

HUDSONVILLE PUBLIC SCHOOLS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

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HUDSONVILLE PUBLIC SCHOOLS

BOARD OF EDUCATION

June 30, 2014

Kenneth Hall	President
Mark Davis	Vice President
Larry Kapenga	Secretary
Jim Stuck	Treasurer
Dawn Sneden	Assistant Secretary/ Treasurer
Steve Bowerman	Trustee
Mike Ostrander	Trustee

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Nicholas Ceglarek	Superintendent
Dennis Baine	Director of Business and Finance

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Education
Hudsonville Public Schools
Hudsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hudsonville Public Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Hudsonville Public Schools as of June 30, 2014, and the respective changes in financial position for the year then ended, in conformity 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 5 through 13 and page 43 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 an opinion on the financial statements that collectively comprise the School District's basic financial statements. The other supplementary information contained on pages 45 and 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The remaining supplemental information on pages 47 through 52 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 it.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2014 on our consideration of Hudsonville Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting, or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Beene Garter LLP

November 3, 2014
Grand Rapids, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hudsonville Public Schools

MANAGEMENT DISCUSSION and ANALYSIS

For Year Ending June 30, 2014

MD & A June 30, 2014

This section of the Hudsonville Public School annual financial report presents the Administration's discussion and analysis of the District's financial performance during the year ended June 30, 2014.

Generally Accepted Accounting Principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements. The statements are organized to provide the reader with an understanding of the district as a whole and a more detailed examination of specific financial activities.

District-wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities regardless of their "current availability" status. In similar fashion, all of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

Fund financial statements are reported on a modified accrual basis. To be reported as an asset an item must be "measurable" and "currently available". Liabilities are recognized if they are expected to be paid with current financial resources.

The financial statements reporting the activities of these funds reflect the requirements of the State of Michigan Department of Education. The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their respective funds as follows: Debt Retirement, Capital Projects and School Service Funds. In the fund financial statement, purchased capital assets are reported as expenditures in the year of acquisition. 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, but, disclosed in the Schedule of Bond Maturities.

Hudsonville Public Schools

MD & A June 30, 2014

Summary of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Assets		
Current Assets	\$ 82,588,070	\$ 55,958,383
Capital Assets	157,647,948	183,883,991
Less: Accumulated Depreciation	<u>58,259,082</u>	<u>60,995,911</u>
Net Book Value	<u>99,388,866</u>	<u>122,888,080</u>
Total Assets	181,976,936	178,846,463
Deferred Outflow of Resources	<u>2,680,324</u>	<u>2,484,037</u>
Total Assets & Deferred Outflow	<u>\$ 184,657,260</u>	<u>\$ 181,330,500</u>
Liabilities		
Current Liabilities	10,662,154	12,849,329
Long Term Liabilities	<u>148,386,335</u>	<u>146,473,725</u>
Total Liabilities	159,048,489	159,323,054
Net Assets		
Invested in Capital Assets- Net of Related Debt	14,199,831	12,766,990
Restricted For Debt Service	163,654	147,654
Unrestricted	<u>11,245,286</u>	<u>9,092,802</u>
Total Net Position	<u>25,608,771</u>	<u>22,007,446</u>
Total Liabilities & Net Position	<u>\$ 184,657,260</u>	<u>\$ 181,330,500</u>

Hudsonville Public Schools

MD & A June 30, 2014

Analysis of Financial Position

District Wide Operations

The district's general expenditures exceeded net revenue for governmental activities by \$3,601,325. The district did not borrow funds for cash flow purposes.

Bonded Debt, Principal Payments and Additions

	<u>Principal Balance June 30, 2013</u>	<u>Principal Additions</u>	<u>Principal Payments</u>	<u>Principal Balance June 30, 2014</u>
School Bond Loan Fund	\$ 5,907,240	\$ 3,360,494	\$ --	\$ 9,267,734
2004	1,250,000	N.A.	1,250,000	--
2005	23,820,000	N.A.	1,280,000	22,540,000
2008	11,400,000	N.A.	1,150,000	10,250,000
2011	77,115,000	N.A.	1,415,000	75,700,000
2013	22,830,000	N.A.	--	22,830,000
Totals	<u>\$142,322,240</u>	<u>\$ 3,360,494</u>	<u>\$ 5,095,000</u>	<u>\$140,587,734</u>

Net Investment in Capital Assets

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital Assets	\$157,647,948	\$26,624,724	\$388,681	\$183,883,991
Less: Accumulated Depreciation	<u>58,259,082</u>	<u>3,094,963</u>	<u>358,134</u>	<u>60,995,911</u>
Net Investment Capital Outlay	<u>\$ 99,388,866</u>	<u>\$23,529,761</u>	<u>\$ 30,547</u>	<u>\$ 122,888,080</u>

Hudsonville Public Schools

MD & A June 30, 2014

Results of Operations

For the fiscal year ended June 30, 2013 and 2014 the District-Wide results of operations were as follows:

	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Revenues		
General Revenues		
Property Tax – General Purpose	\$ 3,669,471	\$ 3,731,598
Property Tax – Debt Service/Bldg & Site	9,342,704	9,581,742
State Aid	40,656,333	42,381,810
Investment Earnings	119,171	237,888
Other	<u>687,643</u>	<u>600,976</u>
	54,475,322	56,534,014
Program Revenues		
Operating Grants & Contributions – Federal	1,660,073	1,623,735
Operating Grants & Contributions – State	3,904,836	2,647,529
Operating Grants & Contributions – Other	4,614,942	4,365,075
Charges for Services – Community Services	<u>1,272,251</u>	<u>1,411,404</u>
	11,452,102	10,047,743
Total Revenues	<u>\$65,927,424</u>	<u>\$66,581,757</u>
Expenses		
Instruction	\$38,035,260	\$40,939,157
Support Services	18,131,854	18,640,743
Community Services	2,413,418	1,657,937
Interest on Debt	6,311,211	6,534,303
Bond Issuance Cost	120,931	--
Depreciation	<u>2,259,279</u>	<u>2,410,942</u>
Total Expenses	<u>\$67,271,952</u>	<u>\$70,183,082</u>
Change In Net Assets	<u>\$ (1,344,528)</u>	<u>\$ (3,601,325)</u>

Hudsonville Public Schools

MD & A June 30, 2014

State of Michigan Unrestricted Aid (Foundation Grant)

The foundation grant for Hudsonville Public Schools is calculated using the following variables:

- A. State of Michigan State Aid Act
- B. Student Enrollment – For year ended June 30, 2013, a blended count at 90% of current year fall enrollment and 10% of prior year winter enrollment. For year ended June 30, 2014, a blended count at 90% of current year fall enrollment and 10% of current year winter enrollment.
- C. The District's non-homestead tax levy

Per Student Foundation Grant

The State of Michigan establishes the per student foundation grant on an annual basis. For the 2012-2013 and 2013-2014 school years the per student allocation, including one-time state allocations, for Hudsonville was \$7,120 per student and \$7,198 per student respectively.

Student Enrollment

The district's student enrollment for 2013-2014 was 6,318 students. The following summarizes the student enrollments for the past five years.

	<u>Student FTE</u>	<u>Change From Prior Year</u>
2013 – 2014	6318	+ 49
2012 – 2013	6269	+ 92
2011 – 2012	6177	+185
2010 – 2011	5992	+194
2009 – 2010	5798	+143

Hudsonville Public Schools

MD & A June 30, 2014

Property Taxes Levied For General Operations

The District levies eighteen mills of property taxes for General Fund operations on Non-Homestead properties. The District's non-homestead property tax revenue for 2012-2013 fiscal year was \$3,669,471. Non-homestead property tax revenue for 2013-2014 fiscal year was \$3,731,598. No significant changes affected the tax base during the 2013-2014 fiscal year.

Debt Fund Property Taxes

The District's debt fund levy which is used to pay the principal and interest on bond obligations is based on the taxable valuation of all properties (homestead and non-homestead). For 2012-2013 and 2013-2014 the District debt millage levy was seven mills. Revenue generated was \$8,174,950 and \$8,391,439, respectively.

Building & Site Sinking Fund Taxes

The District levied one mill of property tax on all properties (homestead and non-homestead) during 2012-2013 and 2013-2014. The \$1,167,754 and \$1,190,303 respectively, generated from this tax was used to purchase property for district use and to complete building projects.

Hudsonville Public Schools

MD & A June 30, 2014

Budget 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 beginning of the new year. For the 2013-14 fiscal year, the District amended the General Fund budget two times: once in March, and a final amendment in June 2014. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget and actual totals from operations.

	Original	Final	Actual	Variance With Final Budget- Positive (Negative)	Percent Variance
Total Revenues and Other Financing Sources	\$57,030,952	\$56,589,973	\$56,469,060	\$(120,913)	-0.21%
Expenditures					
Instruction	\$24,679,801	\$24,742,988	\$24,506,106	\$236,882	0.96%
Support services	15,131,692	15,100,836	14,724,771	376,065	2.49%
Community services	1,154,118	1,321,645	1,186,982	134,663	10.19%
Employee benefits	18,605,037	18,297,417	17,992,513	304,904	1.67%
Total Expenditures	\$59,570,648	\$59,462,886	\$58,410,372	\$1,052,514	1.77%

The actual revenues and other financing sources for the General Fund were \$56,469,060. This is less than the original budget estimate of \$57,030,952 and slightly below the final amended budget of \$56,589,973. The actual General Fund expenditures were \$58,410,372. This is less than the original budget estimate of \$59,570,648 and less than the final amended budget of \$59,462,886.

Budgeted revenues were decreased to reflect lower than expected special education funding and lower than expected enrollment. The variances between actual revenues and the final revenue budget is small and not significant.

The variance between the final expenditure budget and actual expenditure amounts was a reflection of increased concern over the stability of state funding levels and include the following:

- Conservative budget estimates during development and amendment of the budget.
- Realizing positive budget variances in most areas, particularly the non-instructional areas.
- On-going efforts to reduce spending levels and management of employee attrition whenever possible.

Hudsonville Public Schools

MD & A June 30, 2014

Requests For Information

This financial report is designed to provide a general overview of the Hudsonville Public School's finances. Questions concerning any of the information provided in this report should be addressed to:

Dennis Baine
Director of Business and Finance
Hudsonville Public Schools
3886 Van Buren Avenue
Hudsonville, Michigan 49426
Telephone: 616-669-1740

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HUDSONVILLE PUBLIC SCHOOLS

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS	
Cash and investments	\$ 8,493,666
Unexpended bond proceeds	38,184,581
Accounts receivable - due from other governmental units	9,278,816
Prepays	1,320
Capital assets, less accumulated depreciation of \$60,995,911	122,888,080
TOTAL ASSETS	178,846,463
DEFERRED OUTFLOW OF RESOURCES	
Deferred charges from bond refunding, net of amortization	2,484,037
TOTAL ASSETS AND DEFERRED OUTFLOW	\$ 181,330,500
LIABILITIES	
Accounts payable	\$ 918,133
Construction obligations payable	4,827,940
Salaries payable	3,786,856
Accrued liabilities	3,316,400
Long-term liabilities	
Bonds payable, due within one year	5,240,000
Other obligations, due within one year	179,751
Bonds payable, due in more than one year	131,509,691
Other obligations, due in more than one year	9,544,283
TOTAL LIABILITIES	159,323,054
NET POSITION	
Investment in capital assets, net of related debt	12,766,990
Restricted for debt service	147,654
Unrestricted	9,092,802
TOTAL NET POSITION	22,007,446
TOTAL LIABILITIES AND NET POSITION	\$ 181,330,500

See accompanying notes

HUDSONVILLE PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government -				
Governmental activities				
Instruction	\$ 40,939,157	\$ -	\$ 8,436,273	\$ (32,502,884)
Support services	18,640,743	-	-	(18,640,743)
Community services	1,657,937	1,411,404	-	(246,533)
Interest on long-term debt	6,534,303	-	-	(6,534,303)
Depreciation (unallocated)	2,410,942	-	-	(2,410,942)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 70,183,082	\$ 1,411,404	\$ 8,436,273	(60,335,405)
General revenues				
Taxes				
Property taxes, levied for general purpose				3,731,598
Property taxes, levied for debt service and capital projects				9,581,742
State aid not restricted to specific purposes				42,581,876
Interest and investment earnings				237,888
Other				600,976
TOTAL GENERAL REVENUES				56,734,080
CHANGE IN NET POSITION				(3,601,325)
Net Position at Beginning of Year				25,608,771
NET POSITION AT END OF YEAR				\$ 22,007,446

See accompanying notes

GOVERNMENTAL FUNDS

HUDSONVILLE PUBLIC SCHOOLS

BALANCE SHEET

June 30, 2014

	General Fund	2011 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 3,853,409	\$ -	\$ 4,640,257	\$ 8,493,666
Unexpended bond proceeds	-	38,184,581	-	38,184,581
Accounts receivable	-	-	32,677	32,677
Due from other governmental units	9,200,850	-	-	9,200,850
Prepays	1,320	-	-	1,320
TOTAL ASSETS	\$ 13,055,579	\$ 38,184,581	\$ 4,672,934	\$ 55,913,094
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 914,626	\$ -	\$ 3,507	\$ 918,133
Construction obligations payable	-	4,598,203	229,737	4,827,940
Salaries payable	3,786,856	-	-	3,786,856
Accrued liabilities	2,256,189	-	19,284	2,275,473
TOTAL LIABILITIES	6,957,671	4,598,203	252,528	11,808,402
Fund Balance				
Nonspendable	1,320	-	-	1,320
Restricted	-	33,347,886	3,724,114	37,072,000
Committed	456,301	-	-	456,301
Assigned	914,263	238,492	696,292	1,849,047
Unassigned	4,726,024	-	-	4,726,024
TOTAL FUND BALANCE	6,097,908	33,586,378	4,420,406	44,104,692
TOTAL LIABILITIES AND FUND BALANCE	\$ 13,055,579	\$ 38,184,581	\$ 4,672,934	\$ 55,913,094

See accompanying notes

HUDSONVILLE PUBLIC SCHOOLS

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

June 30, 2014

Total Fund Balance - Governmental Funds **\$ 44,104,692**

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

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

Cost of capital asset	\$ 183,883,991	
Accumulated depreciation	<u>(60,995,911)</u>	122,888,080

Long-term receivable not available to fund
liabilities in the current period and therefore not
reported as assets in the funds.

Long-term receivable	250,000	
Less: principal payments received	<u>(204,711)</u>	45,289

Long-term liabilities are not due and payable
in the current period and therefore are not
reported as liabilities in the funds.

Bonds payable and other obligations, including unamortized premium and discount	(146,473,725)	
Accrued interest on bonds payable	<u>(1,040,927)</u>	(147,514,652)

Deferred charges on refunding are not capitalized
and amortized in the governmental funds.

Deferred charges on refunding	2,680,324	
Accumulated amortization	<u>(196,287)</u>	<u>2,484,037</u>

Total Net Position - Governmental Activities **\$ 22,007,446**

See accompanying notes

HUDSONVILLE PUBLIC SCHOOLS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended June 30, 2014

	General Fund	2011 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 3,731,598	\$ 227,669	\$ 11,003,365	\$ 14,962,632
State sources	45,029,339	-	-	45,029,339
Federal sources	1,623,734	-	-	1,623,734
Interdistrict and other sources	630,890	-	-	630,890
TOTAL REVENUES	51,015,561	227,669	11,003,365	62,246,595
Expenditures				
Current				
Instruction	38,982,668	-	-	38,982,668
Support services	18,165,358	29,822	-	18,195,180
Community services	1,262,346	-	404,687	1,667,033
Debt service				
Principal retirement	-	-	5,095,000	5,095,000
Interest and fiscal charges	-	-	6,440,606	6,440,606
Capital projects	-	26,729,948	1,481,908	28,211,856
TOTAL EXPENDITURES	58,410,372	26,759,770	13,422,201	98,592,343
DEFICIENCY OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(7,394,811)	(26,532,101)	(2,418,836)	(36,345,748)
Other Financing Sources (Uses)				
Operating transfers in (out)				
Other government sources	4,420,487	-	-	4,420,487
Interfund	1,033,012	-	(1,033,012)	-
Proceeds from School Bond Loan Fund	-	-	3,130,670	3,130,670
Payments to bond escrow agent	-	-	(2,503)	(2,503)
	5,453,499	-	2,095,155	7,548,654
NET CHANGE IN FUND BALANCES	(1,941,312)	(26,532,101)	(323,681)	(28,797,094)
Fund Balance at Beginning of Year	8,039,220	60,118,479	4,744,087	72,901,786
FUND BALANCE AT END OF YEAR	\$ 6,097,908	\$ 33,586,378	\$ 4,420,406	\$ 44,104,692

See accompanying notes

HUDSONVILLE PUBLIC SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ (28,797,094)
Amounts reported for governmental activities in the statement of 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 expense.	
Depreciation expense	(3,094,963)
Expenditures for capital assets	26,624,724
Loss on disposal of capital assets	(30,547)
Governmental funds report bond premiums as other financing sources; in the statement of activities, these costs are allocated over the term of the underlying debt as amortization.	
Amortization	320,903
Governmental funds report outlays for deferred charges on refunding as expenditures; in the statement of activities, these costs are allocated over the term of the underlying debt as amortization.	
Amortization	(196,287)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	
	32,508
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net position.	
Proceeds from Michigan School Bond Loan Fund	(3,130,670)
Interest additions to Michigan School Bond Loan Fund	(229,823)
Principal payments on long-term liabilities	5,095,000
Receipts on a land contract are reported in governmental funds as revenue, but not in the statement of activities (where it reduces long-term assets).	
Principal payments received	(52,279)
Early retirement payments are reported in the governmental funds as when they are paid meanwhile, in the statement of activities, expenditures measured by the amounts earned during the year.	
Early retirement earned during the year (\$354,504) was more than the amount paid during the year (\$211,707)	(142,797)
Change in Net Position of Governmental Activities	\$ (3,601,325)

See accompanying notes

HUDSONVILLE PUBLIC SCHOOLS

FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

Student
Activities
Agency
Fund

ASSETS

Cash

\$ 499,423

LIABILITIES

Due to student groups

\$ 499,423

See accompanying notes

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hudsonville Public Schools (School District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental 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 government's accounting policies are described below.

Reporting Entity

The School District is the lowest level of government that has oversight responsibility and control over all activities related to public school education in the Hudsonville Public School district and is governed by an elected seven-member Board of Education. The School District receives funding from local, state, and federal government sources and must comply with the requirements of these entities. The School District is not included in any other governmental "reporting entity."

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: 1) charges to recipients who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state aid foundation and certain other items not classified as program revenues are reported as general revenue.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide Statements

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

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

Amounts reported as program revenue include 1) charges to recipients for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers revenues to be available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund 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.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. Taxes are levied on December 1 and June 1, and are payable through February 15 and September 15. Property taxes attach as an enforceable lien on property as of September 15. Various governmental units (including the school) collect the property taxes for the School District and the County remits to the School District any delinquent real property taxes by June 30. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund. It accounts for all financial resources and expenditures of the School District except for those required to be accounted for in another fund.

2011 Capital Projects Fund - The fund is used to account for the acquisition and construction of major capital facilities funded by the 2011 bond issue, as well as for the proceeds thereof.

Additionally, the School District reports the following fund types:

Sinking Fund Levy Capital Projects Fund - The fund is used to account for the acquisition or construction of major capital facilities (other than those included in the 2011 Capital Projects Fund).

Community Education Fund - The fund is used to account for the operation of community based programs including childcare services, preschool, youth enrichment, and adult recreation activities.

2004 Debt Service Fund - This fund is used to account for the accumulation of resources for and payment of principal, interest, and other expenses on general long-term debt.

2005 Debt Service Fund - This fund is used to account for the accumulation of resources for and payment of principal, interest, and other expenses on general long-term debt.

2008 Debt Service Fund - This fund is used to account for the accumulation of resources for and payment of principal, interest, and other expenses on general long-term debt.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

2011 Debt Service Fund - This fund is used to account for the accumulation of resources for and payment of principal, interest, and other expenses on general long-term debt.

2013 Debt Service Fund - This fund is used to account for the accumulation of resources for and payment of principal, interest, and other expenses on general long-term debt.

Fiduciary Funds - These funds are used to account for the changes in assets and liabilities of the activity funds of individual schools and groups. While they are under the supervision of the Board and enhance the Board's educational programs, these funds belong to the individual schools or student groups and are not available for use by the Board. Fiduciary Fund net position and results of operations are not included in the district-wide financial statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by unrestricted resources as needed.

Assets, Liabilities and Net Position

Deposits and Investments

Cash and cash equivalents include demand deposits, certificates of deposit, savings accounts, and short-term investments in Michigan School District Liquid Asset Fund (MILAF) with a maturity of three months or less when acquired. The MILAF invests in financial investment vehicles approved by the State of Michigan.

Investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. Certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Amounts due from other governmental units consist primarily of state aid payments from the State of Michigan and other program support.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. 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 asset lives are not capitalized. Improvements are capitalized when appropriate. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	10 - 50 years
Buses and other vehicles	3 - 10 years
Furniture and other equipment	5 - 20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has one item that qualifies for reporting in this category. It is a deferred charge on the bond refunding reported in the district-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. At June 30, 2014, the School District reported no amounts as deferred inflows of resources.

Accumulated Sick Leave and Vacation Liability

No liability has been established for accumulated sick leave. Employees have no vested rights to unused sick leave, and they may use accumulated leave for limited purposes as specified in the individual contracts.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

Vacation pay is expensed when paid. Vacation days are built into the school year calendar for teachers and other ten-month employees and must be fully utilized during each fiscal year since carryover to subsequent years is not permitted. Certain full year employees are awarded vacation days and allowed to carryover a maximum amount of days to subsequent years. No liability has been established as employees have no vested rights to unused vacation days.

Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are recorded at cost and amortized over the life of the underlying debt in the district-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

Net Position and Fund Balances

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

In the governmental fund financial statements, fund balance is classified as follows:

For *nonspendable* fund balance, amounts are not in spendable form, such as prepaids and inventory, or are required to be maintained intact.

For *restricted* fund balance, amounts are constrained to specific purposes by their providers, such as creditors, grantors, contributors, or laws and regulations, or imposed by law through constitutional provisions or enabling legislation.

For *committed* fund balance, amounts are constrained to specific purposes determined by Hudsonville Public School's highest level of decision-making authority, the Board of Education.

Formal action by the board is required to be taken to establish, modify, or rescind a fund balance that is committed.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

For *assigned* fund balance, amounts are neither restricted nor committed but the district intends to use the amounts for a specific purpose; intent can be expressed by the Board of Education or by the superintendent and/or assistant superintendent of business to which the board has delegated the authority to assign amounts for specific purposes.

For *unassigned* fund balance, amounts are available for any purpose.

For the classification of fund balances, Hudsonville Public Schools considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Hudsonville Public Schools considers nonspendable, committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to June 30, 2014 for potential recognition or disclosure in these financial statements. The evaluation was performed through November 3, 2014 the date the financial statements were available for issuance. See Note 11 for subsequent event.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Budgetary Information

The Michigan Uniform Budgeting and Accounting Act requires the establishment of the General Fund, Special Revenue Fund and Debt Service Fund, each with an annual budget adopted by the Board at the beginning of the fiscal year.

State law requires operation under a balanced budget and budgetary control to the functional, activity or line item level as defined in the Uniform Budgeting and Accounting Act. The original and final budget figures in the accompanying financial statements have been reported at the activity level and the final budget reflects approved amendments made during the year.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

The budgets are adopted on a basis consistent with U.S. generally accepted accounting principles and state law. The budget is prepared and controlled by the Superintendent and is approved by the Board of Education.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a school shall not incur expenditures in excess of the amount budgeted. For the year ended June 30, 2014, the School District did not have significant expenditure budget variances.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the district to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The District is allowed to invest in U.S. Treasury or Agency obligations, U.S. Government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 5,792,911	\$ 499,423	\$ 6,292,334
Investments	2,700,755	-	2,700,755
Total cash and investments	8,493,666	499,423	8,993,089
Unexpended bond proceeds	38,184,581	-	38,184,581
	<u>\$ 46,678,247</u>	<u>\$ 499,423</u>	<u>\$ 47,177,670</u>

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

As of June 30, 2014, the School District had the following investments, including cash management funds held by Michigan Liquid Asset Fund.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
Cash management funds	N/A	\$ 38,184,581
Interest bearing checking accounts	N/A	2,146,508
Certificate of deposit	11/26/2013	554,247
		<u>2,700,755</u>
		<u><u>\$ 40,885,336</u></u>

Interest Rate Risk - The School District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2014, the School District's investment in the state investment pool was rated AAAm by Standard & Poor's and Aaa by Moody's Investor Service, Inc.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the School District investment in a single issuer. The School District places no limit on the amount the School District may invest in any one issuer.

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2014, \$8,414,246 of the School District's bank balance of \$9,332,267 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above investment held by The Michigan School District Liquid Asset Fund (MILAF) is uninsured.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

NOTE 4 - CAPITAL ASSETS

The following summarizes capital asset activity for the year ended June 30, 2014:

	Balance July 1, 2013	Transfers	Additions	Disposals	Balance June 30, 2014
Assets not being depreciated					
Land	\$ 4,669,360	\$ -	\$ 82,121	\$ -	\$ 4,751,481
Construction in progress	18,804,354	(16,699,328)	26,409,714	-	28,514,740
Subtotal	23,473,714	(16,699,328)	26,491,835	-	33,266,221
Capital assets being depreciated					
Building and improvements	119,175,106	16,699,328	60,000	40,530	135,893,904
Buses and other vehicles	5,781,532	-	-	81,233	5,700,299
Furniture and equipment	9,217,596	-	72,889	266,918	9,023,567
Subtotal	134,174,234	16,699,328	132,889	388,681	150,617,770
Accumulated depreciation					
Building and improvements	46,665,262	-	2,512,658	40,530	49,137,390
Buses and other vehicles	4,259,687	-	355,068	66,002	4,548,753
Furniture and equipment	7,334,133	-	227,237	251,602	7,309,768
Subtotal	58,259,082	-	3,094,963	358,134	60,995,911
Net capital assets being depreciated	75,915,152	16,699,328	(2,962,074)	30,547	89,621,859
Net Capital Assets	\$ 99,388,866	\$ -	\$ 23,529,761	\$ 30,547	\$ 122,888,080

At June 30, 2014, the School District held land with a cost of approximately \$3,178,000 for purposes of future expansion.

Depreciation expense was charged to activities of the School District as follows:

Governmental Activities	
Instruction	\$ 238,469
Support services	445,552
Unallocated	<u>2,410,942</u>
Total Governmental Activities	<u>\$ 3,094,963</u>

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

"School District Sinking Fund" Compliance

Hudsonville Public Schools has created a "School District Sinking Fund" from local tax levy proceeds for the purpose of purchasing real estate sites for, and the construction or repair of, school buildings. The activity in this "Sinking Fund" is contained within the Capital Projects Fund for financial reporting purposes. Section 1212 of the School Code (PA 451 of 1976, as amended) allows for the proceeds from a "School District Sinking Fund" to be used only for the purposes for which bonds (Section 1351a) may be issued including:

purchasing, erecting, completing, remodeling or repairing facilities, or parts of or additions to those facilities; acquiring, preparing, developing, improving or repairing sites, or parts of or additions to sites, for school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities; and acquiring or installing technology in school buildings.

In accordance with Section 1212(i) of the Revised School Code, as well as the State of Michigan Department of Treasury Letter Number 2004-4, the activity in this "School District Sinking Fund" was subject to audit procedures performed in connection with an independent audit of the general purpose combined financial statements. Hudsonville Public Schools was in compliance with the above stated regulations during the year ended June 30, 2014.

School Bond Construction Compliance

The 2011 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. As of June 30, 2014, the School District has reported the annual construction activity in the Capital Project Fund of cumulative receipts of \$377,656 and expenditures of \$48,771,386.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There were no amounts due from (to) other funds representing interfund receivables and payables at June 30, 2014.

Transfers between funds during the year ended June 30, 2014 were as follows:

	Transfers In	Transfers Out
<u>Interfund Transfers</u>		
General Fund	\$ 1,033,012	\$ -
Nonmajor Funds:		
Community Education Fund	-	1,033,012
	<u>\$ 1,033,012</u>	<u>\$ 1,033,012</u>

The transfer between the Community Education Fund and General Fund represents reimbursements for costs incurred related to community education activities.

NOTE 6 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include early retirement benefits and funding from the School Bond Loan Fund.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities					
Bonds	\$ 136,415,000	\$ -	\$ 5,095,000	\$ 131,320,000	\$ 5,240,000
Bond premium, net of amortization	5,750,593	-	320,903	5,429,690	-
Total Bonds Payable	142,165,593	-	5,415,903	136,749,690	5,240,000
Other obligations	6,220,742	3,715,000	211,707	9,724,035	179,751
Total Governmental Activities	\$ 148,386,335	\$ 3,715,000	\$ 5,627,610	\$ 146,473,725	\$ 5,419,751

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

Bonds payable at June 30, 2014 are comprised of the following individual issues:

\$29,575,000 - 2005 advance refunding serial bond issued, due in annual installments of \$1,310,000 to \$2,035,000 through May 1, 2027, interest at 4.15% to 5.0%	\$ 22,540,000
\$17,320,000 - 2008 serial bond issued, due in annual installments of \$1,000,000 to \$1,125,000 through May 1, 2024, interest at 3.25% to 5.0%	10,250,000
\$79,850,000 - 2011 serial bond issued, due in annual installments of \$1,440,000 to \$4,965,000 through May 1, 2041, interest at 2.25% to 5.25%	75,700,000
\$22,830,000 - 2013 advance refunding serial bond issued, due in annual installments of \$1,365,000 to \$1,585,000 beginning May 1, 2015 through May 1, 2029, interest at 3.0% to 5.0%	22,830,000
TOTAL BONDED DEBT	\$ 131,320,000

In prior years, 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 accounts, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2014, there were no amounts outstanding on the defeased bonds.

The annual requirements to amortize the bonds payable are as follows:

	Principal	Interest	Totals
2015	\$ 5,240,000	\$ 6,245,556	\$ 11,485,556
2016	5,405,000	6,045,694	11,450,694
2017	5,475,000	5,846,981	11,321,981
2018	5,725,000	5,603,031	11,328,031
2019	5,845,000	5,358,326	11,203,326
2020-2024	31,705,000	22,405,380	54,110,380
2025-2029	26,035,000	15,082,850	41,117,850
2030-2034	15,885,000	10,250,176	26,135,176
2035-2039	20,320,000	5,821,102	26,141,102
2040-2041	9,685,000	769,124	10,454,124
	\$ 131,320,000	\$ 83,428,220	\$ 214,748,220

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

The Debt Service Fund has \$147,654 designated to serve the general obligation bonds.

Other obligations consist of the following:

School Bond Loan Revolving Fund, repayment is based on the School District's ability to meet bond debt service requirements, interest at 3.53%. At this time, the School District is unable to estimate annual principal and interest requirements

\$ 9,267,734

Early Retirement Incentive Plan payments are due to several former employees of the School District in annual installments of \$5,680 to \$19,866 through June 2018, including interest at 6.5%

456,301

TOTAL OTHER OBLIGATIONS

\$ 9,724,035

The District is required to obtain loans from the School Bond Loan Revolving Fund (Fund) for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt.

During the year, \$229,823 of accrued interest was added to the District's liability to the Fund. In the calculation of net position on the statement of net position, the outstanding principal and accrued interest for this bond are included in "unrestricted net position".

The annual requirements to amortize the benefits under the Early Retirement Incentive Plan payable are as follows:

	Principal	Interest	Totals
2015	\$ 179,751	\$ 30,559	\$ 210,310
2016	142,050	18,521	160,571
2017	95,629	9,008	104,637
2018	38,871	2,603	41,474
	<u>\$ 456,301</u>	<u>\$ 60,691</u>	<u>\$ 516,992</u>

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

NOTE 7 - FUND BALANCE

The classification of fund balance is shown in the table below as of June 30, 2014:

	General Fund	2011 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable for:				
Prepays	\$ 1,320	\$ -	\$ -	\$ 1,320
Restricted for:				
Debt service	-	-	147,654	147,654
Capital improvements	-	33,347,886	3,576,460	36,924,346
Committed to:				
Retirement benefits debt	456,301	-	-	456,301
Assigned to:				
Budgeted deficit	914,263	-	-	914,263
Other purposes	-	238,492	696,292	934,784
Unassigned:	4,726,024	-	-	4,726,024
TOTAL FUND BALANCE	\$ 6,097,908	\$ 33,586,378	\$ 4,420,406	\$ 44,104,692

NOTE 8 - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPERS)

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or may be obtained by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909-7671.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

Pension Benefits

Employer contributions to the pension system result from implementing the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. Depending upon their date of hire and retirement plan election, employees could transition to a defined contribution plan (DC) and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF).

Employees were offered the following plan options with the corresponding employer contribution rates for the period July 1, 2013 through September 30, 2013:

	Basic MIP	Pension Plus	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension Contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health Contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
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%

*First worked September 4, 2012 or later

Employees were offered the following plan options with the corresponding employer contribution rates for the period October 31, 2013 through June 30, 2014:

	Basic MIP	Pension Plus	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension Contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health Contributions	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Defined contribution plan employer contributions:							
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%

*First worked September 4, 2012 or later

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

Depending on the plan selected, plan members contributions range from 0.0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

Other Postemployment Benefits

Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate.

Effective February 1, 2013, members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plans for the years ended June 30, 2014, 2013, and 2012 were approximately \$9,985,000, \$8,583,000, and \$7,580,000, respectively.

NOTE 9 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District purchases commercial insurance to cover substantially all potential losses. Settled claims covered by the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

Litigation

In the normal course of its activities, the School District becomes a party in various legal actions. Management of the School District is of the opinion that the outcome of such actions will not have a material effect on the financial position of the School District and, therefore, has not included a reserve for such losses in the financial statements.

HUDSONVILLE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

Federal Funding

The School District participates in a number of federally assisted grant programs. These programs are subject to a compliance audit. The audit for the year ended June 30, 2014, has been conducted and has been reported in the Single Audit Report. However, the compliance audit report has not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

Commitments

The School District has entered into contracts for construction and architecture services relating to the early childhood center, the central maintenance facility, the new high school and various athletic improvements. The total contract costs are approximately \$70,952,000. As of June 30, 2014, the amount remaining on these contracts is approximately \$28,016,000.

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component unit statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. In February 2014, it was estimated that the District's proportionate share of the MPSERS' net pension liability is approximately \$87,000,000. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the year ending June 30, 2015.

NOTE 11 - SUBSEQUENT EVENT

Subsequent to year end, the School District entered into a real estate sale agreement with a local nonprofit organization. The School District agreed to purchase an 18-acre plot of land for \$1.5 million. Payment is due upon closing which is contingent upon the inspection and appraisal.

REQUIRED SUPPLEMENTAL INFORMATION

HUDSONVILLE PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2014

	Original Budget	Final Amended Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenue				
Local sources	\$ 5,581,276	\$ 5,728,295	\$ 5,618,375	\$ (109,920)
State sources	45,226,700	44,989,780	45,029,339	39,559
Federal sources	1,762,976	1,681,898	1,623,734	(58,164)
Interdistrict and other sources	4,460,000	4,190,000	4,197,612	7,612
TOTAL REVENUE	57,030,952	56,589,973	56,469,060	(120,913)
Expenditures - Current				
Instruction				
Basic programs	20,685,898	20,749,489	20,602,725	(146,764)
Added needs	3,993,903	3,993,499	3,903,381	(90,118)
Pupil support	1,940,015	1,962,075	2,023,568	61,493
Support staff	3,814,542	3,850,411	3,636,499	(213,912)
Employee benefits	18,605,037	18,297,417	17,992,513	(304,904)
Administration	3,794,135	3,832,950	3,709,239	(123,711)
Operations and maintenance	3,600,500	3,487,900	3,405,209	(82,691)
Pupil transportation	1,982,500	1,967,500	1,950,256	(17,244)
Community services	1,154,118	1,321,645	1,186,982	(134,663)
TOTAL EXPENDITURES	59,570,648	59,462,886	58,410,372	(1,052,514)
NET CHANGE IN FUND BALANCE	(2,539,696)	(2,872,913)	(1,941,312)	931,601
Fund Balance at Beginning of Year	8,039,220	8,039,220	8,039,220	-
FUND BALANCE AT END OF YEAR	\$ 5,499,524	\$ 5,166,307	\$ 6,097,908	\$ 931,601

OTHER SUPPLEMENTAL INFORMATION

HUDSONVILLE PUBLIC SCHOOLS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Capital Projects Sinking Fund Levy	Community Education Fund	Debt Service Funds					Totals
			2004	2005	2008	2011	2013	
ASSETS								
Cash and investments	\$ 3,805,692	\$ 690,063	\$ -	\$ 43,952	\$ 24,250	\$ 30,000	\$ 46,300	\$ 4,640,257
Accounts receivable	505	28,635	-	3,537	-	-	-	32,677
	<u>\$ 3,806,197</u>	<u>\$ 718,698</u>	<u>\$ -</u>	<u>\$ 47,489</u>	<u>\$ 24,250</u>	<u>\$ 30,000</u>	<u>\$ 46,300</u>	<u>\$ 4,672,934</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ 3,122	\$ -	\$ 385	\$ -	\$ -	\$ -	\$ 3,507
Construction payable	229,737	-	-	-	-	-	-	229,737
Accrued liabilities	-	19,284	-	-	-	-	-	19,284
Fund Balances								
Restricted	3,576,460	-	-	47,104	24,250	30,000	46,300	3,724,114
Assigned	-	696,292	-	-	-	-	-	696,292
	<u>\$ 3,806,197</u>	<u>\$ 718,698</u>	<u>\$ -</u>	<u>\$ 47,489</u>	<u>\$ 24,250</u>	<u>\$ 30,000</u>	<u>\$ 46,300</u>	<u>\$ 4,672,934</u>

HUDSONVILLE PUBLIC SCHOOLS

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

Year Ended June 30, 2014

	Capital Projects Sinking Fund Levy	Community Education Fund	Debt Service Funds					
			2004	2005	2008	2011	2013	Totals
Revenues								
Local sources	\$ 1,199,771	\$ 1,412,155	\$ 805,307	\$ 1,766,486	\$ 1,058,867	\$ 3,992,046	\$ 768,733	\$ 11,003,365
Expenditures								
Community services	-	404,687	-	-	-	-	-	404,687
Debt service								
Principal	-	-	1,250,000	1,280,000	1,150,000	1,415,000	-	5,095,000
Interest	-	-	62,500	1,177,868	438,500	3,814,388	947,350	6,440,606
Capital projects	1,481,908	-	-	-	-	-	-	1,481,908
TOTAL EXPENDITURES	1,481,908	404,687	1,312,500	2,457,868	1,588,500	5,229,388	947,350	13,422,201
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(282,137)	1,007,468	(507,193)	(691,382)	(529,633)	(1,237,342)	(178,617)	(2,418,836)
Other Financing Sources (Uses)								
Operating transfers out								
Interfund	-	(1,033,012)	-	-	-	-	-	(1,033,012)
Proceeds from School Bond Loan Fund	-	-	488,228	700,577	519,754	1,230,686	191,425	3,130,670
Payments to bond escrow agent	-	-	-	(803)	(750)	(750)	(200)	(2,503)
	-	(1,033,012)	488,228	699,774	519,004	1,229,936	191,225	2,095,155
(DEFICIENCY) EXCESS OF REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES	(282,137)	(25,544)	(18,965)	8,392	(10,629)	(7,406)	12,608	(323,681)
Fund Balance at Beginning of Year	3,858,597	721,836	18,965	38,712	34,879	37,406	33,692	4,744,087
FUND BALANCE AT END OF YEAR	\$ 3,576,460	\$ 696,292	\$ -	\$ 47,104	\$ 24,250	\$ 30,000	\$ 46,300	\$ 4,420,406

HUDSONVILLE PUBLIC SCHOOLS

SCHEDULE OF BOND MATURITIES

June 30, 2014

	Rate	Principal	Interest	Totals
Debt of May 25, 2005				
November 1, 2014		\$ -	\$ 556,934	\$ 556,934
May 1, 2015	5.000%	1,310,000	556,934	1,866,934
November 1, 2015			524,184	524,184
May 1, 2016	5.000%	1,400,000	524,184	1,924,184
November 1, 2016			489,184	489,184
May 1, 2017	5.000%	1,475,000	489,184	1,964,184
November 1, 2017			452,309	452,309
May 1, 2018	4.150%	1,545,000	452,309	1,997,309
November 1, 2018			420,250	420,250
May 1, 2019	5.000%	1,605,000	420,250	2,025,250
November 1, 2019			380,125	380,125
May 1, 2020	5.000%	1,675,000	380,125	2,055,125
November 1, 2020			338,250	338,250
May 1, 2021	5.000%	1,745,000	338,250	2,083,250
November 1, 2021			294,625	294,625
May 1, 2022	5.000%	1,815,000	294,625	2,109,625
November 1, 2022			249,250	249,250
May 1, 2023	5.000%	1,885,000	249,250	2,134,250
November 1, 2023			202,125	202,125
May 1, 2024	5.000%	1,985,000	202,125	2,187,125
November 1, 2024			152,500	152,500
May 1, 2025	5.000%	2,030,000	152,500	2,182,500
November 1, 2025			101,750	101,750
May 1, 2026	5.000%	2,035,000	101,750	2,136,750
November 1, 2026			50,875	50,875
May 1, 2027	5.000%	2,035,000	50,875	2,085,875
TOTALS		\$ 22,540,000	\$ 8,424,722	\$ 30,964,722

HUDSONVILLE PUBLIC SCHOOLS

SCHEDULE OF BOND MATURITIES (CONTINUED)

June 30, 2014

	Rate	Principal	Interest	Totals
Debt of March 4, 2008				
November 1, 2014		\$ -	\$ 199,125	\$ 199,125
May 1, 2015	3.250%	1,125,000	199,125	1,324,125
November 1, 2015			180,844	180,844
May 1, 2016	3.500%	1,100,000	180,844	1,280,844
November 1, 2016			161,593	161,593
May 1, 2017	3.500%	1,000,000	161,594	1,161,594
November 1, 2017			144,093	144,093
May 1, 2018	3.750%	1,025,000	144,094	1,169,094
November 1, 2018			124,875	124,875
May 1, 2019	3.625%	1,000,000	124,875	1,124,875
November 1, 2019			106,750	106,750
May 1, 2020	4.000%	1,000,000	106,750	1,106,750
November 1, 2020			86,750	86,750
May 1, 2021	4.000%	1,000,000	86,750	1,086,750
November 1, 2021			66,750	66,750
May 1, 2022	4.000%	1,000,000	66,750	1,066,750
November 1, 2022			46,750	46,750
May 1, 2023	5.000%	1,000,000	46,750	1,046,750
November 1, 2023			21,750	21,750
May 1, 2024	4.350%	1,000,000	21,750	1,021,750
TOTALS		\$ 10,250,000	\$ 2,278,562	\$ 12,528,562

HUDSONVILLE PUBLIC SCHOOLS

SCHEDULE OF BOND MATURITIES (CONTINUED)

June 30, 2014

	Rate	Principal	Interest	Totals
Debt of June 28, 2011				
November 1, 2014		\$ -	\$ 1,893,044	\$ 1,893,044
May 1, 2015	3.000%	1,440,000	1,893,044	3,333,044
November 1, 2015			1,871,444	1,871,444
May 1, 2016	2.250%	1,485,000	1,871,444	3,356,444
November 1, 2016			1,854,738	1,854,738
May 1, 2017	5.000%	1,520,000	1,854,738	3,374,738
November 1, 2017			1,816,738	1,816,738
May 1, 2018	5.000%	1,595,000	1,816,738	3,411,738
November 1, 2018			1,776,863	1,776,863
May 1, 2019	5.000%	1,675,000	1,776,863	3,451,863
November 1, 2019			1,734,988	1,734,988
May 1, 2020	5.000%	1,760,000	1,734,988	3,494,988
November 1, 2020			1,690,988	1,690,988
May 1, 2021	5.000%	1,845,000	1,690,988	3,535,988
November 1, 2021			1,644,863	1,644,863
May 1, 2022	5.000%	1,940,000	1,644,863	3,584,863
November 1, 2022			1,596,363	1,596,363
May 1, 2023	5.000%	2,035,000	1,596,363	3,631,363
November 1, 2023			1,545,488	1,545,488
May 1, 2024	5.000%	2,135,000	1,545,488	3,680,488
November 1, 2024			1,492,113	1,492,113
May 1, 2025	5.250%	2,245,000	1,492,113	3,737,113
November 1, 2025			1,433,181	1,433,181
May 1, 2026	4.250%	2,360,000	1,433,181	3,793,181
November 1, 2026			1,383,031	1,383,031
May 1, 2027	5.250%	2,460,000	1,383,031	3,843,031
November 1, 2027			1,318,456	1,318,456
May 1, 2028	5.250%	2,590,000	1,318,456	3,908,456

HUDSONVILLE PUBLIC SCHOOLS

SCHEDULE OF BOND MATURITIES (CONTINUED)

June 30, 2014

	Rate	Principal	Interest	Totals
November 1, 2028		\$ -	\$ 1,250,469	\$ 1,250,469
May 1, 2029	5.250%	2,725,000	1,250,469	3,975,469
November 1, 2029			1,178,938	1,178,938
May 1, 2030	5.250%	2,870,000	1,178,938	4,048,938
November 1, 2030			1,103,600	1,103,600
May 1, 2031	5.000%	3,020,000	1,103,600	4,123,600
November 1, 2031			1,028,100	1,028,100
May 1, 2032	5.000%	3,170,000	1,028,100	4,198,100
November 1, 2032			948,850	948,850
May 1, 2033	5.000%	3,330,000	948,850	4,278,850
November 1, 2033			865,600	865,600
May 1, 2034	5.000%	3,495,000	865,600	4,360,600
November 1, 2034			778,225	778,225
May 1, 2035	5.000%	3,670,000	778,225	4,448,225
November 1, 2035			686,475	686,475
May 1, 2036	5.000%	3,855,000	686,475	4,541,475
November 1, 2036			590,100	590,100
May 1, 2037	5.250%	4,050,000	590,100	4,640,100
November 1, 2037			483,788	483,788
May 1, 2038	5.250%	4,260,000	483,788	4,743,788
November 1, 2038			371,963	371,963
May 1, 2039	5.250%	4,485,000	371,963	4,856,963
November 1, 2039			254,231	254,231
May 1, 2040	5.250%	4,720,000	254,231	4,974,231
November 1, 2040			130,331	130,331
May 1, 2041	5.250%	4,965,000	130,331	5,095,331
TOTALS		\$ 75,700,000	\$ 65,445,936	\$ 141,145,936

HUDSONVILLE PUBLIC SCHOOLS

SCHEDULE OF BOND MATURITIES (CONTINUED)

June 30, 2014

Debt of March 12, 2013

November 1, 2014		\$ -	\$ 473,675	\$ 473,675
May 1, 2015	4.000%	1,365,000	473,675	1,838,675
November 1, 2015			446,375	446,375
May 1, 2016	4.000%	1,420,000	446,375	1,866,375
November 1, 2016			417,975	417,975
May 1, 2017	4.000%	1,480,000	417,975	1,897,975
November 1, 2017			388,375	388,375
May 1, 2018	4.000%	1,560,000	388,375	1,948,375
November 1, 2018			357,175	357,175
May 1, 2019	5.000%	1,565,000	357,175	1,922,175
November 1, 2019			318,050	318,050
May 1, 2020	5.000%	1,560,000	318,050	1,878,050
November 1, 2020			279,050	279,050
May 1, 2021	5.000%	1,585,000	279,050	1,864,050
November 1, 2021			239,425	239,425
May 1, 2022	5.000%	1,580,000	239,425	1,819,425
November 1, 2022			199,925	199,925
May 1, 2023	5.000%	1,580,000	199,925	1,779,925
November 1, 2023			160,425	160,425
May 1, 2024	4.000%	1,580,000	160,425	1,740,425
November 1, 2024			128,825	128,825
May 1, 2025	4.000%	1,560,000	128,825	1,688,825
November 1, 2025			97,625	97,625
May 1, 2026	4.000%	1,540,000	97,625	1,637,625
November 1, 2026			66,825	66,825
May 1, 2027	3.000%	1,520,000	66,825	1,586,825
November 1, 2027			44,025	44,025
May 1, 2028	3.000%	1,485,000	44,025	1,529,025
November 1, 2028			21,750	21,750
May 1, 2029	3.000%	1,450,000	21,750	1,471,750
TOTALS		\$ 22,830,000	\$ 7,279,000	\$ 30,109,000

HUDSONVILLE PUBLIC SCHOOLS

SCHEDULE OF DATA RELATED TO SCHOOL DISTRICT OPERATIONS

June 30, 2014

Tax Year	State Taxable Value		
	General	Debt Service	Capital Projects
2013	\$ 211,459,616	\$ 1,187,239,762	\$ 1,187,239,762
2012	210,586,311	1,163,356,530	1,163,356,530
2011	222,427,905	1,187,405,599	1,187,405,599
2010	234,536,395	1,206,375,352	1,206,375,352
2009	250,476,276	1,229,220,315	1,229,220,315
2008	239,551,491	1,241,684,591	1,241,684,591
2007	251,995,713	1,184,123,036	1,184,123,036
2006	237,686,569	1,102,811,987	1,102,811,987
2005	217,569,826	1,009,493,804	1,009,493,804
2004	199,753,273	916,467,828	916,467,828

General Fund

Year of Levy	Total Dollar Levy	Total Levy Collected as of June 30	Percentage Collected as of June 30	Uncollected as of June 30
2013	\$ 13,362,526	\$ 13,362,526	100.00%	\$ -
2012	13,179,196	13,179,196	100.00%	-
2011	13,559,629	13,559,629	100.00%	-
2010	13,932,567	13,916,352	99.88%	-
2009	14,321,426	14,321,426	100.00%	-
2008	14,356,867	14,356,867	100.00%	-
2007	13,961,100	13,961,100	100.00%	-
2006	13,340,724	13,340,724	100.00%	-
2005	12,019,856	12,019,856	100.00%	-
2004	10,999,975	10,999,975	100.00%	-
				<u>\$ -</u>

NOTE - The County pays to the Schools all delinquent real property taxes upon return of the tax rolls to the County. The levy amounts include adjustments by the Tax Tribunal to the original levy.