

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

JUNE 30, 2013



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

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	i-iii
Management's Discussion and Analysis	iv-xi
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Financial Statements	9-26
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	27
Combining and Individual Fund Financial Statements	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	28
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	29
Other Information	
2010 Refunding Bonds	30
Schedule of Durant Bonds Payable	31



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

August 21, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Kingsley Area Schools
Kingsley, 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 Kingsley Area Schools, Kingsley, Michigan as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kingsley Area Schools, Kingsley, Michigan as of June 30, 2013, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 3.J.2 to the financial statements, Kingsley Area Schools implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through xi and 27 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 Kingsley Area Schools' basic financial statements. The combining nonmajor fund financial statements and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information section 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 21, 2013, on our consideration of Kingsley Area 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 Kingsley Area Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2013

This section of Kingsley Area Schools' (the "District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

A. Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District's assets and liabilities. All of the year's revenue 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 and decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "Governmental Activities". These activities, including regular and special education, transportation, administration, food services, and athletic activities are primarily financed with state and federal aids and property taxes.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called "non-major" funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

C. Summary of Net Position

The following schedule summarizes the net position at June 30,

		(Restated)
Assets	2013	2012
Current Assets	\$ 5,812,701	\$ 5,687,073
Non Current Assets		
Capital Assets	17,373,557	17,054,931
Less Accumulated Depreciation	(7,383,428)	(6,892,347)
Total Non Current Assets	9,990,129	10,162,584
TOTAL ASSETS	15,802,830	15,849,657

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

	<u>2013</u>	<u>2012</u>
Deferred Outflows of Resources		
Deferred Loss on Refunding	67,975	79,304
Liabilities		
Current Liabilities	1,825,820	1,580,713
Non Current Liabilities	3,315,578	3,858,359
TOTAL LIABILITIES	<u>5,141,398</u>	<u>5,439,072</u>
Net Position		
Net Investment in Capital Assets	6,497,027	6,222,285
Restricted for Specific Purposes	132,229	113,299
Unrestricted	4,100,151	4,154,305
TOTAL NET POSITION	<u>\$ 10,729,407</u>	<u>\$ 10,489,889</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2013, the District's net position increased by \$239,518. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts 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, 2013, \$491,081 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the year ended June 30, 2013, \$318,626 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, disposal of capital assets and the current year's depreciation is a decrease in capital assets in the amount of \$172,455 for the year ended June 30, 2013.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

E. Results of Operations

For the years ended June 30, the results of operations, on a district-wide basis, were:

	2013	(Restated) 2012
General Revenues		
Property Taxes	\$ 1,612,474	\$ 1,605,889
Investment Earnings	2,123	8,236
State Sources	8,873,165	9,029,579
Other	14,548	23,116
Total General Revenues	10,502,310	10,666,820
Program Revenues		
Charges for Services	322,709	303,261
Operating Grants	2,082,245	1,901,665
Total Program Revenues	2,404,954	2,204,926
Total Revenues	12,907,264	12,871,746
Expenses		
Instruction	7,933,859	7,549,249
Supporting Services	3,913,434	3,878,695
Food Service Activities	580,157	680,321
Facilities Acquisition	27,669	36,892
Community Services	71,161	55,869
Other Transactions	9,218	16,257
Interest on Long-Term Debt	132,248	216,730
Total Expenses	12,667,746	12,434,013
Change in Net Position	\$ 239,518	\$ 437,733

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

F. Financial Analysis of the District's Funds

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:

	2013	2012	Increase (Decrease)
Major Funds			
General Fund	\$ 4,094,942	\$ 4,205,246	(110,304)
Nonmajor Funds			
Food Service	0	4,595	(4,595)
2010 Debt Retirement Fund	154,767	140,747	14,020
Durant Debt Retirement Fund	0	0	0
Public Improvement Fund	269,307	274,663	(5,356)
Total Governmental Funds	\$ 4,519,016	\$ 4,625,251	\$ (106,235)

In 2013, the General Fund balance decreased primarily due to lower than projected revenue in local, state, and federal sources, and a transfer out to the Public Improvement Fund. State funding decreased due to declining enrollment and lower special ed state aid. Medicaid dollars transferred from TBAISD were also less than the prior year.

The Food Service Fund balance decreased primarily due to higher than anticipated expenses.

The 2010 Debt Retirement Funds increased fund balance due to tax revenue outstripping debt payments in the current year.

The Public Improvement fund balance decreased because of capital assets acquired during the year were in excess of the transfer in from the General Fund.

G. Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-principal residence exemption properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2012-2013 fiscal year, the District levied \$959,190 in non-principal residence exemption property taxes.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2013

The following table summarizes the non-principal residence exemption property tax levies for operations for the past five years:

Fiscal Year	Non-Homestead Tax Levy
2012-2013	\$ 959,190
2011-2012	969,399
2010-2011	1,003,175
2009-2010	995,692
2008-2009	968,834

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on student enrollment. The enrollment consists of 90% of the current year's fall count and 10% of the prior year's spring count. For the 2012-2013 fiscal year, the District received \$6,966 per student FTE.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five years:

Fiscal Year	Blended Student FTE
2012-2013	1,431
2011-2012	1,475
2010-2011	1,512
2009-2010	1,522
2008-2009	1,534

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the year ended June 30, 2013, federal, state, and other grants accounted for \$2,082,245. This represents an increase of \$180,580 from the total grant sources received compared to the 2011-2012 fiscal year.

H. General Fund Budgetary Highlights

The Uniform Accounting and Budgeting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

For the 2012-2013 fiscal year, the District amended the General Fund at various time throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>	<u>\$ 11,086,875</u>	<u>\$11,709,256</u>	<u>\$11,658,924</u>
<u>EXPENDITURES</u>			
Instruction	\$ 7,889,738	\$ 7,974,752	\$ 7,921,574
Supporting Services	3,735,931	3,636,839	3,618,218
Community Services	43,259	77,162	71,161
Other Transactions	3,000	5,393	5,393
Total Expenditures	<u>\$ 11,671,928</u>	<u>\$11,694,146</u>	<u>\$11,616,346</u>

The original revenue budget of \$11,086,875 was increased to \$11,709,256 primarily as a result of increased revenue from federal, state, and local sources. The original expenditure budget of \$11,671,928 was increased to \$11,694,146 primarily as a result of increased expenditures related to Basic Programs and Community Services.

I. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2012-2013 fiscal year, the District had invested \$17,373,557 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$318,626 from the prior fiscal year. Depreciation expense for the year amounted to \$491,081 bringing the accumulation to \$7,383,428 as of June 30, 2013.

2. Long-Term Debt

At June 30, 2013, the District had \$3,689,501 in debt outstanding. This represents a decrease of \$512,107 from the amount outstanding at the close of the prior fiscal year.

J. Factors Bearing on the District's Future

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

- Recent enacted legislation caps the retirement rate for future years. State Aid dollars will be used to maintain this rate cap. Therefore, future increase in foundation allowance is

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2013

questionable. Containment of costs within the retirement system continues to be a concern for all Michigan school districts.

- We are very concerned about the State School Aid Budget, as well as the current economic outlook of the State and national economy. With increased qualifications for meeting Best Practices and Performance dollars related to test scores, the District is waiting to budget these funds until they are in the State Aid payments.
- Federal sequestration could result in a decrease in the District's Title and Preschool grant funding in upcoming fiscal year. The full financial impact of the sequestration has yet to be determined.
- Support staff settled a two year contract spanning 2012/13 to 2013/14 school year. The current teacher contract expired as of 6/30/2013. The teachers bargaining unit and the District continue to bargain to reach an agreement.

K. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Superintendent, Kingsley Area Schools, 402 Fenton Street, Kingsley, Michigan 49649.

THIS PAGE INTENTIONALLY LEFT BLANK

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
STATEMENT OF NET POSITION
JUNE 30, 2013

GOVERNMENTAL
ACTIVITIES

ASSETS

CURRENT ASSETS

Cash	\$ 1,609,330
Investments	2,079,795
Accounts Receivable	126,657
Taxes Receivable	5,403
Due from External Parties (Fiduciary Funds)	1,067
Due from Other Governments	1,935,410
Prepaid Expenses	16,493
Inventories	38,546
	<hr/>
Total Current Assets	5,812,701

NONCURRENT ASSETS

Capital Assets	17,373,557
Less Accumulated Depreciation	(7,383,428)
	<hr/>
Total Non Current Assets	9,990,129
	<hr/>
TOTAL ASSETS	15,802,830

DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding	67,975
	<hr/>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	258,926
Accrued Interest Payable	22,538
Salaries Payable	1,015,420
Unearned Revenue	13,936
Current Portion of Noncurrent Liabilities	515,000
	<hr/>
Total Current Liabilities	1,825,820

NONCURRENT LIABILITIES

Bonds Payable - Net	3,561,077
Compensated Absences	269,501
Less Current Portion of Non Current Liabilities	(515,000)
	<hr/>
Total Non Current Liabilities	3,315,578
	<hr/>
TOTAL LIABILITIES	5,141,398

NET POSITION

Net Investment in Capital Assets	6,497,027
Restricted for Debt Service	132,229
Unrestricted	4,100,151
	<hr/>
TOTAL NET POSITION	\$ 10,729,407

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR	OPERATING	ACTIVITIES
				SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 7,933,859	\$ 0	\$ 1,209,642	\$ (6,724,217)
Supporting Services	3,913,434	95,517	444,434	(3,373,483)
Food Service Activities	580,157	165,087	419,113	4,043
Facilities Acquisition	27,669	0	0	(27,669)
Community Services	71,161	62,105	9,056	0
Other Transactions	9,218	0	0	(9,218)
Interest on Long-Term Debt	132,248	0	0	(132,248)
Total Governmental Activities	<u>\$ 12,667,746</u>	<u>\$ 322,709</u>	<u>\$ 2,082,245</u>	<u>(10,262,792)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				951,170
Property Taxes - Debt Service				661,304
Investment Earnings				2,123
State Sources				8,873,165
Other				14,548
Total General Revenues				<u>10,502,310</u>
Change in Net Position				239,518
<u>NET POSITION</u> - Beginning of Year (Restated)				<u>10,489,889</u>
<u>NET POSITION</u> - End of Year				<u>\$ 10,729,407</u>

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2013

	GENERAL	OTHER NONMAJOR	TOTAL
<u>ASSETS</u>	<u>FUND</u>	<u>GOVERNMENTAL FUNDS</u>	<u>GOVERNMENTAL FUNDS</u>
Cash	\$ 1,172,313	\$ 437,017	\$ 1,609,330
Investments	2,079,795	0	2,079,795
Accounts Receivable	118,657	8,000	126,657
Taxes Receivable	3,840	1,563	5,403
Due from Other Funds	1,067	9,299	10,366
Due from Other Governments	1,932,631	2,779	1,935,410
Prepaid Expenditures	16,493	0	16,493
Inventory	29,548	8,998	38,546
TOTAL ASSETS	<u>\$ 5,354,344</u>	<u>\$ 467,656</u>	<u>\$ 5,822,000</u>
<u>LIABILITIES, DEFERRED INFLOWS</u>			
<u>OF RESOURCES, AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 218,111	\$ 40,815	\$ 258,926
Salaries Payable	1,015,420	0	1,015,420
Due to Other Funds	9,299	0	9,299
Unearned Revenue	12,732	1,204	13,936
Total Liabilities	<u>1,255,562</u>	<u>42,019</u>	<u>1,297,581</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property Taxes	<u>3,840</u>	<u>1,563</u>	<u>5,403</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	29,548	8,998	38,546
Prepaid Expenditures	16,493	0	16,493
Restricted for:			
Debt Service	0	154,767	154,767
Committed for:			
Public Improvements	0	269,307	269,307
Assigned for:			
Budgeted Use of Fund Balance in 13/14	400,392	0	400,392
Unassigned	<u>3,648,509</u>	<u>(8,998)</u>	<u>3,639,511</u>
Total Fund Balances	<u>4,094,942</u>	<u>424,074</u>	<u>4,519,016</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,354,344</u>	<u>\$ 467,656</u>	<u>\$ 5,822,000</u>

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

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

JUNE 30, 2013

Total Governmental Fund Balances	\$	4,519,016
----------------------------------	----	-----------

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 are
not reported in the funds.

The cost of the capital assets is	\$ 17,373,557		
Accumulated depreciation is	<u>(7,383,428)</u>		9,990,129

Property taxes receivable and other receivables in governmental activities are deferred unless they are collected within sixty days of year end.		5,403
---	--	-------

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		67,975
----------------------------	--	--------

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

Bonds Payable		(3,420,000)	
Bond Discount (Premium)		(141,077)	
Compensated Absences		(269,501)	

Accrued interest is not included as a liability in government funds, it is recorded when paid.		<u>(22,538)</u>
---	--	-----------------

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>10,729,407</u></u>
---	----	--------------------------

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

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

YEAR ENDED JUNE 30, 2013

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,130,839	\$ 828,764	\$ 1,959,603
State Sources	9,903,878	33,786	9,937,664
Federal Sources	351,735	393,539	745,274
Other Transactions	272,472	0	272,472
Total Revenues	11,658,924	1,256,089	12,915,013
<u>EXPENDITURES</u>			
Instruction	7,921,574	0	7,921,574
Supporting Services	3,618,218	0	3,618,218
Food Service Activities	0	591,690	591,690
Facilities Acquisition	0	155,450	155,450
Debt Service			
Principal	0	507,839	507,839
Interest	0	146,098	146,098
Community Services	71,161	0	71,161
Other Transactions	5,393	3,825	9,218
Total Expenditures	11,616,346	1,404,902	13,021,248
Excess (Deficiency) of Revenues Over Expenditures	42,578	(148,813)	(106,235)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	152,882	152,882
Transfers Out	(152,882)	0	(152,882)
Total Other Financing Sources (Uses)	(152,882)	152,882	0
Net Change in Fund Balance	(110,304)	4,069	(106,235)
<u>FUND BALANCE</u> - Beginning of Year	4,205,246	420,005	4,625,251
<u>FUND BALANCE</u> - End of Year	\$ 4,094,942	\$ 424,074	\$ 4,519,016

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, 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, 2013

Net Change in Fund Balances Total Governmental Funds	\$ (106,235)
--	--------------

Amounts reported for governmental activities are different because:

In governmental funds property taxes receivable are deferred unless they are collected within sixty days of year end.

Unavailable Property Tax Revenue - Beginning of Year	(13,152)
Unavailable Property Tax Revenue - End of Year	5,403

Governmental funds report capital outlays as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(491,081)
Capital Outlay	318,626

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	24,204
Accrued Interest Payable - End of Year	(22,538)

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, the 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.

Repayment of Principal	507,839
Amortization of Deferred Charges	12,184

Employees Compensated Absences 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:

Compensated Absences - Beginning of Year	273,769
Compensated Absences - End of Year	<u>(269,501)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 239,518</u>
---	-------------------

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2013

	PRIVATE-PURPOSE TRUST FUND	AGENCY FUND
<u>ASSETS</u>		
Cash	\$ 92,577	\$ 208,226
<u>LIABILITIES</u>		
Due to Groups and Organizations	0	207,159
Due to Other Funds	0	1,067
 TOTAL LIABILITIES	 0	 208,226
<u>NET POSITION</u>		
Restricted for Scholarships	\$ 92,577	\$ 0

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2013

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ADDITIONS</u>	
Earnings on Investments	\$ 99
<u>DEDUCTIONS</u>	
Scholarships Awarded	<u>2,220</u>
Change in Net Position	(2,121)
<u>NET POSITION</u> - Beginning of Year	<u>94,698</u>
<u>NET POSITION</u> - End of Year	<u><u>\$ 92,577</u></u>

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Kingsley Area 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 Grand Traverse and Wexford Counties with its administrative offices located in Kingsley, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,431 students in elementary, middle school, high school, special education instruction, transportation, food service and athletics. 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 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.

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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. The District accounts for its food service activities in a special revenue fund.

The *capital projects fund (public improvement fund)* is used to account for financial resources to be used for major improvement projects and is primarily funded from transfers in from the general fund.

The *debt retirement fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government 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. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. 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 fund:

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 fund* is used to account for resources legally held in trust to provide scholarships to post-secondary education students. Contributions are held as permanent endowments and the earnings from those endowments can be used to provide the scholarships.

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 – net investment in capital assets; 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).

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 11, 2012, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Support Services		
Pupil	\$ 286,592	\$ 288,527
Transportation Services	732,026	756,837
Food Service Fund	586,480	591,690

The overages were funded by available fund balance and reduced spending in other programs.

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 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.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

- 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) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- e) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

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

2. *Inventory and Prepaid Items*

Inventory is valued at cost. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

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

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year end to indicate the portion of the governmental fund balances that are nonspendable.

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:

Land Improvements	10 – 20 Years
Buildings and Additions	25 - 50 Years
Machinery and Other Equipment	5 – 20 Years
Transportation Equipment	5 – 10 Years

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 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 has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue for delinquent personal property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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 Assumptions*

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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 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, 2013 the foundation allowance was based on pupil membership counts taken in February and October of 2012. For fiscal year ended June 30, 2013, the per pupil foundation allowance was \$6,966 for Kingsley Area 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 2012 to August 2013. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

2. *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*.

3. *Property Taxes*

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2013, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund – Non-Principal Residence Exemption (PRE)	18.0000
General Fund – Commercial Personal Property	6.0000
Debt Service Funds – PRE, Non-PRE, Commercial Personal Property	3.2000

4. *Compensated Absences*

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. *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.

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.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Note 1.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2013.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Investment 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.

Credit Risk. The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of Credit Risk. The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

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, 2013, the District's bank balance was \$2,145,941 and \$1,643,670 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. 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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 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 year-end, the only investments were investment trust funds.

Investments not subject to
categorization:

Investment Trust Funds \$ 2,079,795

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, 2013, 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 and Cash Equivalents	\$ 1,609,330	\$ 0	\$ 300,803	\$ 1,910,133
Investments	0	2,079,795	0	2,079,795
	<u>\$ 1,609,330</u>	<u>\$ 2,079,795</u>	<u>\$ 300,803</u>	<u>\$ 3,989,928</u>

B. Receivables

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

	GENERAL FUND	NONMAJOR AND OTHER FUNDS	TOTAL
Receivable			
Accounts	\$ 118,657	\$ 8,000	\$ 126,657
Taxes	3,840	1,563	5,403
Due from Other Governments	1,932,631	2,779	1,935,410
	<u>\$ 2,055,128</u>	<u>\$ 12,342</u>	<u>\$ 2,067,470</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

C. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 413,971	\$ 0	\$ 0	\$ 413,971
Capital assets being depreciated				
Buildings	13,477,920	93,153	0	13,571,073
Land Improvements	690,665	18,644	0	709,309
Machinery and Equipment	828,477	206,829	0	1,035,306
Transportation Equipment	1,635,898	0	0	1,635,898
Other Assets	8,000	0	0	8,000
Subtotal	16,640,960	318,626	0	16,959,586
Less accumulated depreciation for:				
Buildings	4,814,137	318,261	0	5,132,398
Land Improvements	367,115	35,331	0	402,446
Machinery and Equipment	591,804	45,918	0	637,722
Transportation Equipment	1,111,291	91,571	0	1,202,862
Other Assets	8,000	0	0	8,000
Accumulated depreciation	6,892,347	491,081	0	7,383,428
Net capital assets being depreciated	9,748,613	(172,455)	0	9,576,158
Net capital assets	\$ 10,162,584	\$ (172,455)	\$ 0	\$ 9,990,129

Depreciation for the fiscal year ended June 30, 2013, totaled \$491,081 was charged to the following functions:

Instruction	\$ 10,547
Support Services	478,588
Food Service Activities	1,946
	<u>\$ 491,081</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

D. Employee Retirement System

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (800) 381-5111.

Funding Policy. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 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 interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPERS who became a member of MPERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The District 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 District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement.

The system ("MPERS") is administered by the State of Michigan. These contributions are required by law and are calculated by using the contributions rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% of the employees' contributions, up to 1% of the employees' compensation in the Pension Plus plan.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Additionally, Public Act 300 of 2012 was enacted on September 4, 2012. As a result, any employee that was hired after September 4, 2012, can choose to become a member of the MPSERS Pension Plus plan or a separate MPSERS Defined Contribution plan. Employees that elect to become a member of the MPSERS Defined Contribution plan, the District is required to match 50% of the employees' contributions, up to 4% of the employees' compensation.

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 District's contributions to MPSERS are as follows:

Contribution Period	Pension Plus			From Basic/MIP and Pension Plus to Defined Contribution with Premium Subsidy	From Basic/MIP to Defined Contribution with Premium Subsidy	Basic/MIP with PHF
	Basic MIP with Premium Subsidy	with Premium Subsidy	Pension Plus PHF	Contribution with PHF	Premium Subsidy	
7/1/12 - 9/30/12	24.46%	23.23%	N/A	N/A	N/A	N/A
10/1/12 - 1/31/13	25.36%	24.13%	23.20%	20.96%	N/A	N/A
2/1/13 - 6/30/13	24.32%	24.13%	23.20%	20.96%	21.89%	23.39%

Fiscal Year Ending June 30,	Contributions to MPSERS
2013	\$1,371,036
2012	\$1,414,387
2011	\$1,308,749

Other Post Employment Benefits Funding Policy. Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, established eligibility and benefit provisions. Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010, to contribute 3%. The District does not contribute 3% to employees hired after September 4, 2012 or for any employees that elected into the newly created Personal Healthcare Fund, as discussed below.

As noted above, Public Act 300 of 2012 was enacted on September 4, 2012. This legislature affects employees hired after September 4, 2012 or employees that elect out of the pre-existing postemployment healthcare plan and into a new Personal Healthcare Fund. The District is required to contribute 2% of each applicable employee's salary to this fund.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Pension recipients are generally eligible for Health Plan, Dental Plan, Vision Plan and Hearing coverage.

The District is not responsible for the payment of retirement benefits and post-employment benefits which is the responsibility of the State of Michigan.

E. Risk Management

The 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 District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2013 or any of the prior three years.

F. Lease Information

Operating Leases – The District is committed under a noncancelable lease for equipment. This lease is an operating lease with no contingent lease payments. Lease expense for the current year was \$68,611. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2014	\$ 68,987
2015	65,653
2016	49,142
	<hr/>
	\$ 183,782
	<hr/>

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.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The following is a summary of the governmental long-term liability transactions for the District for the year ended June 30, 2013:

	Bonds	Compensated Absences	Total
Balance - July 1, 2012	\$ 3,927,839	\$ 273,769	\$ 4,201,608
Additions	0	0	0
Reductions	(507,839)	(4,268)	(512,107)
Balance - June 30, 2013	3,420,000	269,501	3,689,501
Less Current Portion	(515,000)	0	(515,000)
Total Due After One Year	<u>\$ 2,905,000</u>	<u>\$ 269,501</u>	<u>\$ 3,174,501</u>

2010 Refunding Bonds due in annual installments of \$515,000
to \$630,000 through May 1, 2019, interest at 3.75% to 4.0% \$ 3,420,000

Accumulated Compensated Absences 269,501

Total Long-Term Debt \$ 3,689,501

The requirements to amortize debt outstanding as of June 30, 2013, including interest of \$485,550 are as follows:

Year Ending June 30,	Bonds		Total
	Principal	Interest	
2014	\$ 515,000	\$ 135,225	\$ 650,225
2015	535,000	114,625	649,625
2016	555,000	93,225	648,225
2017	580,000	71,025	651,025
2018	605,000	47,825	652,825
2019	630,000	23,625	653,625
	<u>\$ 3,420,000</u>	<u>\$ 485,550</u>	<u>3,905,550</u>

Accumulated Compensated Absences 269,501
\$ 4,175,051

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

H. Interfund Receivables and Payables

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,067	\$ 9,299
Food Service Fund	1,768	0
2010 Debt Retirement Fund	7,531	0
Agency Fund	0	1,067
	<u>\$ 10,366</u>	<u>\$ 10,366</u>

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, 2013 are expected to be repaid within one year.

I. Interfund Transfers

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 152,882
Food Service Fund	2,882	0
Public Improvement Fund	150,000	0
	<u>\$ 152,882</u>	<u>\$ 152,882</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.

J. 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. New GASB Standards

Effective July 1, 2012 the District adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement 65, "Items Previously Recognized as Assets and Liabilities". These statements establish and

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

clarify new components of the statement of position, “Deferred Inflows of Resources” and “Deferred Outflows of Resources”. GASB 63 also changes the term “net assets”, which was previously made up of assets less liabilities, to “net position”, which is now made up of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Accordingly any reference to “net assets” has been changed to “net position”.

GASB Statement 65 also states that bond issuance costs should be expensed in the year which they are incurred. As a result, the beginning net positions were restated and the remaining unamortized bond issuance costs were written off prior to the beginning of the year. The restatement of the beginning net position is as follows:

	<u>Governmental Activities</u>
Net Position as previously stated, June 30, 2012	\$ 10,554,876
Adoption of GASB 65	(64,987)
Net Position as restated, June 30, 2012	<u>\$ 10,489,889</u>

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

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, 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.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,114,486	\$ 1,166,752	\$ 1,130,839
State Sources	9,554,062	9,881,635	9,903,878
Federal Sources	272,566	376,170	351,735
Other Transactions	145,761	284,699	272,472
Total Revenues	11,086,875	11,709,256	11,658,924
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	6,757,699	6,838,575	6,798,201
Added Needs	1,132,039	1,136,177	1,123,373
Supporting Services			
Pupil	300,576	286,592	288,527
Instructional Staff	107,910	127,133	114,249
General Administration	266,736	281,954	280,458
School Administration	568,340	579,858	579,590
Business	161,684	151,465	125,736
Operations and Maintenance	1,015,162	943,562	942,346
Transportation Services	875,836	732,026	756,837
Central Services	205,466	312,732	311,123
Athletic Activities	234,221	221,517	219,352
Community Services			
Community	0	10,045	9,056
Custody and Care of Children	43,259	67,117	62,105
Other Transactions	3,000	5,393	5,393
Total Expenditures	11,671,928	11,694,146	11,616,346
Excess (Deficiency) of Revenues Over Expenditures	(585,053)	15,110	42,578
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	0	(150,000)	(152,882)
Net Change in Fund Balance	(585,053)	(134,890)	(110,304)
<u>FUND BALANCE</u> - Beginning of Year	4,205,246	4,205,246	4,205,246
<u>FUND BALANCE</u> - End of Year	\$ 3,620,193	\$ 4,070,356	\$ 4,094,942

THIS PAGE INTENTIONALLY LEFT BLANK

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2013

	FOOD SERVICE FUND	PUBLIC IMPROVEMENT FUND	DEBT SERVICE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
			2010 DEBT RETIREMENT	DURANT DEBT RETIREMENT	
<u>ASSETS</u>					
Cash	\$ 9,708	\$ 280,073	\$ 147,236	\$ 0	\$ 437,017
Accounts Receivable	8,000	0	0	0	8,000
Taxes Receivable	0	0	1,563	0	1,563
Due from Other Funds	1,768	0	7,531	0	9,299
Due from Other Governments	2,779	0	0	0	2,779
Inventory	8,998	0	0	0	8,998
TOTAL ASSETS	\$ 31,253	\$ 280,073	\$ 156,330	\$ 0	\$ 467,656
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 30,049	\$ 10,766	\$ 0	\$ 0	\$ 40,815
Unearned Revenue	1,204	0	0	0	1,204
Total Liabilities	31,253	10,766	0	0	42,019
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue - Property Taxes	0	0	1,563	0	1,563
<u>FUND BALANCE</u>					
Nonspendable:					
Inventory	8,998	0	0	0	8,998
Restricted for:					
Debt Service	0	0	154,767	0	154,767
Committed for:					
Public Improvements	0	269,307	0	0	269,307
Unassigned	(8,998)	0	0	0	(8,998)
TOTAL FUND BALANCES	0	269,307	154,767	0	424,074
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 31,253	\$ 280,073	\$ 156,330	\$ 0	\$ 467,656

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

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

YEAR ENDED JUNE 30, 2013

	FOOD SERVICE FUND	PUBLIC IMPROVEMENT FUND	DEBT SERVICE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
			2010 DEBT RETIREMENT	DURANT DEBT RETIREMENT	
<u>REVENUES</u>					
Local Sources	\$ 165,100	\$ 94	\$ 663,570	\$ 0	\$ 828,764
State Sources	25,574	0	0	8,212	33,786
Federal Sources	393,539	0	0	0	393,539
Total Revenues	584,213	94	663,570	8,212	1,256,089
<u>EXPENDITURES</u>					
Food Service Activities	591,690	0	0	0	591,690
Facilities Acquisition	0	155,450	0	0	155,450
Debt Service					
Principal	0	0	500,000	7,839	507,839
Interest and Fees	0	0	145,725	373	146,098
Taxes Abated and Written Off	0	0	3,825	0	3,825
Total Expenditures	591,690	155,450	649,550	8,212	1,404,902
Excess (Deficiency) of Revenues Over Expenditures	(7,477)	(155,356)	14,020	0	(148,813)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	2,882	150,000	0	0	152,882
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	2,882	150,000	0	0	152,882
Net Change in Fund Balance	(4,595)	(5,356)	14,020	0	4,069
<u>FUND BALANCE</u> - Beginning of Year	4,595	274,663	140,747	0	420,005
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 269,307	\$ 154,767	\$ 0	\$ 424,074

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

2010 REFUNDING BONDS

JUNE 30, 2013

TITLE OF ISSUE

Kingsley Area Schools, 2010 Refunding Bonds

PURPOSE

The bonds are being issued for the purpose of advance refunding a portion of the School District's outstanding 1999 School Building and Site Bonds dated June 1, 1999, which are due and payable May 1, 2011 through May 1, 2019, inclusive and May 1, 2020.

DATE OF ISSUE

March 31, 2010

REDEMPTION PRIOR TO MATURITY

The bonds are not subject to redemption prior to maturity.

AMOUNT OF ISSUE

\$ 4,890,000

AMOUNT REDEEMED

Prior to Current Year

\$ 970,000

Current Year

500,000

1,470,000

BALANCE OUTSTANDING - June 30, 2013

\$ 3,420,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2013		\$ 67,613	\$ 67,613	
May 1, 2014	4.000%	582,612	67,612	\$ 515,000
November 1, 2014		57,313	57,313	
May 1, 2015	4.000%	592,312	57,312	535,000
November 1, 2015		46,613	46,613	
May 1, 2016	4.000%	601,612	46,612	555,000
November 1, 2016		35,513	35,513	
May 1, 2017	4.000%	615,512	35,512	580,000
November 1, 2017		23,913	23,913	
May 1, 2018	4.000%	628,912	23,912	605,000
November 1, 2018		11,813	11,813	
May 1, 2019	3.750%	641,812	11,812	630,000
		<u>\$ 3,905,550</u>	<u>\$ 485,550</u>	<u>\$ 3,420,000</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

SCHEDULE OF DURANT BONDS PAYABLE
1998 BOND ISSUE

JUNE 30, 2013

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond		
<u>PURPOSE</u>	This bond is issued for purposes permitted in Section 1351a of Act 451, Public Acts of Michigan, 1976 pursuant to the authority granted under Act 94, Public Acts of Michigan, 1979, and a resolution duly adopted by the Kingsley Board of Education.		
<u>DATE OF ISSUE</u>	November 24, 1998		
<u>INTEREST PAYABLE</u>	May 15th, of each year		
<u>REDEMPTION PRIOR TO MATURITY</u>	This bond is not subject to redemption prior to maturity by the School District and the School District may not issue any other bonds or obligations for the purpose of refunding this bond.		
<u>AMOUNT OF ISSUE</u>		\$	116,949
<u>AMOUNT REDEEMED</u>			
Current Year	\$	7,839	
Prior Years		109,110	116,949
			<hr/>
<u>BALANCE OUTSTANDING - June 30, 2013</u>		\$	<u>0</u>

