - | 39,693 | 1,000 | 38,693 |
| Debt service: | | | | |
| Principal repayment | 199,867 | 52,487 | 52,487 | - |
| Interest and fiscal charges | - | 5,719 | 5,719 | - |
| Total Expenditures | 21,082,664 | 22,126,927 | 21,807,161 | 319,766 |
| Excess (Deficiency) Of Revenues Over Expenditures | (315,034) | 629,541 | 1,255,465 | 625,924 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | (34,050) | (34,050) | - |
| Other | - | (17,224) | (5,415) | 11,809 |
| Total Other Financing Sources (Uses) | - | (51,274) | (39,465) | 11,809 |
| Net Change in Fund Balances | (315,034) | 578,267 | 1,216,000 | 637,733 |
| Fund Balances, Beginning of Year | 1,578,811 | 1,578,811 | 1,578,811 | - |
| Fund Balances, End of Year | \$ 1,263,777 | \$ 2,157,078 | \$ 2,794,811 | \$ 637,733 |

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

| | Private Purpose Trust Fund | Agency Fund |
|---|----------------------------------|----------------|
| Assets | | |
| Cash equivalents, deposits and investments (Note B) | \$ 92,581 | \$ 166,460 |
| Liabilities | | |
| Due to student groups | - | \$ 166,460 |
| Net Assets | | |
| Held in trust for: Individuals and organizations | \$ 92,581 | |

See accompanying notes to basic financial statements.

KELLOGGSVILLE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2016

| | Private Purpose Trust Fund |
|--|----------------------------------|
| Additions | |
| Interest earnings | \$ 58 |
| Donations | 6,499 |
| Total Additions | 6,557 |
| Deductions | |
| Endowment activities - scholarships | 13,500 |
| Change In Net Position | (6,943) |
| Net Position, Beginning of Year | 99,524 |
| Net Position, End of Year | \$ 92,581 |

See accompanying notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

Note A – Summary of Significant Accounting Policies

Kelloggsville Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 2,234 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 Kelloggsville 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*.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

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 2015 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 statements.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

Governmental Funds

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

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

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

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

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

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

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

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

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

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

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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

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. Kelloggsville Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (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.

Kelloggsville 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 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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

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 improvements, 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 improvements | 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. Severance Pay/Accumulated Sick Leave

Severance pay and accumulated sick leave at June 30, 2016 has been computed and recorded in the district-wide financial statements of the District. Eligible District employees who retire are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2016, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for severance pay and accumulated sick leave amounted to \$134,639 and \$636,548, respectively.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 one such item that qualifies for reporting in this category: 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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

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 Kelloggsville Public Schools has 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.

The District Board of Education has given the Superintendent the authority to assign fund balances. At June 30, 2016, \$2,981 of the Food Service Special Revenue Fund balance has been assigned for subsequent year expenditures encumbered.

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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

Note B – Cash Equivalents 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, 2016 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

| | |
|----------------------------|----------------------------|
| Statement of Net Position: | |
| Governmental activities | \$ 31,227,471 |
| Fiduciary Funds: | |
| Trust and Agency Funds | <u>259,041</u> |
| | <u><u>\$31,486,512</u></u> |

Cash Equivalents

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

1. Chemical Bank

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

Cash equivalents consist of bank interest earning Checking NOW Unlimited Public accounts and non-interest earning Business Checking accounts.

June 30, 2016 balances are detailed as follows:

| | |
|------------------|---------------------|
| Cash equivalents | <u>\$ 2,929,390</u> |
|------------------|---------------------|

Custodial Credit Risk as Related to Cash Equivalents

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents was \$2,929,390 and the bank balance was \$3,573,943. Of the bank balance, \$254,109 was covered by federal depository insurance and \$3,319,834 was uninsured and uncollateralized.

Investments

As of June 30, 2016, the District had the following investments:

Chemical Bank Cash and Equivalents Money Market:

| | |
|---|-------------------|
| Fidelity Institutional Treasury Portfolio | <u>\$ 305,200</u> |
|---|-------------------|

The Chemical Bank Cash and Equivalents Money Market is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the Michigan School Code. The fund is not rated, regulated or registered with the Securities Exchange Commission.

Investments Measured at Fair Value

| | <u>June 30, 2016</u> | <u>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u> |
|--|----------------------|---|
| Investments by Fair Value Level | | |
| Debt Securities: | | |
| U. S Treasury Securities | \$ 21,605,481 | \$ 21,605,481 |
| Residential mortgage-backed securities | <u>6,646,441</u> | <u>6,646,441</u> |
| Total Debt Securities | <u>\$ 28,251,922</u> | <u>\$ 28,251,922</u> |

Credit Risk as Related to Investments

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.

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Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2015 ad valorem State Education Taxes generated within the Kelloggsville Public Schools' district, and paid to the State of Michigan, totaled \$1,989,186.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in October 2015 and February 2015. The 2015-16 "Foundation Allowance" for Kelloggsville Public Schools was \$7,391 for 2,222 "Full Time Equivalent" students, generating \$16,147,012 in State aid payments to the District, of which \$2,972,676 was paid to the District in July and August, 2016 and included in "Due From Other Governmental Units" of the General and Food Service Special Revenue Funds of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the Cities of Kentwood and Wyoming, and due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances 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.

Kelloggsville Public Schools' electors previously approved a five year operating millage extension in May, 2014 for the 18 mill non-homestead property tax.

The District levied 7.32 mills for debt service purposes, applied on all taxable property in the District.

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 will be 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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

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

Note D –Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds, representing interfund receivables and payables for year-end expenditure allocations not reimbursed at June 30, 2016, are detailed as follows:

| | Due From | Due To |
|-----------------------------|------------------|------------------|
| Major Funds | | |
| General Fund: | | |
| Special Revenue Funds: | | |
| Food Service Fund | \$ 1,878 | \$ — |
| Child Care Fund | 2,058 | — |
| Capital Projects Fund: | | |
| 2015 Construction Fund | 58,205 | — |
| | 62,141 | — |
| Capital Projects Fund: | | |
| 2015 Construction Fund: | | |
| General Fund | — | 58,205 |
| | 62,141 | 58,205 |
| Total Major Funds | 62,141 | 58,205 |
| Nonmajor Funds | | |
| Special Revenue Funds: | | |
| Food Service Fund: | | |
| General Fund | — | 1,878 |
| Child Care Fund: | | |
| General Fund | — | 2,058 |
| | — | 3,936 |
| Total Nonmajor Funds | — | 3,936 |
| Total All Funds | \$ 62,141 | \$ 62,141 |

KELLOGGSVILLE PUBLIC SCHOOLS
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Operating transfers between funds during the year ended June 30, 2016 were as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------|---------------------|----------------------|
| Major Funds | | |
| General Fund: | | |
| Debt Service Fund: | | |
| 2015 Debt Service Fund | \$ — | \$ 34,050 |
| Debt Service Funds: | | |
| 2015 Debt Service Fund: | | |
| General Fund | 34,050 | — |
| Total All Funds | <u>\$ 34,050</u> | <u>\$ 34,050</u> |

The transfer to the 2015 Debt Service Fund was made to fund 2015-16 debt service expenditures.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

| | <u>Balances July 1, 2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balances June 30, 2016</u> |
|---|----------------------------------|---------------------|-------------------|-----------------------------------|
| Capital assets not depreciated: | | | | |
| Land | \$ 11,767,057 | \$ - | \$ - | \$ 11,767,057 |
| Construction in progress | 52,113 | 4,974,829 | - | 5,026,942 |
| Totals capital assets not being depreciated | <u>11,819,170</u> | <u>\$ 4,974,829</u> | <u>\$ -</u> | <u>16,793,999</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 2,085,444 | \$ - | \$ - | 2,085,444 |
| Buildings | 21,639,986 | - | - | 21,639,986 |
| Furniture and equipment | 1,889,369 | - | - | 1,889,369 |
| Vehicles | 824,898 | 303,527 | - | 1,128,425 |
| Totals capital assets being depreciated | <u>26,439,697</u> | <u>\$ 303,527</u> | <u>\$ -</u> | <u>26,743,224</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 1,467,928 | \$ 56,379 | \$ - | 1,524,307 |
| Buildings | 9,490,801 | 386,568 | - | 9,877,369 |
| Furniture and equipment | 1,778,556 | 25,785 | - | 1,804,341 |
| Vehicles | 420,108 | 86,628 | - | 506,736 |
| Total accumulated depreciation | <u>13,157,393</u> | <u>\$ 555,360</u> | <u>\$ -</u> | <u>13,712,753</u> |
| Total capital assets being depreciated | <u>13,282,304</u> | | | <u>13,030,471</u> |
| Net Capital Assets | <u>\$ 25,101,474</u> | | | <u>\$ 29,824,470</u> |

KELLOGGSVILLE PUBLIC SCHOOLS
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Depreciation expense was charged to District activities as follows:

| | |
|--------------------------|-------------------|
| Governmental activities: | |
| Instruction | \$ 276,452 |
| Supporting services | 219,049 |
| Community services | 20,462 |
| Food service | 35,420 |
| Unallocated | 3,977 |
| | <u>\$ 555,360</u> |

Note F – Short-term Debt

The \$995,000 March 27, 2015 State aid anticipation loan was repaid on December 31, 2015. On March 23, 2016, the District borrowed \$995,000 in anticipation of State aid (interest at .99%), due on December 31, 2016. Interest expense on the loans for the year was \$5,604. The balance on the loan at June 30, 2016 was \$995,000.

Note G – Long-term Debt

Changes in long-term debt for the year ended June 30, 2016 are summarized as follows:

| | Debt Outstanding June 30, 2015 | Debt Added | Debt Retired | Debt Outstanding June 30, 2016 |
|--------------------------------|---|-----------------------|-------------------------|---|
| General obligation bonds: | | | | |
| January 1, 2007 | \$ 1,135,000 | \$ — | \$ 140,000 | \$ 995,000 |
| February 24, 2015 | 32,770,000 | — | 1,205,000 | 31,565,000 |
| Bond premium | 1,336,615 | — | 44,554 | 1,292,061 |
| Installment purchase agreement | 273,635 | — | 52,487 | 221,148 |
| Severance pay | 135,702 | 7,743 | 8,806 | 134,639 |
| Accumulated sick leave | 663,442 | 127,182 | 154,076 | 636,548 |
| | <u>\$ 36,314,394</u> | <u>\$ 134,925</u> | <u>\$ 1,604,923</u> | <u>\$ 34,844,396</u> |

Long-term bonds, installment purchase agreements and other obligations at June 30, 2016 are comprised of the following:

| | Final Maturity Dates | Interest Rates | Outstanding Balance | Amount Due Within One Year |
|--|-------------------------------------|---------------------------|--------------------------------|---|
| General Obligation Bonds | | | | |
| \$2,075K Building and Site January 1, 2007: | | | | |
| Annual maturities of \$150K to \$185K | May 1, 2022 | 3.875 – 4.00 | \$ 995,000 | \$ 150,000 |
| \$32,770K Building and Site February 24, 2015: | | | | |
| Annual maturities of \$610K to \$1,780K | May 1, 2045 | 3.00 – 5.00 | 31,565,000 | 910,000 |
| Bond premium | | | 1,292,061 | 44,554 |
| Installment Purchase Agreement | | | | |
| \$325,047 School Buses June 16, 2014: | | | | |
| Annual maturities of \$53,584 to \$57,015 | June 16, 2020 | 2.09 | 221,148 | 53,584 |

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

| | Final Maturity Dates | Interest Rates | Outstanding Balance | Amount Due Within One Year |
|--------------------------|-------------------------------------|---------------------------|--------------------------------|---|
| Other Obligations | | | | |
| Severance pay | | | \$ 134,639 | \$ 4,000 |
| Accumulated sick leave | | | 636,548 | 77,500 |
| | | | <u>\$ 34,844,396</u> | <u>\$ 1,239,638</u> |

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

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ 1,113,584 | \$ 1,417,063 | \$ 2,530,647 |
| 2018 | 1,164,703 | 1,373,732 | 2,538,435 |
| 2019 | 1,210,847 | 1,328,343 | 2,539,190 |
| 2020 | 837,014 | 1,271,186 | 2,108,200 |
| 2021 | 820,000 | 1,232,694 | 2,052,694 |
| 2022 | 860,000 | 1,193,444 | 2,053,444 |
| 2023 | 710,000 | 1,152,294 | 1,862,294 |
| 2024 | 745,000 | 1,116,794 | 1,861,794 |
| 2025 | 780,000 | 1,079,544 | 1,859,544 |
| 2026 | 820,000 | 1,040,544 | 1,860,544 |
| 2027 | 845,000 | 1,015,944 | 1,860,944 |
| 2028 | 870,000 | 989,538 | 1,859,538 |
| 2029 | 900,000 | 961,263 | 1,861,263 |
| 2030 | 930,000 | 930,888 | 1,860,888 |
| 2031 | 960,000 | 898,338 | 1,858,338 |
| 2032 | 995,000 | 863,538 | 1,858,538 |
| 2033 | 1,045,000 | 813,788 | 1,858,788 |
| 2034 | 1,100,000 | 761,538 | 1,861,538 |
| 2035 | 1,150,000 | 706,538 | 1,856,538 |
| 2036 | 1,210,000 | 649,038 | 1,859,038 |
| 2037 | 1,270,000 | 588,538 | 1,858,538 |
| 2038 | 1,335,000 | 525,038 | 1,860,038 |
| 2039 | 1,400,000 | 458,288 | 1,858,288 |
| 2040 | 1,460,000 | 400,538 | 1,860,538 |
| 2041 | 1,520,000 | 340,313 | 1,860,313 |
| 2042 | 1,585,000 | 277,613 | 1,862,613 |
| 2043 | 1,650,000 | 212,231 | 1,862,231 |
| 2044 | 1,715,000 | 144,169 | 1,859,169 |
| 2045 | 1,780,000 | 73,425 | 1,853,425 |
| | <u>\$ 32,781,148</u> | <u>\$ 23,816,192</u> | <u>\$ 56,597,340</u> |

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

Note G – Retirement Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (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.

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

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

Membership

At September 30, 2015, the System's membership consisted of the following:

| | |
|--|----------------|
| Inactive plan members or their beneficiaries currently receiving benefits: | |
| Regular benefits | 184,496 |
| Survivor benefits | 16,960 |
| Disability benefits | 6,195 |
| Total | 207,651 |
| Inactive plan members entitled to but not yet receiving benefits: | |
| | 17,445 |
| Active plan members: | |
| Vested | 106,671 |
| Non-vested | 104,303 |
| Total | 210,974 |
| Total plan members | 436,070 |

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
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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.

KELLOGGSVILLE PUBLIC SCHOOLS
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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 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

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

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June 30, 2016

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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

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 “MPERS UAAL Stabilization.” This additional contribution is offset by monthly State Aid payments equal to the amounts actually billed by the Office of Retirement Services (ORS). Employer contribution requirements for pension and retiree healthcare, including the MPERS 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 MPERS under all pension plans for the year ended June 30, 2016, inclusive of the MPERS UAAL Stabilization and one-time prepayment, totaled \$3,401,365.

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, 2015, there were 13,725 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2015. The average remaining length of a contract was approximately 5.8 years for 2015. The short-term receivable was \$24.9 million and the discounted long-term receivable was \$67.5 million at September 30, 2015.

MPERS Plan Net Pension Liability (in thousands)

| | |
|---|-----------------------------|
| Total Pension Liability | \$ 67,355,988 |
| Plan Fiduciary Net Position | <u>42,382,361</u> |
| Net Pension Liability | <u><u>\$ 24,973,627</u></u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 62.92% |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 296.36% |
| Total Covered Payroll | \$ 8,426,755 |

Proportionate Share of Reporting Unit’s Net Pension Liability

At June 30, 2016, the District reported a liability of \$32,339,949 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, 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 .13435766% at September 30, 2014, and .13240497% at September 30, 2015.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

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

For the year ended June 30, 2016, the District recognized pension expense of \$2,636,939. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ — | \$ 107,119 |
| Changes of assumptions | 796,278 | — |
| Net difference between projected and actual earnings on pension plan investment earnings | 165,069 | — |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 5,364 | 363,864 |
| District contributions subsequent to the measurement date* | 3,096,187 | — |
| Total | \$ 4,062,898 | \$ 470,983 |

*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, 2017.

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

| Year ended June 30 | Amount |
|---------------------------|---------------|
| 2017 | \$ (5,731) |
| 2018 | (5,731) |
| 2019 | (48,907) |
| 2020 | 556,097 |

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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

| | |
|-----------------------------|--|
| Valuation Date: | September 30, 2014 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 3.5% |
| Investment Rate of Return: | |
| MIP and Basic Plans (Non- | 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, 2014 valuation. The total pension liability as of September 30, 2015 is based on the results of an actuarial valuation date of September 30, 2014, 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: [4.7158 for non-university employers, 1.3923 for university employers].
- Recognition period for assets in years is 5.000.
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (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, 2015 are summarized in the following table:

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

| <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% |
| Total | 100.0% | |

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 | \$ 41,694,485 | \$ 32,339,949 | \$ 24,453,693 |

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, 2015 Comprehensive Annual Financial Report, available here: (www.michigan.gov/documents.orsschools/MPERS_CAFR_2015_Final_510211_7.pdf).

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

Payables to the pension plan totaling \$434,001 at June 30, 2016 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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

Note H – Other Postemployment Benefits

Plan Description and Employee Contributions

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

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

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

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

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2016

Employer contributions

Required contributions for post-employment health care benefits ranged from 6.40% to 6.83% of covered payroll for the fiscal year ended June 30, 2016. The District's required and actual contributions to the Plan for retiree health care benefits for the fiscal years ending June 30, 2016 and 2015 were \$726,645 and \$313,970, respectively.

Post-employment Plan Status

At September 30, 2015, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole was \$14.2 billion. The MPSERS net assets available for these benefits were \$3.0 billion leaving an unfunded actuarial accrued liability of \$11.2 billion. The funded ratio of actuarial liability was 21.1%; covered payroll totaled \$8.2 billion, and unfunded actuarial liability was 136.9% of covered payroll.

Note J – 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 2015-16, and as of year ended June 30, 2016, there were no material pending claims against the District.

Note K – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of \$26,724,410 and a total net position deficit of \$2,129,260, as of June 30, 2016. These deficit net positions result primarily from the net pension liability of \$28,748,034 (net of deferred outflows and inflows of resources related to the pension plan).

Note L – Commitments

On June 3, 2015, the District issued \$32,770,000 of general obligation 2015 Construction bonds whose proceeds are being used for land improvements, building renovations and additions and furniture and equipment purchases. At June 30, 2016, unspent balances committed to these construction projects totaled \$28,534,488, which are expected to be fully expended by the year ended June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

KELLOGGSVILLE PUBLIC SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2016

| | <u>Year Ended June 30, 2015</u> | <u>Year Ended June 30, 2016</u> |
|---|-------------------------------------|-------------------------------------|
| District's proportion of the net pension liability | 0.13435766% | 0.13240497% |
| District's proportionate share of the net pension liability | \$ 29,594,294 | \$ 32,339,949 |
| District's covered-employee payroll | \$ 11,394,274 | \$ 10,855,140 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 259.73% | 297.92% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.15% | 62.92% |

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.

See accompanying notes to required supplementary information.

KELLOGGSVILLE PUBLIC SCHOOLS
Required Supplementary Information
Schedule of District Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2016

| | <u>Year Ended June 30, 2015</u> | <u>Year Ended June 30, 2016</u> |
|--|-------------------------------------|-------------------------------------|
| Contractually required contribution | \$ 3,485,798 | \$ 3,401,365 |
| Contributions in relation to the contractually required contribution | <u>3,485,798</u> | <u>3,401,365</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 10,708,777 | \$ 11,246,480 |
| Contributions as a percentage of covered employee payroll | 32.55% | 30.24% |

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.

KELLOGGSVILLE PUBLIC SCHOOLS
Notes to Required Supplementary Information
June 30, 2016

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2015-16.

Changes of assumptions: There were no changes of benefit assumptions in 2015-16.

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.

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2016 and 2015

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Assets | | |
| Cash | \$ 300 | \$ 300 |
| Cash equivalents, deposits and investments | 2,466,281 | 1,359,382 |
| Accounts receivable | 86,994 | - |
| Due from other funds | 62,141 | - |
| Due from other governmental units | 3,642,101 | 3,198,005 |
| Prepaid expenditures | 13,502 | 46,820 |
| Total Assets | \$ 6,271,319 | \$ 4,604,507 |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ 171,885 | \$ 153,067 |
| State aid anticipation note payable | 995,000 | 995,000 |
| Due to other governmental units | 936,427 | 774,413 |
| Salaries payable | 1,373,196 | 1,103,216 |
| Total Liabilities | 3,476,508 | 3,025,696 |
| Fund Balances | | |
| Nonspendable | 13,502 | 46,820 |
| Unassigned | 2,781,309 | 1,531,991 |
| Total Fund Balances | 2,794,811 | 1,578,811 |
| Total Liabilities and Fund Balances | \$ 6,271,319 | \$ 4,604,507 |

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Local sources: | | |
| Property taxes: | | |
| Current property taxes | \$ 3,018,852 | \$ 2,922,059 |
| Delinquent and other property taxes | 21,104 | 21,158 |
| Interest on delinquent taxes | 3,393 | 9,937 |
| | <u>3,043,349</u> | <u>2,953,154</u> |
| Interest earnings: | | |
| Interest on deposits and investments | 1,003 | 1,185 |
| Revenue from student activities: | | |
| Athletics admissions | 29,480 | 25,872 |
| Tournament fees | 5,160 | 3,324 |
| | <u>34,640</u> | <u>29,196</u> |
| Other local revenue: | | |
| Summer school tuition | 3,685 | 4,310 |
| Preschool tuition | 8,311 | 7,402 |
| Beverage consortium commissions | 8,601 | 7,811 |
| Donations | 1,000 | 3,000 |
| Sale of fixed assets | 10,196 | 5,017 |
| Crossing guard reimbursement | 4,483 | 4,484 |
| Insurance reimbursements | 22,754 | 14,260 |
| Universal service fund | 54,687 | 52,897 |
| Miscellaneous | 56,917 | 45,255 |
| | <u>170,634</u> | <u>144,436</u> |
| Total local sources | 3,249,626 | 3,127,971 |
| State sources: | | |
| State aid | 16,089,940 | 15,155,386 |
| Special education - transportation | 324,555 | 200,428 |
| Special education - itinerants | 6,236 | 35,615 |
| Technology infrastructure improvement grant | 42,499 | 9,036 |
| Principal educator evaluation | 17,004 | - |
| | <u>16,480,234</u> | <u>15,400,465</u> |
| Total state sources | 16,480,234 | 15,400,465 |
| Federal sources: | | |
| Title I | 644,440 | 622,165 |
| Title IIA | 102,469 | 108,501 |
| Title III | 69,203 | 37,101 |
| Title IIB - school leadership | 9,113 | 4,796 |
| I.D.E.A. program | 496,788 | 510,242 |
| Medicaid - outreach | 2,752 | 4,669 |
| Century 21 | 84,299 | 60,144 |
| Counselor grant | 248,570 | - |
| | <u>1,657,634</u> | <u>1,347,618</u> |
| Total federal sources | 1,657,634 | 1,347,618 |

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|---------------------------------|---------------------------------|
| Interdistrict sources: | | |
| Special education - county | \$ 1,227,569 | \$ 900,774 |
| Special education - tuition | 1,234 | 39,131 |
| Great Start Readiness Program | 242,455 | 109,530 |
| Medicaid fee for service | 182,153 | 154,258 |
| McKinney Vento Homeless grant | 4,204 | 1,277 |
| Project based learning | 14,880 | 8,991 |
| Immigrant grant | 2,637 | 3,221 |
| Total interdistrict sources | <u>1,675,132</u> | <u>1,217,182</u> |
| Total Revenues | <u><u>\$ 23,062,626</u></u> | <u><u>\$ 21,093,236</u></u> |

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|------------------------------------|-------------------|-------------------|
| Current: | | |
| Instruction: | | |
| Basic programs: | | |
| Elementary: | | |
| Salaries | \$ 2,703,943 | \$ 2,717,716 |
| Employee benefits | 1,639,176 | 1,662,095 |
| Purchased services | 61,773 | 133,981 |
| Supplies | 63,273 | 49,941 |
| Capital outlay | 9,424 | - |
| | <u>4,477,589</u> | <u>4,563,733</u> |
| Middle school: | | |
| Salaries | 1,387,776 | 1,343,425 |
| Employee benefits | 913,227 | 853,422 |
| Purchased services | 32,472 | 56,254 |
| Supplies | 41,354 | 23,361 |
| Miscellaneous | 5,703 | 4,074 |
| | <u>2,380,532</u> | <u>2,280,536</u> |
| High school: | | |
| Salaries | 2,005,976 | 1,991,736 |
| Employee benefits | 1,266,699 | 1,230,182 |
| Purchased services | 102,322 | 109,979 |
| Supplies | 72,092 | 56,568 |
| Capital outlay | 4,415 | 12,159 |
| Miscellaneous | 16,871 | 17,520 |
| Payments to other districts | 18,770 | 40,607 |
| | <u>3,487,145</u> | <u>3,458,751</u> |
| Preschool: | | |
| Purchased services | 8,791 | 4,784 |
| Supplies | 3,502 | 2,019 |
| Miscellaneous | 4,476 | 4,256 |
| | <u>16,769</u> | <u>11,059</u> |
| Summer school: | | |
| Salaries | 27,190 | 38,657 |
| Employee benefits | 9,073 | 12,461 |
| Purchased services | 7,962 | - |
| Supplies | 12,380 | - |
| | <u>56,605</u> | <u>51,118</u> |
| Total basic programs | <u>10,418,640</u> | <u>10,365,197</u> |
| Added needs: | | |
| Special education: | | |
| Salaries | 752,400 | 899,870 |
| Employee benefits | 481,828 | 523,948 |
| Purchased services | 13,151 | 57,395 |
| Supplies | 634 | 1,082 |
| Payments to other school districts | 551,462 | 534,029 |
| | <u>1,799,475</u> | <u>2,016,324</u> |
| Compensatory education: | | |
| Salaries | 757,313 | 616,698 |
| Employee benefits | 444,472 | 342,858 |

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|-------------------------------------|------------------|------------------|
| Compensatory education: (Continued) | | |
| Purchased services | \$ 33,653 | \$ 220,242 |
| Supplies | 36,725 | 14,004 |
| | <u>1,272,163</u> | <u>1,193,802</u> |
| Total added needs | <u>3,071,638</u> | <u>3,210,126</u> |
| Total instruction | 13,490,278 | 13,575,323 |
| Supporting services: | | |
| Pupil services: | | |
| Guidance services: | | |
| Salaries | 342,561 | 351,821 |
| Employee benefits | 175,216 | 218,844 |
| Purchased services | 29,095 | - |
| Supplies | 46,580 | - |
| | <u>593,452</u> | <u>570,665</u> |
| Occupational therapy services: | | |
| Salaries | 38,060 | 44,855 |
| Employee benefits | 20,647 | 21,560 |
| Supplies | 80 | 110 |
| | <u>58,787</u> | <u>66,525</u> |
| Psychological services: | | |
| Salaries | 12,000 | - |
| Employee benefits | 918 | 310 |
| Purchased services | 602 | 470 |
| Supplies | 1,304 | 4,133 |
| Payments to other school districts | 80,229 | 105,332 |
| | <u>95,053</u> | <u>110,245</u> |
| Speech pathology services: | | |
| Salaries | 144,125 | 137,938 |
| Employee benefits | 11,026 | 10,552 |
| Supplies | 1,707 | - |
| | <u>156,858</u> | <u>148,490</u> |
| Social worker services: | | |
| Purchased services | 351 | 312 |
| Payments to other school districts | 95,143 | 93,630 |
| | <u>95,494</u> | <u>93,942</u> |
| Other pupil services: | | |
| Salaries | 4,407 | 15,233 |
| Employee benefits | 1,157 | 6,647 |
| Purchased services | 18,742 | 23,356 |
| | <u>24,306</u> | <u>45,236</u> |
| Total pupil services | 1,023,950 | 1,035,103 |
| Instructional staff services: | | |
| Improvement of instruction: | | |
| Salaries | 109,115 | 50,406 |
| Employee benefits | 57,227 | 28,841 |
| Purchased services | 42,050 | 24,924 |
| Supplies | 624 | 750 |
| | <u>209,016</u> | <u>104,921</u> |

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---------------------------------------|------------------|------------------|
| Library: | | |
| Salaries | \$ 13,633 | \$ 2,032 |
| Employee benefits | 1,077 | 882 |
| Purchased services | 30,928 | 49,306 |
| Supplies | 1,110 | 157 |
| | <u>46,748</u> | <u>52,377</u> |
| Audio - visual: | | |
| Supplies | - | 3,328 |
| Supervision of instruction: | | |
| Salaries | 190,753 | 158,472 |
| Employee benefits | 116,394 | 87,154 |
| Purchased services | 23,818 | 22,061 |
| Supplies | 63,276 | 70,325 |
| Miscellaneous | 286 | 2,352 |
| Payments to other districts | 784 | 704 |
| | <u>395,311</u> | <u>341,068</u> |
| Total instructional staff services | 651,075 | 501,694 |
| General administrative services: | | |
| Board of education: | | |
| Salaries | 153,862 | 180,055 |
| Employee benefits | 40,285 | 18,281 |
| Purchased services | 67,103 | 84,362 |
| Supplies | 663 | 1,373 |
| Miscellaneous | 7,175 | 16,351 |
| | <u>269,088</u> | <u>300,422</u> |
| Executive administration: | | |
| Salaries | 70,611 | 64,990 |
| Employee benefits | 41,003 | 37,301 |
| Purchased services | 138,831 | 141,293 |
| Miscellaneous | 2,153 | 5,323 |
| | <u>252,598</u> | <u>248,907</u> |
| Total general administrative services | 521,686 | 549,329 |
| School administrative services: | | |
| Office of the principal: | | |
| Salaries | 910,192 | 910,194 |
| Employee benefits | 619,934 | 517,524 |
| Purchased services | 26,501 | 26,234 |
| Supplies | 360 | - |
| Miscellaneous | 1,893 | 755 |
| | <u>1,558,880</u> | <u>1,454,707</u> |
| Total school administrative services | 1,558,880 | 1,454,707 |
| Business services: | | |
| Fiscal services: | | |
| Salaries | 200,962 | 166,768 |
| Employee benefits | 129,718 | 117,430 |
| Purchased services | 41,125 | 45,355 |

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|--|-----------|-----------|
| Fiscal services: (Continued) | | |
| Supplies | \$ 18,702 | \$ 10,935 |
| Miscellaneous | 841 | (391) |
| | 391,348 | 340,097 |
| Other business services: | | |
| Purchased services | 24,943 | 22,783 |
| Miscellaneous | 126,156 | 101,044 |
| | 151,099 | 123,827 |
| Total business services | 542,447 | 463,924 |
| Operation and maintenance services: | | |
| Operation and maintenance: | | |
| Salaries | 527,056 | 463,265 |
| Employee benefits | 372,862 | 297,606 |
| Purchased services | 258,076 | 353,728 |
| Supplies | 386,609 | 397,234 |
| Capital outlay | 54,628 | - |
| Miscellaneous | 2,454 | 1,840 |
| | 1,601,685 | 1,513,673 |
| Security services: | | |
| Salaries | 3,326 | - |
| Employee benefits | 1,531 | - |
| Purchased services | 73,970 | 31,935 |
| | 78,827 | 31,935 |
| Total operation and maintenance services | 1,680,512 | 1,545,608 |
| Pupil transportation services: | | |
| Pupil transportation: | | |
| Salaries | 205,901 | 193,308 |
| Employee benefits | 149,545 | 110,416 |
| Purchased services | 105,427 | 92,727 |
| Supplies | 35,649 | 48,211 |
| Capital outlay | 62,778 | - |
| Miscellaneous | 1,313 | 444 |
| Payments to other school districts | 465,966 | 458,639 |
| Total pupil transportation services | 1,026,579 | 903,745 |
| Central services: | | |
| Staff/personnel services: | | |
| Salaries | - | 3,195 |
| Employee benefits | - | 1,312 |
| Purchased services | 2,250 | 300 |
| | 2,250 | 4,807 |
| Technology services: | | |
| Salaries | 183,999 | 176,625 |
| Employee benefits | 129,589 | 119,835 |
| Purchased services | 118,374 | 111,656 |
| Supplies | 2,673 | 4,763 |
| Capital outlay | 72,509 | 42,271 |
| | 507,144 | 455,150 |

(Continued)

KELLOGGSVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---------------------------------------|----------------------|----------------------|
| Pupil accounting services: | | |
| Salaries | \$ 36,130 | \$ 34,724 |
| Total central services | 545,524 | 494,681 |
| Other supporting services: | | |
| Athletics: | | |
| Salaries | 269,724 | 236,368 |
| Employee benefits | 101,382 | 109,628 |
| Purchased services | 109,414 | 137,794 |
| Supplies | 26,355 | 18,579 |
| Capital outlay | 30,708 | 23,237 |
| Miscellaneous | 17,470 | 14,435 |
| Total other supporting services | 555,053 | 540,041 |
| Total supporting services | 8,105,706 | 7,488,832 |
| Community services: | | |
| Community activities: | | |
| Salaries | 4,463 | 5,091 |
| Employee benefits | 1,495 | 2,198 |
| Purchased services | 10,825 | 7,596 |
| Supplies | 14,615 | 8,720 |
| | 31,398 | 23,605 |
| Nonpublic school pupils: | | |
| Purchased services | 8,291 | 13,559 |
| Payments to other school districts | 2,636 | 1,838 |
| Supplies | 304 | - |
| | 11,231 | 15,397 |
| Community relations/special projects: | | |
| Salaries | 39,615 | 31,590 |
| Employee benefits | 18,605 | 13,447 |
| Purchased services | 46,107 | 59,418 |
| Supplies | 5,015 | 5,731 |
| | 109,342 | 110,186 |
| Total community services | 151,971 | 149,188 |
| Interdistrict: | | |
| Payments to other school districts | 1,000 | 1,000 |
| Debt service: | | |
| Principal repayment | 52,487 | 51,412 |
| Interest and fiscal charges | 5,719 | 6,793 |
| Total debt service | 58,206 | 58,205 |
| Total Expenditures | \$ 21,807,161 | \$ 21,272,548 |

NONMAJOR GOVERNMENTAL FUNDS

KELLOGGSVILLE PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

| | Special Revenue | |
|--|-------------------|------------------|
| | Food Service | Child Care |
| Assets | | |
| Cash equivalents, deposits and investments | \$ 129,583 | \$ 34,804 |
| Due from other governmental units | 70,166 | - |
| Inventory | 4,875 | - |
| Total Assets | \$ 204,624 | \$ 34,804 |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Due to other funds | \$ 1,878 | \$ 2,058 |
| Fund Balances | | |
| Nonspendable | 4,875 | - |
| Restricted | 194,890 | 32,746 |
| Assigned for subsequent year expenditures | 2,981 | - |
| Total Fund Balances | 202,746 | 32,746 |
| Total Liabilities and Fund Balances | \$ 204,624 | \$ 34,804 |

| Debt Service | | |
|---------------|-----------------|-------------------|
| 2007 | 2015 | Total |
| \$ 604 | \$ 3,506 | \$ 168,497 |
| - | - | 70,166 |
| - | - | 4,875 |
| <u>\$ 604</u> | <u>\$ 3,506</u> | <u>\$ 243,538</u> |
| | | |
| \$ - | \$ - | \$ 3,936 |
| | | |
| - | - | 4,875 |
| 604 | 3,506 | 231,746 |
| - | | 2,981 |
| <u>604</u> | <u>3,506</u> | <u>239,602</u> |
| <u>\$ 604</u> | <u>\$ 3,506</u> | <u>\$ 243,538</u> |

KELLOGGSVILLE PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2016

| | Special Revenue | |
|--|-------------------|------------------|
| | Food Service | Child Care |
| Revenues | | |
| Local sources: | | |
| Property taxes | \$ - | \$ - |
| Interest earnings | 94 | 29 |
| Sales and admissions | 261,777 | - |
| Other local sources | - | 106,575 |
| Total local sources | 261,871 | 106,604 |
| State sources | 57,673 | 6,952 |
| Federal sources | 1,318,380 | - |
| Total Revenues | 1,637,924 | 113,556 |
| Expenditures | | |
| Current: | | |
| Operation and maintenance services | - | 11,910 |
| Food service | 1,621,587 | - |
| Community services | - | 113,178 |
| Debt service: | | |
| Principal repayment | - | - |
| Interest and fiscal charges | - | - |
| Total Expenditures | 1,621,587 | 125,088 |
| Excess (Deficiency) of Revenues Over Expenditures | 16,337 | (11,532) |
| Other Financing Sources | | |
| Other | - | 300 |
| Transfers in | - | - |
| Total Other Financing Sources | - | 300 |
| Net Change in Fund Balances | 16,337 | (11,232) |
| Fund Balances, Beginning of Year | 186,409 | 43,978 |
| Fund Balances, End of Year | \$ 202,746 | \$ 32,746 |

| Debt Service | | |
|--------------|--------------|--------------|
| 2007 | 2015 | Total |
| \$ - | \$ 2,475,961 | \$ 2,475,961 |
| 6 | 453 | 582 |
| - | - | 261,777 |
| - | - | 106,575 |
| 6 | 2,476,414 | 2,844,895 |
| - | - | 64,625 |
| - | - | 1,318,380 |
| 6 | 2,476,414 | 4,227,900 |
| - | - | 11,910 |
| - | - | 1,621,587 |
| - | - | 113,178 |
| 140,000 | 1,205,000 | 1,345,000 |
| 45,223 | 1,301,958 | 1,347,181 |
| 185,223 | 2,506,958 | 4,438,856 |
| (185,217) | (30,544) | (210,956) |
| - | - | 300 |
| - | 34,050 | 34,050 |
| - | 34,050 | 34,350 |
| (185,217) | 3,506 | (176,606) |
| 185,821 | - | 416,208 |
| \$ 604 | \$ 3,506 | \$ 239,602 |

KELLOGGSVILLE 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, 2016

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|--------------------------|--------------------------|-------------------------|
| Revenues | | | |
| Local sources | \$ 245,586 | \$ 261,871 | \$ 16,285 |
| State sources | 49,257 | 57,673 | 8,416 |
| Federal sources | 1,231,771 | 1,318,380 | 86,609 |
| Total Revenues | <u>1,526,614</u> | <u>1,637,924</u> | <u>111,310</u> |
| Expenditures | | | |
| Current: | | | |
| Food service | <u>1,586,488</u> | <u>1,621,587</u> | <u>(35,099)</u> |
| Net Change in Fund Balances | (59,874) | 16,337 | 76,211 |
| Fund Balances, Beginning of Year | <u>186,409</u> | <u>186,409</u> | <u>-</u> |
| Fund Balances, End of Year | <u><u>\$ 126,535</u></u> | <u><u>\$ 202,746</u></u> | <u><u>\$ 76,211</u></u> |

KELLOGGSVILLE PUBLIC SCHOOLS
Child Care Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2016

| | Budget | Actual | Variance |
|--|-------------------------|-------------------------|------------------------|
| Revenues | | | |
| Local sources | \$ 103,490 | \$ 106,604 | \$ 3,114 |
| State sources | 6,625 | 6,952 | 327 |
| Total Revenues | <u>110,115</u> | <u>113,556</u> | <u>3,441</u> |
| Expenditures | | | |
| Current: | | | |
| Operation and maintenance services | 11,910 | 11,910 | - |
| Community services | 116,589 | 113,178 | 3,411 |
| Total Expenditures | <u>128,499</u> | <u>125,088</u> | <u>3,411</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(18,384)</u> | <u>(11,532)</u> | <u>6,852</u> |
| Other Financing Sources | | | |
| Other | 300 | 300 | - |
| Net Change in Fund Balances | <u>(18,084)</u> | <u>(11,232)</u> | <u>6,852</u> |
| Fund Balances, Beginning of Year | <u>43,978</u> | <u>43,978</u> | <u>-</u> |
| Fund Balances, End of Year | <u><u>\$ 25,894</u></u> | <u><u>\$ 32,746</u></u> | <u><u>\$ 6,852</u></u> |

SPECIAL REVENUE FUNDS

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.

Child Care—to account for user fees and State subsidies for use in administering the child care program of the District.

KELLOGGSVILLE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2016 and 2015

| | 2016 | 2015 |
|--|--|--|
| Assets | | |
| Cash equivalents, deposits and investments | \$ 129,583 | \$ 168,534 |
| Due from other governmental units | 70,166 | 9,212 |
| Inventory | 4,875 | 8,663 |
| | Total Assets | Total Assets |
| | \$ 204,624 | \$ 186,409 |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Due to other funds | \$ 1,878 | \$ - |
| Fund Balances | | |
| Nonspendable | 4,875 | 8,663 |
| Restricted | 194,890 | 174,765 |
| Assigned for subsequent year expenditures | 2,981 | 2,981 |
| | Total Fund Balances | Total Fund Balances |
| | 202,746 | 186,409 |
| | Total Liabilities and Fund Balances | Total Liabilities and Fund Balances |
| | \$ 204,624 | \$ 186,409 |

KELLOGGSVILLE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---|------------|------------|
| Revenues | | |
| Local sources: | | |
| Food sales: | | |
| Children's lunches | \$ 103,120 | \$ 76,492 |
| Adult lunches | 4,661 | 4,662 |
| Milk | 2,625 | 1,842 |
| Ala carte | 32,762 | 26,126 |
| Vending machine | 14,597 | 12,138 |
| Banquets | 54,168 | 61,294 |
| Donations | 44,324 | 40,685 |
| Other | 5,520 | 5,374 |
| | 261,777 | 228,613 |
| Interest earnings: | | |
| Interest on deposits and investments | 94 | 157 |
| Total local sources | 261,871 | 228,770 |
| State sources | 57,673 | 32,730 |
| Federal sources | 1,318,380 | 1,193,253 |
| | 1,637,924 | 1,454,753 |
| Total Revenues | | |
| Expenditures | | |
| Current: | | |
| Food service: | | |
| Salaries | 409,040 | 353,133 |
| Employee benefits | 196,921 | 203,539 |
| Purchased services | 86,128 | 59,786 |
| Supplies | 857,883 | 751,079 |
| Equipment and furniture | 52,213 | 181,544 |
| Miscellaneous | 15,342 | 5,550 |
| Payments to other districts | 4,060 | 17,500 |
| | 1,621,587 | 1,572,131 |
| Total Expenditures | | |
| Net Change in Fund Balances | 16,337 | (117,378) |
| Fund Balances, Beginning of Year | 186,409 | 303,787 |
| Fund Balances, End of Year | \$ 202,746 | \$ 186,409 |

KELLOGGSVILLE PUBLIC SCHOOLS
Child Care Special Revenue Fund
Comparative Balance Sheet
June 30, 2016 and 2015

| | 2016 | 2015 |
|--|-----------|-----------|
| Assets | | |
| Cash equivalents, deposits and investments | \$ 34,804 | \$ 43,978 |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Due to other funds | \$ 2,058 | \$ - |
| Fund Balances | | |
| Restricted | 32,746 | 43,978 |
| Total Liabilities and Fund Balances | \$ 34,804 | \$ 43,978 |

KELLOGGSVILLE PUBLIC SCHOOLS
Child Care Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| Revenues | | |
| Local sources: | | |
| Other local sources: | | |
| Child care fees | \$ 103,110 | \$ 89,220 |
| Summer activity fees | 3,465 | 2,227 |
| | <u>106,575</u> | <u>91,447</u> |
| Interest earnings: | | |
| Interest on deposits and investments | 29 | 58 |
| Total local sources | <u>106,604</u> | <u>91,505</u> |
| State sources | <u>6,952</u> | <u>3,263</u> |
| Total Revenues | <u>113,556</u> | <u>94,768</u> |
| Expenditures | | |
| Current: | | |
| Operation and maintenance services: | | |
| Salaries | 7,500 | 7,405 |
| Employee benefits | 2,540 | 485 |
| Purchased services | 545 | 515 |
| Supplies | 1,325 | 1,288 |
| | <u>11,910</u> | <u>9,693</u> |
| Child care: | | |
| Salaries | 45,104 | 49,069 |
| Employee benefits | 20,278 | 34,168 |
| Purchased services | 47,253 | 30,794 |
| Supplies | 395 | 631 |
| Miscellaneous | 148 | 56 |
| | <u>113,178</u> | <u>114,718</u> |
| Total Expenditures | <u>125,088</u> | <u>124,411</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(11,532)</u> | <u>(29,643)</u> |
| Other Financing Sources | | |
| Other | <u>300</u> | <u>437</u> |
| Net Change in Fund Balances | (11,232) | (29,206) |
| Fund Balances, Beginning of Year | <u>43,978</u> | <u>73,184</u> |
| Fund Balances, End of Year | <u>\$ 32,746</u> | <u>\$ 43,978</u> |

DEBT SERVICE FUNDS

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

KELLOGGSVILLE PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2016

| | 2007 | 2015 | Totals | |
|--|---------------|-----------------|-----------------|-------------------|
| | | | 2016 | 2015 |
| Assets | | | | |
| Cash equivalents, deposits and investments | \$ 604 | \$ 3,506 | \$ 4,110 | \$ 185,821 |
| Liabilities and Fund Balances | | | | |
| Liabilities | \$ - | \$ - | \$ - | \$ - |
| Fund Balances | | | | |
| Restricted | 604 | 3,506 | 4,110 | 185,821 |
| Total Liabilities and Fund Balances | \$ 604 | \$ 3,506 | \$ 4,110 | \$ 185,821 |

KELLOGGSVILLE PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

| | 2007 | 2015 | Totals | |
|--|-----------|--------------|--------------|--------------|
| | | | 2016 | 2015 |
| Revenues | | | | |
| Local sources: | | | | |
| Property taxes: | | | | |
| Current property taxes | \$ - | \$ 2,421,760 | \$ 2,421,760 | \$ 2,338,323 |
| Industrial facilities taxes | - | 47,751 | 47,751 | 17,887 |
| Delinquent and other property taxes | - | 3,195 | 3,195 | 11,858 |
| Interest on delinquent taxes | - | 3,255 | 3,255 | 8,370 |
| | - | 2,475,961 | 2,475,961 | 2,376,438 |
| Interest earnings: | | | | |
| Interest on deposits and investments | 6 | 453 | 459 | 909 |
| Total Revenues | 6 | 2,476,414 | 2,476,420 | 2,377,347 |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal repayment | 140,000 | 1,205,000 | 1,345,000 | 2,375,000 |
| Interest and fiscal charges: | | | | |
| Interest expense | 44,723 | 1,295,002 | 1,339,725 | 146,729 |
| Paying agent fees | 500 | 1,000 | 1,500 | 1,250 |
| Tax refunds | - | 5,956 | 5,956 | 34,779 |
| Total Expenditures | 185,223 | 2,506,958 | 2,692,181 | 2,557,758 |
| Excess (Deficiency) of Revenues Over Expenditures | (185,217) | (30,544) | (215,761) | (180,411) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 34,050 | 34,050 | 369,077 |
| Transfers out | - | - | - | (184,123) |
| Total Other Financing Sources (Uses) | - | 34,050 | 34,050 | 184,954 |
| Net Change in Fund Balances | (185,217) | 3,506 | (181,711) | 4,543 |
| Fund Balances, Beginning of Year | 185,821 | - | 185,821 | 181,278 |
| Fund Balances, End of Year | \$ 604 | \$ 3,506 | \$ 4,110 | \$ 185,821 |

CAPITAL PROJECTS FUND

2015 Construction Fund—to account for bond proceeds used to finance building construction and improvement projects.

KELLOGGSVILLE PUBLIC SCHOOLS
2015 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2016 and 2015

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Assets | | |
| Cash equivalents, deposits and investments | \$ 28,592,693 | \$ 33,719,266 |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Due to other funds | \$ 58,205 | \$ - |
| Fund Balances | | |
| Restricted | 28,534,488 | 33,719,266 |
| Total Liabilities and Fund Balances | \$ 28,592,693 | \$ 33,719,266 |

KELLOGGSVILLE PUBLIC SCHOOLS
2015 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|-----------------------------|
| Revenues | | |
| Local sources: | | |
| Interest earnings: | | |
| Interest on cash equivalents, deposits and investments | \$ 86,045 | \$ - |
| Expenditures | | |
| Supporting services: | | |
| Pupil transportation services: | | |
| Pupil transportation: | | |
| New buses | 171,300 | - |
| Capital outlay: | | |
| Purchased services | 20,300 | 4,600 |
| Land | 502,056 | 1,000 |
| Site improvement | 4,870 | - |
| Bond consultant | 48,625 | - |
| Architect fees | 1,264,619 | 46,513 |
| Advertising | 695 | - |
| Building improvements | 3,182,984 | - |
| New equipment | 32,612 | - |
| Bond issuance costs | 42,762 | 211,923 |
| Underwriter's discount | - | 123,313 |
| Total capital outlay | <u>5,099,523</u> | <u>387,349</u> |
| Total Expenditures | <u>5,270,823</u> | <u>387,349</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(5,184,778)</u> | <u>(387,349)</u> |
| Other Financing Sources | | |
| Bonds issued | - | 32,770,000 |
| Bond premium | - | 1,336,615 |
| Total Other Financing Sources | <u>-</u> | <u>34,106,615</u> |
| Net Change in Fund Balances | (5,184,778) | 33,719,266 |
| Fund Balances, Beginning of Year | <u>33,719,266</u> | <u>-</u> |
| Fund Balances, End of Year | <u><u>\$ 28,534,488</u></u> | <u><u>\$ 33,719,266</u></u> |

AGENCY FUND

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

KELLOGGSVILLE PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2016

| | <u>Balances July 1, 2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balances June 30, 2016</u> |
|--|----------------------------------|-------------------|-------------------|-----------------------------------|
| Assets | | | | |
| Cash equivalents, deposits and investments | <u>\$ 172,485</u> | <u>\$ 179,546</u> | <u>\$ 185,571</u> | <u>\$ 166,460</u> |
| Liabilities | | | | |
| Due to student groups | <u>\$ 172,485</u> | <u>\$ 179,546</u> | <u>\$ 185,571</u> | <u>\$ 166,460</u> |

OTHER INFORMATION

KELLOGGSVILLE PUBLIC SCHOOLS
Summary of 2015 Taxes Levied and Collected
For the year ended June 30, 2016

| | Kent County | | Total |
|-------------------------------------|---------------------|---------------------|---------------------|
| | City of | | |
| | Kentwood | Wyoming | |
| Taxable Valuations | | | |
| Operating | \$ 51,221,893 | \$155,703,282 | \$206,925,175 |
| Debt Service | 122,415,844 | 209,115,134 | 331,530,978 |
| Rates (Mills) | | | |
| General Fund | | | 18.0000 |
| 2015 Debt Service Fund | | | 7.3200 |
| | | | <u>25.3200</u> |
| Taxes Levied 2015 Rolls | | | |
| General Fund | \$ 815,139 | \$ 2,207,253 | \$ 3,022,392 |
| 2015 Debt Service Fund | 896,061 | 1,529,544 | 2,425,605 |
| | <u>1,711,200</u> | <u>3,736,797</u> | <u>5,447,997</u> |
| Taxes Uncollected 2015 Rolls | | | |
| General Fund | 3,498 | 52 | 3,550 |
| 2015 Debt Service Fund | 3,318 | 63 | 3,381 |
| | <u>6,816</u> | <u>115</u> | <u>6,931</u> |
| Taxes Collected 2015 Rolls | | | |
| General Fund | 811,641 | 2,207,201 | 3,018,842 |
| 2015 Debt Service Fund | 892,743 | 1,529,481 | 2,422,224 |
| | <u>1,704,384</u> | <u>3,736,682</u> | <u>5,441,066</u> |
| Delinquent Taxes Collected | | | |
| General Fund | 2,618 | 341 | 2,959 |
| 2015 Debt Service Fund | 2,788 | 416 | 3,204 |
| | <u>5,406</u> | <u>757</u> | <u>6,163</u> |
| Total Taxes Collected | | | |
| General Fund | 814,259 | 2,207,542 | 3,021,801 |
| 2015 Debt Service Fund | 895,531 | 1,529,897 | 2,425,428 |
| | <u>\$ 1,709,790</u> | <u>\$ 3,737,439</u> | <u>\$ 5,447,229</u> |