

**REED CITY AREA PUBLIC SCHOOLS**

**REED CITY, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2014**



**Baird, Cotter & Bishop, P.C.**  
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS  
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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2014

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www.bcbcpa.com

August 14, 2014

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Reed City Area Public Schools  
Reed City, Michigan

### ***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 Reed City Area Public Schools, Reed City, Michigan as of and for the year ended June 30, 2014, 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. 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 Reed City Area Public Schools, Reed City, Michigan as of June 30, 2014, and the respective changes in financial position 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 budgetary comparison information on pages iv through ix and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Reed City Area Public Schools' basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are 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.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2014, on our consideration of Reed City Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Reed City Area Public Schools internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The discussion and analysis of the Reed City Area Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to provide, in layman's terms, a look at the District's performance and past and current position. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

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

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplemental information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

The basic financial statements include two kinds of statements that present different views of the District.

### **District-Wide Financial Statements**

These statements are full accrual basis statements and provide information about the District's *overall* financial status. They are used to help determine whether or not the District is better off or worse off as the result of the year's activities. The Statement of Net Position reports all of the District's assets, deferred outflows of resources, and liabilities, both short-term and long-term, regardless of whether they are "currently available" or not. Capital assets and long-term obligations of the District are reported in this statement. 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 they have 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 are 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, the quality of the education provided and the condition of the District's buildings.

In the district-wide statements, the District's activities are classified as governmental activities. This includes most of the District's basic services, such as regular and special education, food service, athletics, transportation and administration. Property taxes and state aid finance most of these services.

### **Fund Financial Statements**

The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund level statements are reported on a modified



REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, a district’s major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Revenue Funds for Food Service and Community Services, Debt Service Funds, Capital Project Fund, and Fiduciary Funds.

In the fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition and no asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded in the fund financial statements.

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

The net position of the District at June 30, 2014, amounted to an overall deficit of (\$103,925). The schedule below shows a condensed breakdown of the net position.

<u>June 30,</u>	Governmental Activities	
	2014	2013 (as restated)
<b>Assets</b>		
Current Assets	\$ 3,564,122	\$ 3,764,685
Non Current Assets		
Capital Assets	18,533,014	19,652,015
Less: Accumulated Depreciation	(7,055,062)	(7,665,912)
Total Non Current Assets	11,477,952	11,986,103
<b>Total Assets</b>	15,042,074	15,750,788
<b>Deferred Outflows of Resources</b>		
Deferred Charges on Refunding	482,292	535,972
<b>Liabilities</b>		
Current Liabilities	3,597,299	3,997,948
Non Current Liabilities	12,030,992	13,149,445
<b>Total Liabilities</b>	15,628,291	17,147,393
<b>Net Position</b>		
Net Investment in Capital Assets - (Deficit)	(685,283)	(1,102,734)
Restricted	383,396	449,618
Unrestricted	197,962	(207,517)
<b>Total Net Position (Deficit)</b>	\$ (103,925)	\$ (860,633)

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

Restricted assets represent resources that are subject to external restrictions on how they may be used.

During the fiscal year ended June 30, 2014, the District's net position increased by \$756,708. A few of the more significant factors affecting net position during the year are discussed below:

**1. Depreciation Expense**

The District is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2014, \$423,701 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions and Disposals**

For the fiscal year ended June 30, 2014, \$170,623 in capital assets were acquired and \$1,289,625 capital assets were disposed of.

The net effect of the capital asset changes and the current year's depreciation is a decrease to net capital assets in the amount of \$508,151 for the fiscal year ended June 30, 2014.

<u>June 30,</u>	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
		(as restated)
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 276,571	\$ 307,889
Operating Grants and Contributions	2,991,596	2,770,994
General Revenues:		
Property Taxes	3,462,797	3,476,390
Investment Earnings	1,238	1,584
State Sources	8,047,775	8,197,383
Other	82,698	100,674
<b>Total Revenues</b>	<u>14,862,675</u>	<u>14,854,914</u>

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

<u>June 30,</u>	<u>Governmental Activities</u>	
	2014	2013 (as restated)
<b>Expenses</b>		
Instruction	8,192,083	8,232,471
Supporting Services	4,181,383	4,335,159
Community Services	30,981	42,500
Food Service Activities	698,336	726,752
Construction Projects	0	8,717
Interest on Long-Term Debt	534,505	601,284
Other Transactions	44,978	42,197
Unallocated Depreciation	423,701	397,511
<b>Total Expenses</b>	<b>14,105,967</b>	<b>14,386,591</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 756,708</b>	<b>\$ 468,323</b>

The cost of the District's governmental activities for the year was \$14,105,967. State aid, operating grants and contributions provided approximately \$11,039,371, to fund the District's governmental activities. District taxpayers directly financed activities of the District with approximately \$3,462,797 in property taxes. Charges for services provided funds of approximately \$276,571.

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2014	2013	Increase (Decrease)
<b>Major Funds</b>			
General Fund - Restated	\$ 447,085	\$ 421,152	\$ 25,933
<b>Nonmajor Funds</b>			
Food Service	201,400	173,101	28,299
Community Services	11,723	6,161	5,562
Capital Projects	57,653	1,445	56,208
Other Debt Retirement	0	0	0
2001 Debt Retirement	58,653	67,178	(8,525)
2004 Debt Retirement	29,244	34,376	(5,132)
2005 Debt Retirement	190,725	197,380	(6,655)
2012 Debt Retirement	60,163	62,256	(2,093)
<b>Total Governmental Funds</b>	<b>\$ 1,056,646</b>	<b>\$ 963,049</b>	<b>\$ 93,597</b>

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The Debt Fund balances, of which the entire amount is restricted, changed primarily due to debt principal and interest payments being different than the property tax revenues.

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

During 2013-2014, the District amended the General Fund budget twice, with the Board adopting the final changes in June 2014. The following schedule shows a comparison of the original budget, the final amended budget and the actual totals for the General Fund:

<u>Year Ended June 30, 2014</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Total Revenues</b>	\$ 13,045,029	\$ 13,338,982	\$ 12,837,892
Expenditures:			
Instruction	\$ 8,261,154	\$ 8,371,129	\$ 8,202,468
Supporting Services	4,521,730	4,710,387	4,287,080
Community Services	0	5,032	210
Debt Service	0	93,371	52,392
Other Transactions	56,000	48,933	44,978
<b>Total Expenditures</b>	\$ 12,838,884	\$ 13,228,852	\$ 12,587,128

Final budgeted revenues and expenses were higher than originally budgeted primarily due to differences in grant income and expenses.

Actual revenues were lower than budgeted due to decreases in local revenues and changes to grant income. Actual expenditures were lower than budgeted due to changes in grant expenses.

**Capital Assets and Debt Administration**

*1. Capital Assets*

The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring major equipment necessary for providing educational programs for all students within the District. There was \$170,624 in capital asset additions during the current year.

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The District's capital assets at year end are summarized as follows, net of accumulated depreciation:

<u>June 30,</u>	<u>2013</u>	<u>2014</u>
Land	\$ 299,694	\$ 284,694
Buildings	10,621,954	10,417,444
Land Improvements	40,294	34,256
Machinery and Equipment	366,000	196,628
Transportation Equipment	658,161	544,930
	<u>\$ 11,986,103</u>	<u>\$ 11,477,952</u>

**2. Long-Term Debt**

At June 30, 2014, the District had \$12,843,048 in debt outstanding. This represents a decrease of \$1,083,115 from the amount outstanding at the close of the prior fiscal year.

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

At the time the financial statements were prepared, the District was aware of the following items that could significantly affect its future financial health:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2014-2015 fiscal year.
- With revenues decreasing and expenses increasing it is hard to maintain an adequate fund balance. It is difficult to set aside unrestricted fund balance for **future capital outlay** needs. Such needs as repairs and maintenance and technology require that the District attempt to maintain fund balance adequate for future anticipated needs.
- Staff has been reduced due to the steady drop in Student enrollment. The District has budgeted for a continuing decline in student enrollment for the 2014-2015 fiscal year and will not be adding any additional staff.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, parents, students and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Business Office, Reed City Area Public Schools, 225 W. Church Ave., Reed City, Michigan 49677.

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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash	\$ 867,415
Investments	685,702
Accounts Receivable	17,438
Due from Other Governments	1,881,742
Inventories	10,774
Prepaid Expenses	<u>101,051</u>

Total Current Assets 3,564,122

NON CURRENT ASSETS

Capital Assets	18,533,014
Less Accumulated Depreciation	<u>(7,055,062)</u>

Total Non Current Assets 11,477,952

TOTAL ASSETS 15,042,074

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Refunding	<u>482,292</u>
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The notes to the financial statements are an integral part of this statement.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2014

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	41,169
Accrued Expenses	449,121
Accrued Interest Payable	78,958
Salaries Payable	720,696
Note Payable	1,177,559
Due to Other Governments	57,915
Unearned Revenue	61,016
Current Portion of Non Current Liabilities	<u>1,010,865</u>
 Total Current Liabilities	 <u>3,597,299</u>

NON CURRENT LIABILITIES

Bonds Payable	12,025,000
Deferred Bond Premium - Net	198,809
Employee Early Retirement Obligations	214,000
Compensated Absences	182,330
Installment Purchase Agreement Payable	421,718
Less Current Portion of Non Current Liabilities	<u>(1,010,865)</u>
 Total Non Current Liabilities	 <u>12,030,992</u>

TOTAL LIABILITIES 15,628,291

NET POSITION

Net Investment (Deficit) in Capital Assets	(685,283)
Restricted for Debt Service	259,827
Restricted for Food Service	123,569
Unrestricted	<u>197,962</u>

TOTAL NET POSITION - (DEFICIT) \$ (103,925)

The notes to the financial statements are an integral part of this statement.



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 8,192,083	\$ 0	\$ 2,226,947	\$ 0	\$ (5,965,136)
Supporting Services	4,181,383	85,251	145,046	0	(3,951,086)
Community Services	30,981	36,333	848	0	6,200
Food Service Activities	698,336	154,987	618,755	0	75,406
Interest on Long-Term Debt	534,505	0	0	0	(534,505)
Other Transactions	44,978	0	0	0	(44,978)
Unallocated Depreciation	423,701	0	0	0	(423,701)
Total Governmental Activities	<u>\$ 14,105,967</u>	<u>\$ 276,571</u>	<u>\$ 2,991,596</u>	<u>\$ 0</u>	<u>(10,837,800)</u>
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					2,248,600
Property Taxes -Levied for Debt Service					1,214,197
Investment Earnings					1,238
State Sources					8,047,775
Other					82,698
Total General Revenues					<u>11,594,508</u>
Change in Net Position					756,708
<u>NET POSITION</u> - Beginning of Year - (Deficit) - as restated					<u>(860,633)</u>
<u>NET POSITION</u> - End of Year - (Deficit)					<u>\$ (103,925)</u>

The notes to the financial statements are an integral part of this statement.

REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2014

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 272,339	\$ 595,076	\$ 867,415
Investments	685,702	0	685,702
Accounts Receivable	9,947	7,491	17,438
Due from Other Governments	1,873,937	7,805	1,881,742
Due from Other Funds	11,995	0	11,995
Inventories	2,943	7,831	10,774
Prepaid Expenditures	31,051	70,000	101,051
	<hr/>		
TOTAL ASSETS	\$ 2,887,914	\$ 688,203	\$ 3,576,117
	<hr/>		
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 11,649	\$ 29,520	\$ 41,169
Accrued Expenses	449,121	0	449,121
Salaries Payable	720,696	0	720,696
Note Payable	1,177,559	0	1,177,559
Due to Other Funds	0	11,995	11,995
Due to Other Governments	57,915	0	57,915
Unearned Revenue	23,889	37,127	61,016
	<hr/>		
Total Liabilities	2,440,829	78,642	2,519,471
	<hr/>		
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	2,943	7,831	10,774
Prepaid Expenditures	31,051	70,000	101,051
Restricted for:			
Debt Service	0	338,785	338,785
Food Service	0	123,569	123,569
Assigned to:			
Community Services	0	11,723	11,723
Future Capital Projects	0	57,653	57,653
Unassigned	413,091	0	413,091
	<hr/>		
Total Fund Balances	447,085	609,561	1,056,646
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,887,914	\$ 688,203	\$ 3,576,117
	<hr/>		

The notes to the financial statements are an integral part of this statement.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION

JUNE 30, 2014

Total Governmental Fund Balances \$ 1,056,646

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

Capital assets used in governmental activities are not financial resources  
and are not reported in the funds.

The cost of the capital assets is	\$ 18,533,014	
Accumulated depreciation is	<u>(7,055,062)</u>	11,477,952

Other long-term assets are not available for pay for current period expenditures  
and, therefore, are deferred in the funds. These assets consist of:

Deferred Loss on Refunding	482,292
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Long-term liabilities are not due and payable in the current period and are  
not reported in the funds.

Bonds Payable	(12,025,000)
Bond Premium	(198,809)
Employees Early Retirement	(214,000)
Compensated Absences	(182,330)
Other Long-Term Debt	(19,855)
Installment Purchase Agreement	(401,863)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	<u>(78,958)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (103,925)</u></u>
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The notes to the financial statements are an integral part of this statement.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$2,440,603	\$ 1,406,028	\$ 3,846,631
State Sources	9,427,600	44,250	9,471,850
Federal Sources	594,103	574,505	1,168,608
Other Transactions	375,586	0	375,586
Total Revenues	<u>12,837,892</u>	<u>2,024,783</u>	<u>14,862,675</u>
 <u>EXPENDITURES</u>			
Instruction	8,202,468	0	8,202,468
Supporting Services	4,287,080	0	4,287,080
Community Services	210	30,771	30,981
Food Service Activities	0	740,546	740,546
Capital Projects	0	128,414	128,414
Debt Service			
Principal	45,095	843,170	888,265
Interest and Other	7,297	508,303	515,600
Other Transactions	44,978	0	44,978
Total Expenditures	<u>12,587,128</u>	<u>2,251,204</u>	<u>14,838,332</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>250,764</u>	<u>(226,421)</u>	<u>24,343</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	(235,858)	235,858	0
Proceeds from Sale of Capital Assets	11,027	58,227	69,254
Total Other Financing Sources (Uses)	<u>(224,831)</u>	<u>294,085</u>	<u>69,254</u>
Net Change in Fund Balance	25,933	67,664	93,597
<u>FUND BALANCE</u> - Beginning of Year - As Restated	<u>421,152</u>	<u>541,897</u>	<u>963,049</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 447,085</u>	<u>\$ 609,561</u>	<u>\$ 1,056,646</u>

The notes to the financial statements are an integral part of this statement.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances Total Governmental Funds \$ 93,597

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the statement of activities.

Capital Outlay	170,624
Depreciation Expense	(423,701)
Net Cost of Capital Assets Sold	(255,074)

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	84,673
Accrued Interest Payable - End of Year	(78,958)

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of Long-Term Debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

The net changes in long-term liabilities are:

Repayment of Debt Principal	888,265
Amortization of Deferred Charges	(24,620)
Capital Lease Non-Cash Principal Reductions	61,957

Employees Early Retirement and Accumulated Sick Pay are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Employees Early Retirement - Beginning of Year	454,266
Employees Early Retirement - End of Year	(214,000)
Accumulated Sick Pay - Beginning of Year	182,009
Accumulated Sick Pay - End of Year	(182,330)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 756,708

The notes to the financial statements are an integral part of this statement.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2014

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 59,350	\$ 157,694
Notes Receivable (net of allowance for doubtful accounts)	56,578	0
TOTAL ASSETS	115,928	157,694
<u>LIABILITIES</u>		
Due to Groups and Organizations	0	157,694
<u>NET POSITION</u>		
Restricted for Scholarships and Memorials	\$ 115,928	\$ 0

The notes to the financial statements are an integral part of this statement.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2014

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Donations	\$ 1,720
Investment Income (Change in Fair Value of Investments)	0
Interest and Dividends	853
	<hr/>
Total Additions	2,573
	<hr/>
<u>DEDUCTIONS</u>	
Transfer to Osceola Community Foundation	0
Scholarship Awards	1,500
	<hr/>
Total Deductions	1,500
	<hr/>
Change in Net Position	1,073
<u>NET POSITION</u> - Beginning of Year	114,855
	<hr/>
<u>NET POSITION</u> - End of Year	\$ 115,928
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Reed City Area Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The School District (the "District") is located in Osceola, Lake, Newaygo and Mecosta Counties with its administrative offices located in Reed City, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

**B. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School District does not have any business-type activities or component units.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Other non-major funds:

The *special revenue (School Service) fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and community services activities in the special revenue funds.

The *capital projects fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the District reports the following fund type:

*Fiduciary funds* are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary funds:

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

The *private purpose trust funds* are accounted for using the accrual method of accounting. Private purpose funds account for contributions earmarked for scholarships available to qualifying students of the District.

REED CITY AREA PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

REED CITY AREA PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

## **F. Budgetary Information**

### ***1. Budgetary Basis of Accounting***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to May, the various principals, directors and supervisors review operating budgets by program or building for the fiscal year commencing the following July 1, and submit them to the business manager.

This information is used to develop a budget and resolution for the General Fund and Special Revenue Funds. This includes proposed expenditures and the means of financing them and is compiled on a basis consistent with accounting principles generally accepted in the United States of America. In June, the budget resolution is subjected to a public hearing before the full Board and is adopted within seven days after this hearing and before July 1, the first day of the budgeted fiscal year.

Any revisions which increase or decrease expenditures for a program must be approved by the Board. The superintendent is authorized to transfer budgeted amounts between functions within any fund. The final budget reflects all revisions approved by the Board during the year. Unexpended appropriations lapse to the next fiscal year.

The budget is integrated with the accounting system of the District and is used as a management control device during the year.

Budgeted amounts are as originally adopted on June 17, 2013, or as amended by the School Board of Education at various times throughout the year.

**2. *Excess of Expenditures Over Appropriations***

There was no excess of expenditures over appropriations as of June 30, 2014.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. *Cash and Investments***

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.

REED CITY AREA PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
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- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

**2. *Inventory and Prepaid Items***

Inventories are recorded at cost and consist primarily of food, teaching and office supplies. USDA donated commodities are recorded at fair value. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**3. *Capital Assets***

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings	20-50 years
Land Improvements	10-20 years
Machinery and Equipment	5-20 years
Vehicles	8 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

**4. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results

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JUNE 30, 2014

from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

**5. *Net Position Flow Assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**6. *Fund Balance Flow Assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**7. *Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

REED CITY AREA PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the superintendent or his designee to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**8. *Use of Estimates***

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**H. Revenues and Expenditures/Expenses**

**1. *State Revenue***

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2014 the foundation allowance was based on pupil membership counts taken in February of 2014 and October of 2013. For fiscal year ended June 30, 2014, the per pupil foundation allowance was \$7,026 for Reed City Area Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2013 to August 2014. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**2. Federal Revenue**

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**3. Program Revenues**

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

**4. Property Taxes**

Properties are assessed as of December 31. Taxes are levied and become a lien on December 1. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county delinquent tax rolls. Delinquent real property taxes are purchased by the counties of Mecosta, Newaygo, Osceola and Lake and remitted to the District after settlement.

For the year ended June 30, 2014, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principal Residence Exemption (PRE)	18.00
General Fund - Non-PRE Commercial PPT	6.00
Debt Service Fund - PRE and Non-PRE	3.91

**5. Compensated Absences**

District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time does not accumulate from year-to-year. Sick leave is accumulated at different rates for various categories of employees. Unused sick leave accumulates from year-to-year to a maximum described in the contract. In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported on the district-wide financial statements.

**6. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.



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In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances 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 debt service expenditures.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

There were no budgetary violations that occurred for the year ended June 30, 2014.

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

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

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2014, the District's bank balance was \$1,512,848 and \$398,409 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The majority of this risk is in the General Fund. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

*Foreign Currency Risk.* The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust

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department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At June 30, 2014, the District had the following investments:

	Fair Value
MILAF External Investment Pool - MICMS	\$ 42
MILAF External Investment Pool - MILAX	685,660
Total	\$ 685,702

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2014, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 867,415	\$ 0	\$ 217,044	\$ 1,084,459
Investments	0	685,702	0	685,702
	\$ 867,415	\$ 685,702	\$ 217,044	\$ 1,770,161

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor are as follows:

	General Fund	Nonmajor Funds	Total
Receivables			
Accounts	\$ 9,947	\$ 7,491	\$ 17,438
Due from Other Governments	1,873,937	7,805	1,881,742
Total Receivables	\$ 1,883,884	\$ 15,296	\$ 1,899,180

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

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**C. Capital Assets**

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Assets Not Being Depreciated:				
Land	\$ 299,694	\$ 0	\$ 15,000	\$ 284,694
Other Capital Assets:				
Buildings	16,383,432	128,414	599,579	15,912,267
Land Improvements	239,206	0	0	239,206
Machinery and Equipment	909,940	30,035	287,135	652,840
Transportation Equipment	1,819,743	12,175	387,911	1,444,007
Subtotal	19,352,321	170,624	1,274,625	18,248,320
Accumulated Depreciation				
Buildings	5,761,478	272,966	539,621	5,494,823
Land Improvements	198,912	6,038	0	204,950
Machinery and Equipment	543,940	58,082	145,810	456,212
Transportation Equipment	1,161,582	86,615	349,120	899,077
Total Accumulated Depreciation	7,665,912	423,701	1,034,551	7,055,062
Net Other Capital Assets	11,686,409	(253,077)	240,074	11,193,258
Net Capital Assets	\$ 11,986,103	\$ (253,077)	\$ 255,074	\$ 11,477,952

Depreciation for the fiscal year ended June 30, 2014 amounted to \$423,701. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Employee Retirement System**

**Plan Description** - The District participates in the statewide Michigan Public School Employees' Retirement System (System) which is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 1363 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

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provisions of the System. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800)381-5111. It is also available at <http://www.michigan.gov/orsschools>.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

### **Benefit Provisions – Pension**

#### ***Introduction***

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

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***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 of September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012, subsequently amended to 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
- 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 4.3% 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 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.

Option 4 – members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future services 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 their 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

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

### **Funding Policy**

#### ***Member Contributions***

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later, including Pension Plus plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions become participants in the Defined Contribution plan as of their transition date.

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*Employer Contributions*

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees' Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employees' contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

The School District's contributions to MPSERS are as follows:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Contributions</u> <u>to MPSERS</u>
2014	\$ 1,922,135
2013	1,729,986
2012	1,628,038

Included in the amounts paid above, the District received \$328,441 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2014.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts, if any, are included in the amounts paid above.

The following table displays the various retirement plans and rates based on what plans certain employees chose to enroll in or what plans certain employees hired after certain dates are required to enroll in.

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Contribution Rates		Fiscal Year 2014						
		Effective February 1, 2013 - September 30, 2013						
Public School Employee Pension Rates (FYE Sept. 30th)		Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/3/2012	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MP DB to DC with PHF	Basic MIP with PHF
		<b>DB Contributions</b>						
Pension Normal Cost		2.43%	2.24%	2.24%	0.00%	0.00%	0.00%	2.43%
Pension UAL		11.42%	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%
Pension Early Retirement Incentive		1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<b>Pension Contributions - Total Rate</b>		<b>15.21%</b>	<b>15.02%</b>	<b>15.02%</b>	<b>12.78%</b>	<b>12.78%</b>	<b>12.78%</b>	<b>15.21%</b>
Health Normal Cost		0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL		8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%
<b>Health Contributions - Total Rate</b>		<b>9.11%</b>	<b>9.11%</b>	<b>8.18%</b>	<b>8.18%</b>	<b>9.11%</b>	<b>8.18%</b>	<b>8.18%</b>
<b>Total</b>		<b>24.32%</b>	<b>24.13%</b>	<b>23.20%</b>	<b>20.96%</b>	<b>21.89%</b>	<b>20.96%</b>	<b>23.39%</b>
<b>DC Contributions</b>								
DC Employer Contributions		0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund		0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
<b>Total</b>		<b>0.00%</b>	<b>1.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>4.00%</b>	<b>6.00%</b>	<b>2.00%</b>

Contribution Rates		Fiscal Year 2014						
		Effective October 1, 2013						
Public School Employee Pension Rates (FYE Sept. 30th)		Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/3/2012	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MP DB to DC with PHF	Basic MIP with PHF
		<b>DB Contributions</b>						
Pension Normal Cost		2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL		14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%
Pension Early Retirement Incentive		1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<b>Pension Contributions - Total Rate</b>		<b>18.34%</b>	<b>18.11%</b>	<b>18.11%</b>	<b>15.44%</b>	<b>15.44%</b>	<b>15.44%</b>	<b>18.34%</b>
Health Normal Cost		0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL		5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
<b>Health Contributions - Total Rate</b>		<b>6.45%</b>	<b>6.45%</b>	<b>5.52%</b>	<b>5.52%</b>	<b>6.45%</b>	<b>5.52%</b>	<b>5.52%</b>
<b>Total</b>		<b>24.79%</b>	<b>24.56%</b>	<b>23.63%</b>	<b>20.96%</b>	<b>21.89%</b>	<b>20.96%</b>	<b>23.86%</b>
<b>DC Contributions</b>								
DC Employer Contributions		0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund		0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
<b>Total</b>		<b>0.00%</b>	<b>1.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>4.00%</b>	<b>6.00%</b>	<b>2.00%</b>



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**Benefit Provisions – Other Postemployment**

***Introduction***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded 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. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus, plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. 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 MPERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

***Retiree Healthcare Reform of 2012***

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, 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 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.

Under Public Act 300 of 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 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) accounts.

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September

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3, 2012 who are rehired on September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they choose.

Those 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 eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

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 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.

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

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**Other Information**

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree healthcare trust as MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus member. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

**E. Risk Management**

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

**F. Lease Information**

Capital Leases

The District has entered into certain capital lease agreements under which the related equipment will become the property of the District when all the terms of the lease agreements are met. However, on June 27, 2014, the District modified its lease agreement and returned the equipment under the capital lease and entered into an operating lease with the same company for new equipment. As such, the previously capitalized equipment and related debt have been removed from the District's records at June 30, 2014. Amortization of leased equipment under capital lease is included with depreciation expense. Information on the new operating lease is below.

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Operating Leases

The lease consists of a lease agreement on a combination of 24 copiers and printers located throughout the District. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>		
2015		\$ 86,400
2016		86,400
2017		86,400
2018		86,400
2019		86,400
		\$ 432,000

**G. Long-Term Liabilities**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the governmental long-term liability transactions for the School District for the year ended June 30, 2014:

	BONDS PAYABLE	EARLY RETIREMENT OBLIGATIONS	INSTALLMENT PURCHASE AGREEMENT	COMPENSATED ABSENCES	TOTAL
Balance, July 1, 2013	\$ 12,760,000	\$ 454,266	\$ 529,888	\$ 182,009	\$ 13,926,163
Additions	0	44,000	0	321	44,321
Deletions	(735,000)	(284,266)	(108,170)	0	(1,127,436)
Balance, June 30, 2014	\$ 12,025,000	\$ 214,000	\$ 421,718	\$ 182,330	\$ 12,843,048
Total due within one year	\$ 770,000	\$ 132,000	\$ 108,865	\$ 0	\$ 1,010,865

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The District's liability obligations at June 30, 2014, are comprised of the following issues:

\$3,030,000 2012 Refunding Bonds due in annual installments of \$260,000 to \$710,000 plus interest through May 1, 2020. Interest rate of 3.0%.	\$ 3,000,000
\$5,100,000 2001 Refunding Bonds due in annual installments of \$415,000 to \$425,000 plus interest through May 1, 2016. Interest rates range from 4.875% to 5.0%.	840,000
\$8,400,000 2005 Refunding Bonds due in annual installments of \$45,000 to \$835,000 plus interest through May 1, 2029. Interest rates range from 4.00% to 4.35%.	8,185,000
Early retirement obligations paid annually without interest per individual contracts.	214,000
\$530,500 installment purchase agreement for the purchase of 6 buses. Due in semi-annual installments of \$46,172 including interest at 1.35% through October 26, 2018.	401,863
\$100,000 installment purchase agreement with Chartwells for the purchase of a Bio-Dome. Monthly payments of weekly amortization between \$1,564 and \$1,954 per month for 60 months through 2016 with no interest.	19,855
Compensated Absences	<u>182,330</u>
Total Long-Term debt	<u><u>\$ 12,843,048</u></u>

Year Ending	Bonds Payable		Early Retirement	Installment Purchase Agreements		Amounts
June 30,	Principal	Interest	Obligation	Principal	Interest	Payable
2015	\$ 770,000	\$ 468,322	\$ 132,000	\$ 107,068	\$ 5,132	\$ 1,482,522
2016	800,000	436,990	82,000	88,393	3,951	1,411,334
2017	740,000	404,040	0	89,591	2,753	1,236,384
2018	750,000	381,340	0	90,804	1,540	1,223,684
2019	765,000	358,340	0	45,862	310	1,169,512
2020-2024	4,090,000	1,360,600	0	0	0	5,450,600
2025-2029	4,110,000	524,974	0	0	0	4,634,974
	<u>\$ 12,025,000</u>	<u>\$ 3,934,606</u>	<u>\$ 214,000</u>	<u>\$ 421,718</u>	<u>\$ 13,686</u>	<u>\$ 16,609,010</u>

The annual requirements to amortize the accrued sick leave are uncertain because it is unknown when the employees will use the sick leave.

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Compensated absences and early retirement benefits will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

**H. Short-Term Debt**

The District has borrowed on state aid anticipation notes in order to meet its cash flow needs as follows:

	STATE AID NOTES
Balance, July 1, 2013	\$ 1,286,857
Additions	2,170,000
Deletions	(2,289,708)
Balance, June 30, 2014	\$ 1,167,149

The notes were issued August 20, 2013, one note of \$550,000 carries an interest rate of 1.05% the other note of \$450,000 carries an interest rate of 1.378%. Additionally, the District borrowed \$1,170,000 at 0.43% interest and made payments into a non-refundable escrow account. As such, the remaining balance at June 30, 2014 was \$1,167,149. The portion paid to escrow is considered defeased and is not shown on the District's financial statements at year end. Of the remaining balance, \$167,149 was repaid on July 20, 2014 and the remainder of \$1,000,000 will be repaid August 20, 2014. Also, on August 20, 2014 the District plans to issue new State Aid Notes totaling \$2,925,000 due August 20, 2015.

**I. Interfund Receivables and Payables**

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 11,995	\$ 0
Community Services Fund	0	67
Food Service Fund	0	11,928
	\$ 11,995	\$ 11,995

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All Interfund balances outstanding at June 30, 2014 are expected to be repaid within one year.

REED CITY AREA PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**J. Interfund Transfers**

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 5,000	\$ 240,858
Other Debt Retirement	92,344	0
Capital Projects Fund	148,514	0
Lunch Fund	0	5,000
	<u>\$ 245,858</u>	<u>\$ 245,858</u>

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**K. Defeased Debt**

During 2005, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On May 1, 2014, \$7,740,000 of bonds outstanding were paid by the refunding escrow agent and the defeased balance is now zero.

**L. Defeased Debt**

During 2001, the District defeased certain capital appreciation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2014, \$242,768 of bonds outstanding are considered defeased.

**M. Defeased Debt**

During 2012, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2014, \$2,970,000 of bonds outstanding are considered defeased.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**N. Other Information**

**1. Commitments and Contingencies**

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

**2. Restated Fund Balance/Net Position**

The restatement of the beginning fund balance and net position is as follows:

During 2013-2014 it was determined that a grant receivable in the amount of \$88,774 should have been recorded at June 30, 2013.

	General Fund
Fund Balance as previously stated June 30, 2013	\$ 332,378
Recognition of grant revenue for the year ended June 30, 2013	88,774
	<hr/>
Fund Balance as restated June 30, 2013	\$ 421,152
	<hr/> <hr/>
	Governmental Activities
Net position as previously stated June 30, 2013 - (Deficit)	\$ (949,407)
Recognition of grant revenue for the year ended June 30, 2013	88,774
	<hr/>
Net position as restated June 30, 2013 - (Deficit)	\$ (860,633)
	<hr/> <hr/>

**NOTE 4 – UPCOMING ACCOUNTING PRONOUCEMENTS**

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees,



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

The State of Michigan Office of Retirement Services (ORS) operates the pension plan for participating school districts in the State of Michigan. In February 2014, the ORS estimated Reed City Area Public School's proportionate share of the pension liability based on 2012 figures. The estimate was \$18,521,000 which, if recorded in the current year would reduce the District's net position from its current deficit of (\$103,925) to a deficit of (\$18,624,925). The ORS will continue to update the estimate of liability as the implementation date moves closer.

REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2014

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 2,652,794	\$ 2,614,681	\$ 2,440,603
State Sources	9,188,821	9,467,166	9,427,600
Federal Sources	830,563	878,284	594,103
Other Transactions	372,851	378,851	375,586
Total Revenues	<u>13,045,029</u>	<u>13,338,982</u>	<u>12,837,892</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Instruction	6,582,157	6,685,309	6,633,233
Added Needs	1,678,997	1,685,820	1,569,235
Supporting Services			
Pupil	383,303	384,524	360,368
Instructional Staff	254,961	326,615	209,189
General Administration	520,018	512,907	511,663
School Administration	814,210	882,356	858,685
Business	251,981	279,087	230,963
Operating and Maintenance	1,052,733	1,054,371	976,448
Pupil Transportation	716,685	720,353	633,827
Central Services	186,503	212,084	207,600
Athletic Activities	341,336	338,090	298,337
Community Services			
Community Activities	0	5,032	210
Debt Service			
Principal	0	82,871	45,095
Interest	0	10,500	7,297
Other Transactions	56,000	48,933	44,978
Total Expenditures	<u>12,838,884</u>	<u>13,228,852</u>	<u>12,587,128</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>206,145</u>	<u>110,130</u>	<u>250,764</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	0	0	11,027
Transfers In	0	0	5,000
Transfers Out	(170,000)	(245,000)	(240,858)
Total Other Financing Sources (Uses)	<u>(170,000)</u>	<u>(245,000)</u>	<u>(224,831)</u>
Net Change in Fund Balance	36,145	(134,870)	25,933
<u>FUND BALANCE</u> - Beginning of Year - As Restated	<u>97,113</u>	<u>332,380</u>	<u>421,152</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 133,258</u>	<u>\$ 197,510</u>	<u>\$ 447,085</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	SPECIAL REVENUE			DEBT RETIREMENT					TOTAL
	FOOD SERVICE FUND	COMMUNITY SERVICES FUND	CAPITAL PROJECT FUND	OTHER DEBT RETIREMENT FUND	2001 DEBT RETIREMENT FUND	2004 DEBT RETIREMENT FUND	2005 DEBT RETIREMENT FUND	2012 DEBT RETIREMENT FUND	
<b>ASSETS</b>									
Cash	\$ 155,232	\$ 41,842	\$ 59,217	\$ 0	\$ 58,653	\$ 29,244	\$ 190,725	\$ 60,163	\$ 595,076
Accounts Receivable	7,318	173	0	0	0	0	0	0	7,491
Due from Other Governments	7,805	0	0	0	0	0	0	0	7,805
Inventory	7,831	0	0	0	0	0	0	0	7,831
Prepaid Expenditures	70,000	0	0	0	0	0	0	0	70,000
<b>TOTAL ASSETS</b>	<b>\$ 248,186</b>	<b>\$ 42,015</b>	<b>\$ 59,217</b>	<b>\$ 0</b>	<b>\$ 58,653</b>	<b>\$ 29,244</b>	<b>\$ 190,725</b>	<b>\$ 60,163</b>	<b>\$ 688,203</b>
<b>LIABILITIES AND FUND BALANCE</b>									
<b>LIABILITIES</b>									
Accounts Payable	\$ 27,956	\$ 0	\$ 1,564	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,520
Due to Other Funds	11,928	67	0	0	0	0	0	0	11,995
Unearned Revenue	6,902	30,225	0	0	0	0	0	0	37,127
<b>Total Liabilities</b>	<b>46,786</b>	<b>30,292</b>	<b>1,564</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78,642</b>
<b>FUND BALANCE</b>									
Nonspendable:									
Inventory	7,831	0	0	0	0	0	0	0	7,831
Prepaid Expenditures	70,000	0	0	0	0	0	0	0	70,000
Restricted:									
Debt Retirement	0	0	0	0	58,653	29,244	190,725	60,163	338,785
Food Service	123,569	0	0	0	0	0	0	0	123,569
Assigned:									
Community Services	0	11,723	0	0	0	0	0	0	11,723
Future Capital Projects	0	0	57,653	0	0	0	0	0	57,653
<b>Total Fund Balance</b>	<b>201,400</b>	<b>11,723</b>	<b>57,653</b>	<b>0</b>	<b>58,653</b>	<b>29,244</b>	<b>190,725</b>	<b>60,163</b>	<b>609,561</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 248,186</b>	<b>\$ 42,015</b>	<b>\$ 59,217</b>	<b>\$ 0</b>	<b>\$ 58,653</b>	<b>\$ 29,244</b>	<b>\$ 190,725</b>	<b>\$ 60,163</b>	<b>\$ 688,203</b>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	<u>SPECIAL REVENUE</u>			<u>DEBT RETIREMENT</u>					<u>TOTAL</u>
	<u>FOOD SERVICE FUND</u>	<u>COMMUNITY SERVICES FUND</u>	<u>CAPITAL PROJECT FUND</u>	<u>OTHER DEBT RETIREMENT FUND</u>	<u>2001 DEBT RETIREMENT FUND</u>	<u>2004 DEBT RETIREMENT FUND</u>	<u>2005 DEBT RETIREMENT FUND</u>	<u>2012 DEBT RETIREMENT FUND</u>	
<u>REVENUES</u>									
Local Sources	\$ 155,090	\$ 36,333	\$ 5	\$ 0	\$ 452,164	\$ 271,916	\$ 371,958	\$ 118,562	\$ 1,406,028
State Sources	44,250	0	0	0	0	0	0	0	44,250
Federal Sources	574,505	0	0	0	0	0	0	0	574,505
<b>Total Revenues</b>	<b>773,845</b>	<b>36,333</b>	<b>5</b>	<b>0</b>	<b>452,164</b>	<b>271,916</b>	<b>371,958</b>	<b>118,562</b>	<b>2,024,783</b>
<u>EXPENDITURES</u>									
Community Services	0	30,771	0	0	0	0	0	0	30,771
Food Service Activities	740,546	0	0	0	0	0	0	0	740,546
Capital Projects	0	0	128,414	0	0	0	0	0	128,414
Debt Service	0	0	22,124	92,344	460,689	277,048	378,613	120,655	1,351,473
<b>Total Expenditures</b>	<b>740,546</b>	<b>30,771</b>	<b>150,538</b>	<b>92,344</b>	<b>460,689</b>	<b>277,048</b>	<b>378,613</b>	<b>120,655</b>	<b>2,251,204</b>
Excess of Revenues Over (Under) Expenditures	33,299	5,562	(150,533)	(92,344)	(8,525)	(5,132)	(6,655)	(2,093)	(226,421)
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In (Out)	(5,000)	0	148,514	92,344	0	0	0	0	235,858
Proceeds from Sale of Capital Assets	0	0	58,227	0	0	0	0	0	58,227
<b>Total Other Financing Sources (Uses)</b>	<b>(5,000)</b>	<b>0</b>	<b>206,741</b>	<b>92,344</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>294,085</b>
<b>Net Change in Fund Balance</b>	<b>28,299</b>	<b>5,562</b>	<b>56,208</b>	<b>0</b>	<b>(8,525)</b>	<b>(5,132)</b>	<b>(6,655)</b>	<b>(2,093)</b>	<b>67,664</b>
<u>FUND BALANCE</u> - Beginning of Year	173,101	6,161	1,445	0	67,178	34,376	197,380	62,256	541,897
<u>FUND BALANCE</u> - End of Year	\$ 201,400	\$ 11,723	\$ 57,653	\$ 0	\$ 58,653	\$ 29,244	\$ 190,725	\$ 60,163	\$ 609,561

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND TYPES

JUNE 30, 2014

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 59,350	\$ 157,694	\$ 217,044
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	56,578	0	56,578
TOTAL ASSETS	115,928	157,694	273,622
<u>LIABILITIES</u>			
Due to Groups and Organizations	0	157,694	157,694
<u>NET POSITION</u>			
Restricted for:			
Scholarships and Memorials	\$ 115,928	\$ 0	\$ 115,928

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2014

	JEWELL SCHOLARSHIP	EMPLOYEE SCHOLARSHIP	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 59,074	\$ 276	\$ 59,350
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	56,578	0	56,578
TOTAL ASSETS	115,652	276	115,928
<u>LIABILITIES</u>			
Due to Groups and Organizations	0	0	0
<u>NET POSITION</u>			
Restricted for:			
Scholarships and Memorials	\$ 115,652	\$ 276	\$ 115,928

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS

YEAR ENDED JUNE 30, 2014

	<u>JEWELL</u> <u>SCHOLARSHIP</u>	<u>EMPLOYEE</u> <u>SCHOLARSHIP</u>	<u>TOTAL</u>
<u>ADDITIONS</u>			
Donations	\$ 0	\$ 1,720	\$ 1,720
Investment Income:			
Change in Fair Value of Investments	0	0	0
Interest and Dividends	853	0	853
Total Additions	853	1,720	2,573
<u>DEDUCTIONS</u>			
Transfer to Osceola Community Foundation	0	0	0
Scholarship Awards	0	1,500	1,500
Total Deductions	0	1,500	1,500
Change in Net Position	853	220	1,073
<u>NET POSITION</u> - Beginning of Year	114,799	56	114,855
<u>NET POSITION</u> - End of Year	\$ 115,652	\$ 276	\$ 115,928

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS

JUNE 30, 2014

	NORMAN ELEMENTARY ACCOUNT	MIDDLE SCHOOL ACCOUNT	HIGH SCHOOL ACCOUNT	ATHLETIC FUNDRAISING ACCOUNT	BEVERAGE CONSORTIA ACCOUNT	TOTAL
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 30,497	\$ 32,779	\$ 35,250	\$ 57,644	\$ 1,524	\$ 157,694
<u>LIABILITIES</u>						
Due to Groups and Organizations	30,497	32,779	35,250	57,644	1,524	157,694
<u>NET POSITION</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - NORMAN ELEMENTARY SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2014

	BALANCE 7/1/2013	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2014
1st Grade	\$ 0	\$ 100	\$ 0	\$ 100
2nd Grade	0	300	298	2
3rd Grade	520	0	0	520
5th Grade	8	0	0	8
Accelerated Reader	38	0	0	38
Activity	3,148	2,828	3,049	2,927
Dollar General/Hop Sports MS	5,000	2,000	0	7,000
Family Fun Night	5,061	3,500	3,380	5,181
Family School Service	314	0	0	314
Fitness Program	70	0	0	70
Fun Fours	30	0	0	30
General Mills Foundation / Jo Knack	854	1,000	854	1,000
General Mills Foundation	5,746	0	1,744	4,002
Interest Fund	162	29	0	191
Library	8	0	0	8
LIFT	12	0	0	12
Meemic Foundation / Guiney	43	0	0	43
Nutrition Grant	0	2,500	1,943	557
Osceola County Foundation Grant	2,220	3,138	1,511	3,847
Pop	1	0	0	1
PTO Fund	242	0	1	241
Safety Patrol	20	0	0	20
Target	1,580	0	0	1,580
TransCanada	1,116	0	0	1,116
United Way Grant	970	942	223	1,689
	<u>\$ 27,163</u>	<u>\$ 16,337</u>	<u>\$ 13,003</u>	<u>\$ 30,497</u>

Represented by

Assets

Cash

\$ 27,163

\$ 30,497

Liabilities

Due to Groups and Organizations

\$ 27,163

\$ 30,497

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - MIDDLE SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2014

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	<u>7/1/2013</u>	<u>(Including Transfers)</u>		<u>6/30/2014</u>
6th Grade	\$ 2,185	\$ 3,301	\$ 2,756	\$ 2,730
7th Grade	190	3,204	3,165	229
8th Grade	5,429	16,800	15,475	6,754
Art Club	620	331	580	371
Band - Resale	7	42	49	0
Band Sales	0	15,667	15,567	100
Candy Machine	593	0	0	593
Counseling	0	752	666	86
EGG	179	400	340	239
Grant Money	0	2,325	2,135	190
Interest	2,078	37	972	1,143
Language Arts Books	24	400	0	424
Math Department	0	5,436	5,407	29
Osceola Foundation	4	586	0	590
Peer to Peer	0	454	287	167
Pencils	789	86	203	672
Pep Club	2,865	114	289	2,690
Pop Fund	1,618	1,322	2,588	352
Science Department	1,162	0	0	1,162
Shop Department	595	1,030	1,390	235
Ski Club	771	819	1,007	583
Student Activity Fund	222	0	19	203
Student Council	12,393	2,122	3,493	11,022
Track	120	0	0	120
Yearbook	1,523	2,420	1,848	2,095
	<u>\$ 33,367</u>	<u>\$ 57,648</u>	<u>\$ 58,236</u>	<u>\$ 32,779</u>
Represented by				
Assets				
Cash	<u>\$ 33,367</u>			<u>\$ 32,779</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 33,367</u>			<u>\$ 32,779</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - HIGH SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2014

	BALANCE 7/1/2013	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2014
Advance Placement English	\$ 43	\$ 0	\$ 0	\$ 43
Annual (Yearbook)	2,066	20,492	19,806	2,752
Assembly	300	0	300	0
Bailey Scholarship	240	0	0	240
Chicago Trip	773	0	0	773
Choral Music	5	90	0	95
Class of 1962 Scholarship	2,020	516	1,512	1,024
Class of 2006	1,177	0	0	1,177
Class of 2007	526	0	0	526
Class of 2008	380	0	380	0
Class of 2009	30	0	0	30
Class of 2010	2,303	0	0	2,303
Class of 2011	150	0	0	150
Class of 2013	306	0	74	232
Class of 2014	117	1,999	1,685	431
Class of 2015	2,385	3,370	4,806	949
Class of 2016	513	2,742	1,686	1,569
Class of 2017	0	390	0	390
Coke Account	623	2,632	1,391	1,864
Coke Scholarship	660	0	660	0
Counseling	1,221	1,591	1,600	1,212
Dance Team	50	289	136	203
Drama Club	1,693	0	1,693	0
E.G.G.	74	583	396	261
English/Math	654	0	0	654
Equestrian Team	24	5,718	4,976	766
Fees	131	535	489	177
FIRST Robotic Team	1,886	2,300	3,500	686
Gen Mills Operating Grant	75	0	75	0
Gen Mills P.E. Grant	69	0	0	69
Grant Fund	1,075	653	391	1,337
GRBS Scholarship	0	3,000	1,000	2,000
Health Education - Drug Free	2,068	80	376	1,772
High School Flower Fund	16	0	16	0
High School Improvement	1,021	4,359	1,021	4,359
Industrial Arts	1,165	3,403	3,966	602

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - HIGH SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2014

	BALANCE 7/1/2013	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2014
Interest	266	80	0	346
Leadership	1,068	263	675	656
Leadership Scholarship	489	711	1,200	0
Library Internal	998	0	998	0
Make a Difference	40	0	40	0
National Art	341	923	637	627
National Honor Society	116	4,104	3,434	786
Newspaper	27	0	27	0
Outing Club	86	0	86	0
Pepsi Cola Fund	807	552	649	710
Quizbowl	108	112	140	80
Rainforest	(28)	28	0	0
Recycle	12	0	12	0
S.A.D.D.	376	0	376	0
Science	590	345	526	409
Science Dome	856	2,107	1,733	1,230
Service	15	0	15	0
Ski Club	494	88	64	518
Spanish Club	69	0	0	69
Student Council	1,936	7,057	8,252	741
TI-IN Network	283	0	283	0
Vending Machine	0	325	0	325
Water Quality	91	0	91	0
Weight Room	3	0	3	0
Welding	100	0	0	100
Youth Advisory Committee	7	400	400	7
	<u>\$ 34,989</u>	<u>\$ 71,837</u>	<u>\$ 71,576</u>	<u>\$ 35,250</u>

Represented by

Assets

Cash

\$ 34,989

\$ 35,250

Liabilities

Due to Groups and Organizations

\$ 34,989

\$ 35,250

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - ATHLETIC FUNDRAISING ACCOUNT

YEAR ENDED JUNE 30, 2014

	BALANCE 7/1/2013	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2014
Athletic Director	\$ 8,141	\$ 1,050	\$ 6,899	\$ 2,292
Baseball	2,152	819	2,209	762
Boys Basketball	2,217	9,983	8,972	3,228
Boys Soccer	2,634	1,681	1,547	2,768
Cheer	999	1,913	1,198	1,714
Cross Country	61	0	0	61
Football	4,468	23,420	26,693	1,195
Girls Basketball	2,795	3,113	3,540	2,368
Girls Soccer	2,448	0	364	2,084
Golf	20	0	0	20
Invitational	10,919	6,165	5,791	11,293
Little League	0	10,922	10,652	270
MHSAA Tournament	12,937	21,658	22,227	12,368
School Store	570	0	0	570
Softball	2,147	11,404	12,536	1,015
Track	4,061	3,844	5,604	2,301
Volleyball	597	2,358	2,700	255
Wrestling	3,917	836	2,973	1,780
Annual Golf Outing	12,786	9,898	12,102	10,582
Unclassified	646	72	0	718
	<u>\$ 74,515</u>	<u>\$ 109,136</u>	<u>\$ 126,007</u>	<u>\$ 57,644</u>
Represented by				
Assets				
Cash	<u>\$ 74,515</u>			<u>\$ 57,644</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 74,515</u>			<u>\$ 57,644</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE  
AGENCY FUND - BEVERAGE CONSORTIA ACCOUNT

YEAR ENDED JUNE 30, 2014

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	<u>7/1/2013</u>	<u>(Including Transfers)</u>		<u>6/30/2014</u>
Beverage Consortia	\$ 4,742	\$ 1,626	\$ 4,844	\$ 1,524
Represented by				
Assets				
Cash	<u>\$ 4,742</u>			<u>\$ 1,524</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 4,742</u>			<u>\$ 1,524</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2014

2001 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2001 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of the 1991 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 5,100,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2015	4.875 %	\$ 456,482	\$ 20,741	\$ 20,741	\$ 415,000
2016	5.000 %	446,250	10,625	10,625	425,000
		<u>\$ 902,732</u>	<u>\$ 31,366</u>	<u>\$ 31,366</u>	<u>\$ 840,000</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2014

2005 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2005 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of the 2004 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 8,400,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2015	4.000 %	\$ 381,840	\$ 168,420	\$ 168,420	\$ 45,000
2016	4.000 %	380,040	167,520	167,520	45,000
2017	4.000 %	383,240	166,620	166,620	50,000
2018	4.000 %	381,240	165,620	165,620	50,000
2019	4.000 %	384,240	164,620	164,620	55,000
2020	4.000 %	852,040	163,520	163,520	525,000
2021	4.000 %	1,126,040	153,020	153,020	820,000
2022	4.000 %	1,108,240	136,620	136,620	835,000
2023	4.000 %	1,069,840	119,920	119,920	830,000
2024	4.050 %	1,026,640	103,320	103,320	820,000
2025	4.100 %	988,430	86,715	86,715	815,000
2026	4.150 %	975,016	70,008	70,008	835,000
2027	4.200 %	930,362	52,681	52,681	825,000
2028	4.300 %	890,712	35,356	35,356	820,000
2029	4.350 %	850,454	17,727	17,727	815,000
		<u>\$ 11,728,374</u>	<u>\$ 1,771,687</u>	<u>\$ 1,771,687</u>	<u>\$ 8,185,000</u>



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2014

2012 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2012 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of a portion of the 2004 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 3,030,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2015	3.000 %	\$ 400,000	\$ 45,000	\$ 45,000	\$ 310,000
2016	3.000 %	410,700	40,350	40,350	330,000
2017	3.000 %	760,800	35,400	35,400	690,000
2018	3.000 %	750,100	25,050	25,050	700,000
2019	3.000 %	739,100	14,550	14,550	710,000
2020	3.000 %	267,800	3,900	3,900	260,000
		<u>\$ 3,328,500</u>	<u>\$ 164,250</u>	<u>\$ 164,250</u>	<u>\$ 3,000,000</u>



