



**Forest Hills Public Schools  
Grand Rapids, Michigan**

Comprehensive Annual Financial Report  
Year Ended June 30, 2015



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Grand Rapids, Michigan**

Comprehensive Annual Financial Report  
Year Ended June 30, 2015

**Prepared by:**

**Forest Hills Public Schools**

**Business Office**

*Julie Davis, Assistant Superintendent for Finance and Operations*

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# Forest Hills Public Schools

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# FOREST HILLS PUBLIC SCHOOLS

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6590 Cascade Road, SE ♦ Grand Rapids, MI 49546 ♦ (616) 493-8800 ♦ Fax (616) 493-8560

October 26, 2015

The Board of Education  
Forest Hills Public Schools  
6590 Cascade Road  
Grand Rapids, Michigan 49546-6428

Dear Board Members and Citizens of Forest Hills Public Schools:

This letter of transmittal provides an overview of the financial position of Forest Hills Public Schools (the District) from the perspective of the Superintendent and the Assistant Superintendent for Finance and Operations. It serves as an introduction to our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The CAFR is divided into three sections: introductory section, financial section and statistical section. The introductory section includes the District's organizational chart, a list of principal officials and this letter of transmittal. The financial section contains the independent auditors' unqualified opinion letter and the Management's Discussion and Analysis report. The Management's Discussion and Analysis report provides a more detailed analysis of the financial condition of the District and should be read in conjunction with this letter. The District's government-wide financial statements, fund financial statements and supplemental information are also contained in this section. The statistical section includes selected financial, demographic and general information, generally presented on a multi-year basis.

The District's Business Office has prepared this report with responsibility for the accuracy, fairness and completeness of the presentation, including all disclosures, resting with the District. We believe the information is accurate in all material respects, is presented in a manner designed to fairly show the financial position and results of operations of the District, and includes all disclosures necessary to enable the reader to gain an understanding of the District's financial affairs. The report includes a statistical section containing data on numerous financial trends as well as facility information.

## The District

Forest Hills Public Schools is a suburban school district, located in Kent County and adjacent to the cities of Grand Rapids and East Grand Rapids. The District covers approximately 68 square miles and includes major portions of Ada, Cascade and Grand Rapids Townships, plus fractions of Cannon Township and the Cities of Kentwood and Grand Rapids. The District was formed in 1956 from a consolidation of 12 small K-6 and K-8 school districts. It is a fiscally independent school district governed by a seven-member elected Board of Education.

The District's blended enrollment for the 2014-15 school year was 10,071. In previous years, the area has experienced growth in student population, and projections indicate stable to modest growth in the future. The projected enrollment for the 2015-16 fiscal year is 10,023. There are six K-4 elementary schools, two K-6 elementary schools, three 5-6 schools, three 7-8 middle schools, three 9-12 high schools, one post-secondary special education transition program and various other support buildings. The buildings range in age from 10 to 64 years.

### Student Services Provided and Major Initiatives

Forest Hills Public Schools provides its students a comprehensive program of public education from the home delivery of services for Early Childhood Special Education students as early as age two through twelfth grade. The District has a broad-based curriculum designed to meet the individual needs of all students including regular daytime, gifted and talented, at-risk, special needs and alternative education pupils in collaboration with the Kent Intermediate School District. All students have exposure to current technology integrated across curriculum and access to comprehensive media centers. Students also have the opportunity to participate in a Spanish Immersion program from pre-school through high school, as well as a Chinese Immersion program which started in 2008. A magnet environmental education program is also available to selected fifth and sixth grade students. In addition, the District offers a dual enrollment program whereby qualifying high school students may attend local colleges and universities, receiving both high school and college credit. The District's education program includes a wide array of special education services for eligible students. There are numerous opportunities for students to participate in extracurricular activities including music, drama, fine arts, intramural and interscholastic sports, clubs and many other special interest activities.

### Accounting Systems, Budgetary Control and Annual Audit

The District adheres to budgetary policies and procedures established by the Board of Education, including specific guidelines in the development and review of the budget. The District utilizes a line item budget developed by the Assistant Superintendent for Finance and Operations and the Superintendent, and submitted to the Board of Education for approval and adoption. The budget development process includes input from employees, parents and the community. This budget process is designed to effectively allocate resources to maximize student benefit.

The District integrates the budget with the accounting system and internal controls. We have designed the internal controls to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from unauthorized use, and for maintaining accountability of the assets. These controls also provide assurance on the reliability of the financial records necessary for producing financial statements. We believe our budgetary and internal controls adequately safeguard District assets, and provide reasonable assurance that errors or fraud that could be material to the financial statements are prevented or would be detected within a timely period.

The District is required to have an annual audit performed of its financial statements. The financial statements are the responsibility of the management of the District, and the auditors are expressing an opinion on the statements. There is no scope limitation.

### Relevant Financial Policies

The District has adopted a comprehensive set of financial policies. During the current year, one of these policies was particularly relevant. The District has a policy that requires fund balance equal to 10 percent of the adopted general fund budget be maintained for the purposes of protecting the cash flow position of the District and avoiding the need to borrow against either anticipated state aid payments or local property tax revenues for school operating purposes. During the current fiscal year, the District's use of fund balance was limited to available reserves above the 10 percent threshold.

The District maintains a prudent cash management and investment program. The policy and procedures are designed to maximize interest earnings on available cash balances with minimal principal investment risk. The District's investments may include uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent and not in the District's name.

Economic Environment

Michigan voters approved the state constitutional amendment known as Proposal A in 1994. Funding of District operations shifted dramatically from local property tax revenue to State Aid as a result of this amendment. Voter approval of the District's 1995, 2000, 2004, 2007, and 2013 bond issues have provided additional funding for essential capital projects.

Certificate of Excellence

The District has earned the Association of School Business Officials (ASBO) Certificate of Excellence for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. The District first received the ASBO award in 1997, and has received it every year since. This achievement is a source of pride for both the School Administration and the Board of Education, whose support is a necessity for maintaining such high standards for financial reporting.

While a Certificate of Excellence is valid for a period of only one year, the District believes its current report continues to conform to program standards, and we are submitting our report to ASBO to determine its eligibility for another certificate.

In Appreciation

We would like to express appreciation to a highly dedicated Board of Education that has adopted sound policies and programs designed to continue the District's growth and quality improvement during an era of significant changes and challenges.

Respectfully submitted,



Daniel Behm  
Superintendent



Julie Davis  
Assistant Superintendent  
for Finance and Operations

**Forest Hills Public Schools  
Elected Officials and Administrative Staff**

**2014-2015 Board of Education**

President	Douglas Josephson
Vice President	Mary Vonck
Secretary	Martha Atwater
Treasurer	Walter F. Perschbacher III
Trustee	Dr. James Fahner
Trustee	Michael Seekell
Trustee	Susan Lenhardt

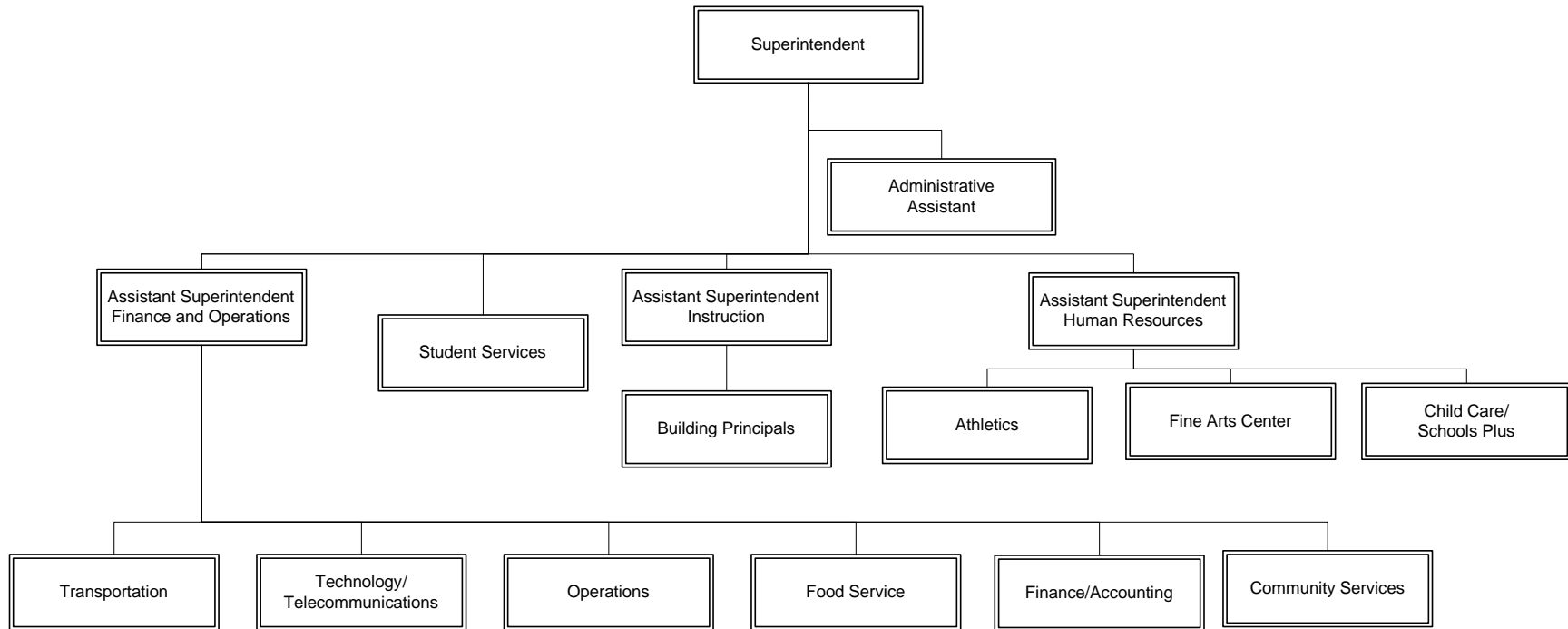
**2014-2015 Administrative Staff**

Superintendent	Daniel Behm
Assistant Superintendent for Finance and Operations	Julie Davis
Assistant Superintendent for Instruction	Scott Korpak
Assistant Superintendent for Human Resources	Christine Annese



Forest Hills Public Schools

SUPERINTENDENT'S OFFICE  
Organizational Structure



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Association of School Business Officials International



**The Certificate of Excellence in Financial Reporting Award  
is presented to  
Forest Hills Public Schools  
For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2014**

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading "Terrie S. Simmons".

**Terrie S. Simmons, RSBA, CSBO**  
President

A handwritten signature in black ink, reading "John D. Musso".

**John D. Musso, CAE, RSBA**  
Executive Director

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Forest Hills Public Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forest Hills Public Schools (the District) as of and for the year ended June 30, 2015, 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 District'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 District'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 Forest Hills Public Schools as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund 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 10 to the financial statements, Forest Hills Public Schools implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Forest Hills Public Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary 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 additional supplementary information has been subjected to the auditing procedures applied in the audits 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 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 additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section and statistical section have 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 assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 our consideration of Forest Hills Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Forest Hills Public Schools' internal control over financial reporting and compliance.

*Maney Costeiran PC*

October 26, 2015

**Forest Hills Public Schools  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

As management of Forest Hills Public Schools (the District), we offer this narrative overview and analysis of the financial activities of Forest Hills Public Schools for the year ended June 30, 2015. Generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: the Government-Wide Financial Statements and the Fund Financial Statements.

For the year ended June 30, 2015 Forest Hills Public Schools implemented Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These changes are significant at the government-wide level.

These new financial reporting standards require participants in a multi-employer cost sharing plan to:

- Record a proportionate share of the net pension liability on our Statement of Net Position.
- Record a proportionate share of pension expense as defined by GASB on our Statement of Activities.
- Report additional note disclosures and required supplemental information.

These changes will not result in any changes at the fund level.

### **Government-Wide Financial Statements**

The Government-Wide Financial Statements are prepared using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term liabilities of the District.

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position can serve as a barometer of financial health and whether the District's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the year. This statement focuses on both the gross and net cost of the various activities which are supported by the District's property taxes, state aid and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various services.

### **Fund Financial Statements**

The governmental fund financial statements are reported on a modified accrual basis in that only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. In the State of Michigan, school districts' major instruction and instructional support activities are reported in the General Fund. Additional activities are reported in Special Revenue Funds, Debt Service Funds and Capital Project Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt obligations are not recorded in the fund financial statements.

### Summary of Net Position

The District's combined net position at the beginning of the fiscal year, restated due to GASB Statements 68 and 71 implementation, was (\$77,054,914) and on June 30, 2015 was (\$69,573,410) which represents an increase of \$7,481,504 as recorded in the Statement of Activities.

The following schedule summarizes the net position at June 30, 2015 and 2014

	2015	2014
<b>Assets</b>		
Current assets	\$ 42,078,718	\$ 54,502,667
Capital assets	369,979,154	359,443,081
Less accumulated depreciation	(150,959,756)	(141,682,192)
Capital assets, net book value	219,019,398	217,760,889
<b>Total Assets</b>	<b>261,098,116</b>	<b>272,263,556</b>
<b>Deferred Outflows of Resources</b>	<b>19,018,037</b>	<b>4,726,443</b>
<b>Liabilities</b>		
Current liabilities	14,936,031	15,238,523
Long-term liabilities	174,008,144	193,703,327
Net pension liability	144,743,892	
<b>Total Liabilities</b>	<b>333,688,067</b>	<b>208,941,850</b>
<b>Deferred Inflow of Resources</b>	<b>16,001,496</b>	
<b>Net Position</b>		
Net investment in capital assets	63,397,872	55,461,936
Restricted for debt service	717,856	866,446
Restricted for food service		449,846
Restricted for capital projects		615,401
Unrestricted	(133,689,138)	10,654,520
<b>Total Net Position</b>	<b>\$ (69,573,410)</b>	<b>\$ 68,048,149</b>

The 2014 figures have not been updated for the adoption of GASB Statements 68 and 71.

## Capital Assets and Long-Term Debt

### *Capital Assets*

By the end of the 2014-15 fiscal year, the District had invested \$369.9 million in a broad range of capital assets, including school buildings and facilities, site improvements, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to approximately \$9.6 million, bringing accumulated depreciation to approximately \$150.9 million as of June 30, 2015.

### **Capital Assets at Year-End at June 30 (Net of Depreciation - in millions)**

	2015	2014
Buildings and improvements	\$ 199.9	\$ 202.4
Land and land improvements	12.2	9.6
Machinery, furniture and equipment	2.3	2.9
Transportation equipment	1.7	1.7
Construction in progress	2.9	1.2
	<b>\$ 219.0</b>	<b>\$ 217.8</b>

The change in capital assets is due to an increase in capital projects as a result of the 2014 Building and Site bonds.

### *Long-Term Debt*

At June 30, 2015, the District had approximately \$174.0 million in long-term obligations outstanding, which included approximately \$161.3 in bonds payable. This represents a decrease of approximately \$22.2 million in long-term obligations outstanding at the close of the fiscal year due primarily to retirement of 1999 debt and the refunding of 2005 debt.

For more detailed information regarding capital assets and long-term debt, please review the notes to the financial statements located in the financial section of this report.

## Results of Operations

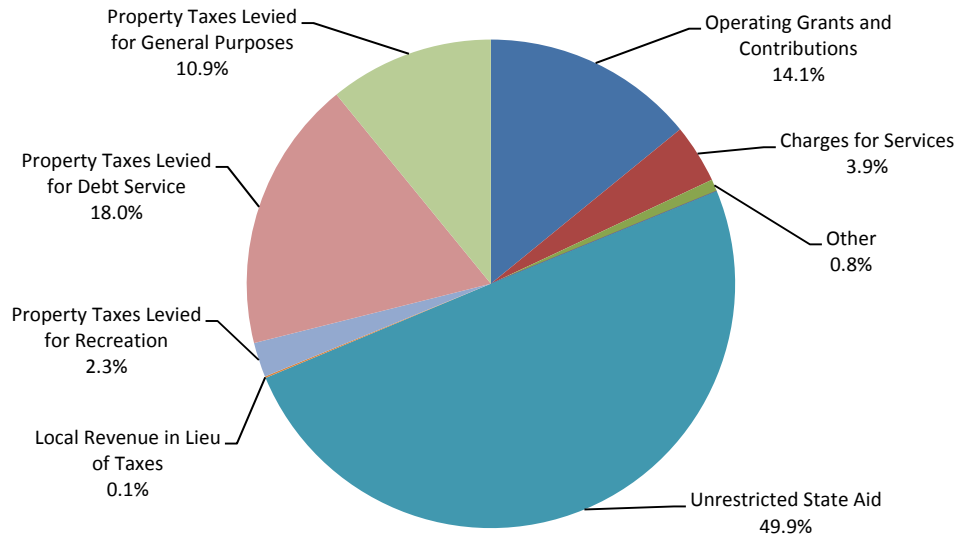
For the fiscal years ended June 30, 2015 and 2014 the results of operations on a government-wide basis were:

	2015	2014	Percent Change
<b>General Revenues</b>			
Property taxes levied for general purposes	\$ 14,326,407	\$ 13,948,317	2.71%
Property taxes levied for debt service	23,670,284	23,262,034	1.76%
Property taxes levied for recreation	3,025,379	2,935,931	3.05%
Local revenue in lieu of taxes	122,141	94,115	29.78%
State of Michigan aid, unrestricted	65,549,917	65,474,545	0.12%
Investment earnings	85,321	12,415	587.24%
Other	961,329	677,728	41.85%
<b>Total general revenues</b>	<b>107,740,778</b>	<b>106,405,085</b>	<b>1.26%</b>
<b>Program Revenues</b>			
Charges for services	5,153,535	4,853,690	6.18%
Operating grants and contributions	18,572,147	17,160,644	8.23%
<b>Total program revenues</b>	<b>23,725,682</b>	<b>22,014,334</b>	<b>7.77%</b>
<b>Total Revenues</b>	<b>131,466,460</b>	<b>128,419,419</b>	<b>2.37%</b>
<b>Expenses</b>			
Instruction	64,544,787	63,224,228	2.09%
Support services	37,451,007	37,878,549	(1.1%)
Community services	1,517,366	1,426,471	6.37%
Food service	2,593,543	2,590,634	0.11%
Child care	1,253,431	1,160,813	7.98%
Interest on long-term debt	7,011,600	7,967,588	(12.0%)
Unallocated depreciation	9,613,222	9,421,150	2.04%
<b>Total Expenses</b>	<b>123,984,956</b>	<b>123,669,433</b>	<b>0.26%</b>
<b>Increase in Net Position</b>	<b>\$ 7,481,504</b>	<b>\$ 4,749,986</b>	<b>57.51%</b>

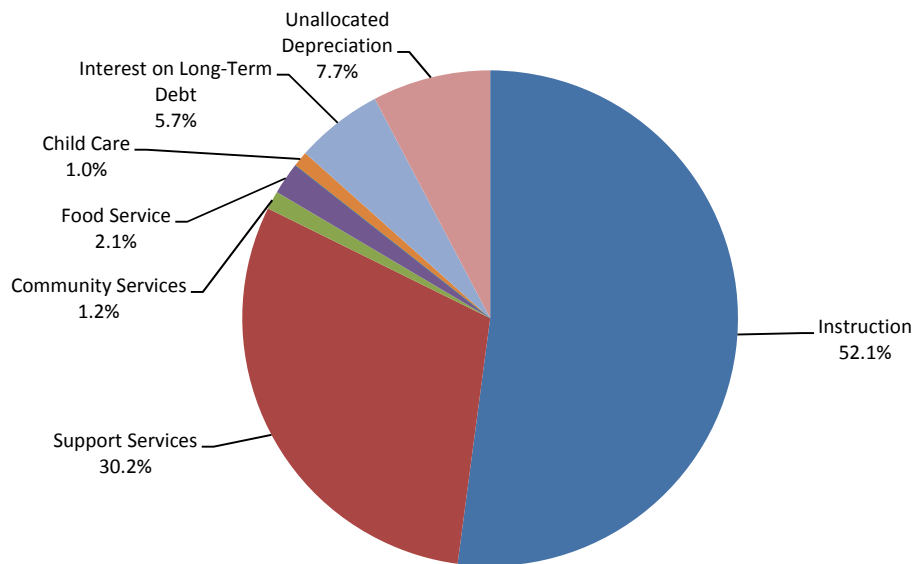
The 2014 figures have not been updated for the adoption of GASB Statements 68 and 71.

Investment earnings increased in 2015 due to rising interest rates and investment of bond proceeds. Revenues and expenses increased, with expenses remaining within the revenues available, effectively maintaining a structural operating surplus.

### Government-wide Revenue



### Government-wide Expense





## Analysis of Significant Revenues and Expenditures

Significant revenues and expenditures are discussed in the segments below.

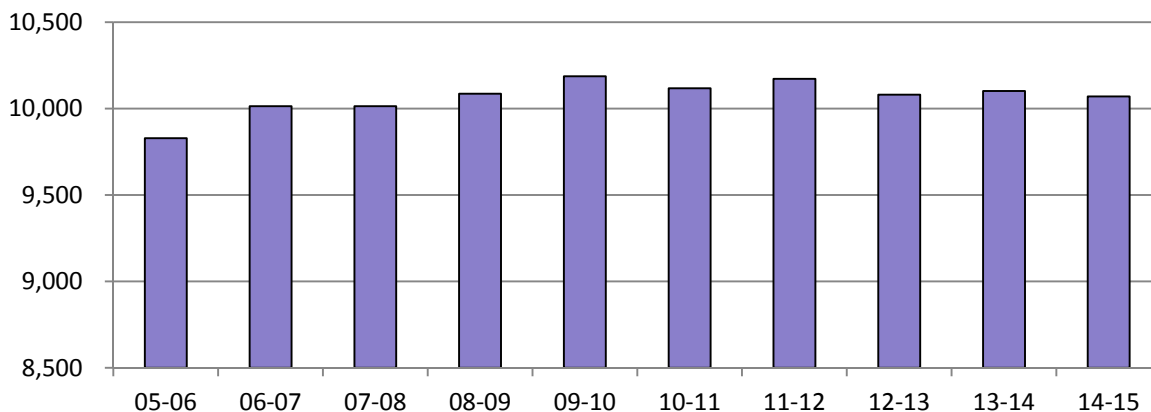
### *State Sources*

The District is funded primarily by state aid, which increased by an additional \$50 per pupil resulting in a final per-pupil allocation of \$8,241. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the current year's spring count. Blended state aid membership was 10,071 and 10,099 in 2014-15 and 2013-14, respectively. The state per-pupil allocation, including one-time state allocations, for 2014-15 was \$8,241 and \$8,189 for 2013-14.

### *Student Enrollment*

The District's enrollment for the 2014-15 fall count was 10,070 students. This is a decrease of 32 students over the prior year. Forest Hills Public Schools is centrally located in Kent County. This area has previously experienced growth, and projections indicate stable to modest growth in the future. Enrollment growth over the last ten years is illustrated as follows:

#### *Enrollment History*



### *Property Taxes*

The District levies 18.0 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment. 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 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 50% of the property's market value.

For the 2014-15 fiscal year, the District's non-homestead current year property tax collections were approximately \$14.3 million. This is an increase of 2.7% from the prior year due primarily to rising non-homestead property values.

In February 2004, voters approved 1.0 mill to be levied on all property to support recreational activities in the District. The 2014-15 fiscal year was the eleventh year this tax was levied. The total current tax year amount was approximately \$3.0 million. This is a slight increase from the prior year.

The District levied 7.8 mills of property taxes on all classes of property located within the District for bonded debt service. The 7.8 mill levy represents the same amount of mills levied in the prior year. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total current tax year amount collected for debt service in 2014-15 was approximately \$23.7 million. This is a 1.8% increase from the prior year due to increasing property values primarily in principal residence.

**General Fund Budgetary Highlights**

The Uniform Budgeting Act of the State of Michigan requires the local Board of Education to 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.

For the 2014-15 fiscal year, the District amended the budget two times: once in March 2015, and a final amendment in June 2015. The following schedule shows a comparison of the original budget, the final amended budget and actual totals from operations.

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)	Percent Variance
<b>Total Revenues and Other Financing Sources</b>	\$ 102,953,805	\$ 104,105,559	\$ 103,955,614	\$ (149,945)	(0.1%)
<b>Expenditures</b>					
Instruction	\$ 63,313,989	\$ 65,528,368	\$ 65,007,003	\$ 521,365	0.8%
Support services	38,180,827	39,070,406	38,688,452	381,954	1.0%
Community services	1,441,199	1,566,145	1,529,757	36,388	2.3%
<b>Total Expenditures and Other Financing Uses</b>	\$ 102,936,015	\$ 106,164,919	\$ 105,225,212	\$ 939,707	0.9%

The actual revenues and other financing sources for the fund were \$103.9 million. This is greater than the original budget estimate of \$102.9 million and is less than the final amended budget amount of \$104.1 million. The actual expenditures and other financing uses were \$105.2 million. This is greater than the original budget estimate of \$102.9 million and less than the final amended budget amount of \$106.2 million.

The variance between actual revenues and the original and final revenue budgets is very small and is consistent with prior years' revenue variance.

The variances between the actual expenditures and the original and final expenditure budgets include the following:

- Conservative budget estimates during development and amendment of the budget.
- Realizing budget reductions as projected.
- Ongoing management of employee attrition whenever possible.

## ***Analysis of Financial Position***

### ***General Fund***

The District decreased fund balance slightly, to approximately 11 percent, but is maintaining a healthy amount of reserves. Management will continue to make conservative reductions of operating expenses, particularly focusing on employee attrition management, and increase revenues where opportunities exist. The budget adopted for 2015-16 includes a slight increase to fund balance and is representative of management's focus on reducing District costs to fit within available resources.

### ***Capital Projects Fund***

In November 2013, voters authorized \$45 million in debt to finance capital projects throughout the District. The first series of bonds were sold in May 2014 totaling \$25 million. Planning commenced during the 2013-14 fiscal year, with construction starting in the summer of 2014. At the close of the 2014-15 fiscal year, the funds restricted for future capital projects amounted to approximately \$13.9 million, with \$10.6 million being recognized in capital project expenditures.

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

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

- Economic conditions in the country and Michigan continue to pose a challenge for the District. Limited economic growth makes it difficult to maintain a structural financial balance while maintaining educational programming.
- Similar to other employers, the District faces pressure related to employee benefit costs. Health care cost increases have been mitigated by health plan and benefit level changes, combined with increased employee contributions. However, health care cost pressures remain a concern in our labor-intensive organization.
- The District is part of a statewide multi-employer defined benefit pension plan. Recent pension reform enacted at the state level includes as goals the limiting of future rate increases and a reduction in the plan's unfunded liability. This reform is being challenged in court.
- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores from the Michigan Student Test of Educational Progress are compared from year to year with the results being tabulated by school building and by district.

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

This financial report is designed to provide our citizens, taxpayers, customers, 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 Assistant Superintendent for Finance and Operations, Julie Davis, Forest Hills Public Schools, Grand Rapids, Michigan.

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## **Basic Financial Statements**

## **Government-Wide Financial Statements**

**Forest Hills Public Schools**  
**Government-Wide Financial Statements**  
**Statement of Net Position**

<i>June 30, 2015</i>	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 26,258,018
Taxes receivable	491
Accounts receivable	164,515
Intergovernmental receivable	15,175,683
Interest receivable	31,935
Inventories	152,865
Prepaid expenses	145,211
Other current assets	150,000
Capital assets, net of accumulated depreciation	208,438,104
Capital assets, not being depreciated	10,581,294
<b>Total Assets</b>	<b>261,098,116</b>
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	2,762,468
Related to pensions	16,255,569
<b>Total Deferred Outflow of Resources</b>	<b>19,018,037</b>
<b>Liabilities</b>	
Accounts payable	485,573
Intergovernmental payable	1,901,004
Accrued interest	1,382,426
Accrued payroll	7,678,758
Accrued expenses	3,086,382
Unearned revenue	401,888
Noncurrent liabilities	
Due within one year	17,685,969
Due in more than one year	156,322,175
Net pension liability	144,743,892
<b>Total Liabilities</b>	<b>333,688,067</b>
<b>Deferred Inflows of Resources</b>	
Related to pensions	16,001,496
<b>Net Position</b>	
Net investment in capital assets	63,397,872
Restricted for debt service	717,856
Unrestricted	(133,689,138)
<b>Total Net Position</b>	<b>\$ (69,573,410)</b>

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

**Forest Hills Public Schools**  
**Government-Wide Financial Statements**  
**Statement of Activities**

<i>Year ended June 30, 2015</i>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total
<b>Governmental Activities</b>				
Instruction	\$ 64,544,787	\$ 135,502	\$ 15,352,276	\$ (49,057,009)
Support services	37,451,007	848,605	2,451,939	(34,150,463)
Community services	1,517,366	673,419	70,776	(773,171)
Food service	2,593,543	1,981,213	696,411	84,081
Child care	1,253,431	1,514,796	745	262,110
Interest on long-term debt	7,011,600			(7,011,600)
Unallocated depreciation*	9,613,222			(9,613,222)
<b>Total School District</b>	<b>\$123,984,956</b>	<b>\$ 5,153,535</b>	<b>\$ 18,572,147</b>	<b>(100,259,274)</b>

General revenues:

Property taxes levied for general purposes	14,326,407
Property taxes levied for debt service	23,670,284
Property taxes levied for recreation	3,025,379
Local revenue in lieu of taxes	122,141
Unrestricted state aid	65,549,917
Investment earnings	85,321
Miscellaneous	961,329

**Total general revenues** 107,740,778

Change in net position 7,481,504

**Net Position, beginning of year, as restated** (77,054,914)

**Net Position, end of year** \$ (69,573,410)

\* Unallocated depreciation includes 100% of depreciation expense, no depreciation expense is allocated to various programs.



## **Fund Financial Statements**

# Forest Hills Public Schools

## Governmental Funds Balance Sheet

<i>June 30, 2015</i>	General Fund	Debt Service Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 9,007,316	\$ 2,098,338	\$ 14,260,402	\$ 891,962	\$ 26,258,018
Taxes receivable	233	258			491
Accounts receivable	157,918	1,686	31,009	5,126	195,739
Intergovernmental receivable	15,163,331			12,352	15,175,683
Interest receivable	711				711
Inventories	118,320			34,545	152,865
Prepaid expenditures	145,211				145,211
Deposits				150,000	150,000
<b>Total Assets</b>	<b>\$ 24,593,040</b>	<b>\$ 2,100,282</b>	<b>\$ 14,291,411</b>	<b>\$ 1,093,985</b>	<b>\$ 42,078,718</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 86,454	\$ -	\$ 356,837	\$ 42,282	\$ 485,573
Accrued payroll	7,647,724			39,004	7,686,728
Accrued expenditures	3,078,412				3,078,412
Intergovernmental payable	1,900,931			73	1,901,004
Unearned revenue	263,461			138,427	401,888
<b>Total liabilities</b>	<b>12,976,982</b>	<b>-</b>	<b>356,837</b>	<b>219,786</b>	<b>13,553,605</b>
<b>Fund Balances</b>					
Nonspendable - inventories	118,320			34,545	152,865
Nonspendable - prepaid expenditures	145,211				145,211
Restricted for capital projects			13,934,574		13,934,574
Restricted for debt service		2,100,282			2,100,282
Restricted for food service				280,333	280,333
Assigned for child care program				495,391	495,391
Assigned for encumbrances	245,647				245,647
Assigned for subsequent year's budget - food service				63,930	63,930
Unassigned	11,106,880				11,106,880
<b>Total fund balances</b>	<b>11,616,058</b>	<b>2,100,282</b>	<b>13,934,574</b>	<b>874,199</b>	<b>28,525,113</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 24,593,040</b>	<b>\$ 2,100,282</b>	<b>\$ 14,291,411</b>	<b>\$ 1,093,985</b>	<b>\$ 42,078,718</b>

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

## Forest Hills Public Schools

### Reconciliation of Fund Balances of Governmental Funds to Net Position on the Statement of Net Position

*Year ended June 30, 2015*

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Total fund balances - total governmental funds \$ 28,525,113

Amounts reported for governmental activities in the statement of net position are different because:

Deferred outflows of resources - deferred charge on refunding	2,762,468
Deferred outflows of resources - related to pensions	16,255,569
Deferred inflows of resources - related to pensions	(16,001,496)

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

These assets consist of:

Capital assets, at cost	\$ 369,979,154	
Accumulated depreciation	<u>(150,959,756)</u>	
Net capital assets		219,019,398

Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances are as follows:

Bonds payable	(161,305,000)	
Deferred bond premium	(11,013,568)	
Accrued interest on bonds	(1,382,426)	
Compensated absences	(1,632,171)	
Early retirement incentives payable	(57,405)	
Net pension liability	<u>(144,743,892)</u>	
Net long-term liabilities		<u>(320,134,462)</u>

**Net Position of Governmental Activities** **\$(69,573,410)**

# Forest Hills Public Schools

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year ended June 30, 2015</i>	General Fund	Debt Service Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 17,351,786	\$ 23,670,284			\$ 41,022,070
Other local sources	3,256,750	118,317	\$ 54,866	\$ 3,498,292	6,928,225
State sources	74,824,179			66,780	74,890,959
Federal sources	2,109,846			630,376	2,740,222
Intermediate sources	6,054,695				6,054,695
<b>Total revenues</b>	<b>103,597,256</b>	<b>23,788,601</b>	<b>54,866</b>	<b>4,195,448</b>	<b>131,636,171</b>
<b>Expenditures</b>					
Current:					
Instruction	65,007,003				65,007,003
Support services	38,688,452				38,688,452
Community services	1,529,757				1,529,757
Food service				2,598,303	2,598,303
Child care				1,257,199	1,257,199
Debt service:					
Principal		15,505,000			15,505,000
Interest and other		6,503,536			6,503,536
Payment to refunded bond escrow agent		1,894,000			1,894,000
Bond issuance costs		478,804			478,804
Capital projects			10,595,769	173,312	10,769,081
<b>Total expenditures</b>	<b>105,225,212</b>	<b>24,381,340</b>	<b>10,595,769</b>	<b>4,028,814</b>	<b>144,231,135</b>
Excess (deficiency) of revenues over (under) expenditures	(1,627,956)	(592,739)	(10,540,903)	166,634	(12,594,964)
<b>Other Financing Sources (Uses)</b>					
Issuance of bonds		59,625,000			59,625,000
Premium on bonds issued		6,917,408			6,917,408
Payment to refunded bond escrow agent		(66,061,917)			(66,061,917)
Sale of capital assets	29,358				29,358
Transfers in	329,000				329,000
Transfers out				(329,000)	(329,000)
<b>Total other financing sources (uses)</b>	<b>358,358</b>	<b>480,491</b>	<b>-</b>	<b>(329,000)</b>	<b>509,849</b>
Changes in fund balances	(1,269,598)	(112,248)	(10,540,903)	(162,366)	(12,085,115)
<b>Fund Balances, beginning of year</b>	<b>12,885,656</b>	<b>2,212,530</b>	<b>24,475,477</b>	<b>1,036,565</b>	<b>40,610,228</b>
<b>Fund Balances, end of year</b>	<b>\$ 11,616,058</b>	<b>\$ 2,100,282</b>	<b>\$ 13,934,574</b>	<b>\$ 874,199</b>	<b>\$ 28,525,113</b>

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

# Forest Hills Public Schools

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

*Year ended June 30, 2015*

---

Changes in fund balances - total governmental funds \$(12,085,115)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 10,632,549	
Depreciation expense	(9,613,222)	
Net fair market value of donated capital assets	<u>239,182</u>	
		1,258,509

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. In the statement of net position, bonds issued are reported as a liability and repayments reduce the liability.

Proceeds from refunding bonds issued	(59,625,000)	
Payment to refunded bond escrow agent	67,955,917	
Premium on issuance of bonds	(6,917,408)	
Repayment of principal	<u>15,505,000</u>	
		16,918,509

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization	747,990	
Pension related items	613,244	
Accrued interest	(36,342)	
Early retirement incentives	(9,970)	
Compensated absences	<u>74,679</u>	
		<u>1,389,601</u>

**Change in Net Position of Governmental Activities \$ 7,481,504**

**Forest Hills Public Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**

<i>June 30, 2015</i>	Student Activity Agency Fund
<hr/>	
<b>Assets</b>	
Cash and investments	\$ 1,717,500
Accounts receivable	5,823
Interest receivable	105
<hr/>	
<b>Total Assets</b>	<b>\$ 1,723,428</b>
<hr/>	
<b>Liabilities</b>	
Accounts payable	\$ 30,281
Due to other governmental units	849
Due to student groups	1,692,298
<hr/>	
<b>Total Liabilities</b>	<b>\$ 1,723,428</b>
<hr/>	

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

# Forest Hills Public Schools

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The basic financial statements of Forest Hills Public Schools (the District) have been prepared in conformity with generally accepted accounting principles 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 District's significant accounting policies are described below.

#### *Reporting Entity*

The District is an independent entity with an elected Board of Education consisting of seven members. Board members previously served four-year terms. In February 2013, the Board amended its by-laws to transition to six-year terms. The Board has responsibility and control over all matters affecting the District, including authority to levy taxes and determine its budget, the power to designate management and primary accountability for fiscal matters. The basic financial statements of the District contain all funds for which the District is financially accountable. There are no other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

#### *Basis of Presentation*

*Government-wide financial statements:* The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize activities as either governmental or business-type. All of the District's activities are classified as governmental.

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. Program revenues include (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 operation or capital requirements of a particular function. Property taxes, state aid foundation and certain other items are reported as general revenues.

*Fund financial statements:* The fund financial statements provide information about the District's funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

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

# Forest Hills Public Schools

## Notes to Financial Statements

### *Governmental Funds*

Governmental Funds are used to account for the District's general activity. The focus is on determination of the financial position and changes in financial position rather than on income determination. The following is a description of the Governmental Funds of the District:

*General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. It is considered a major fund.

*Special Revenue Funds* are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District operates two special revenue funds: Food Service and Child Care. These funds are considered nonmajor funds.

*Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. The Debt Service Fund is considered a major fund and resources are mainly from property taxes.

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital projects. Capital project fund resources are mainly from bond proceeds and investment income. The 2014 Capital Projects Fund is considered a major fund. The 2012 Capital Projects Fund is considered a nonmajor fund.

### *Fiduciary Fund*

The *Agency Fund* is used to account for assets held by the District in a trustee capacity for individuals or school-related organizations. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The District operates one agency fund, which is the Student Activity Fund.

### ***Measurement Focus and Basis of Accounting***

Measurement focus refers to what is being measured, and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

*Government-wide and fiduciary fund 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 the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



# Forest Hills Public Schools

## Notes to Financial Statements

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough after to pay liabilities for the current period. The District considers revenues available if collected within 60 days after year-end for property taxes, state aid and interest, and 90 days after year-end for entitlement funds and grants.

Expenditures 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.

### *State Foundation Revenue*

The State of Michigan allocates funds through a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources primarily are governed by the School Aid Act and the School Code of Michigan. For the year ended June 30, 2015, the foundation allowance was based on the blended student membership counts taken in October 2014 and February 2015.

The state portion of the foundation is provided primarily by a state education property tax millage of six 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.

### *State Categorical Revenue*

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

### *Federal Revenue*

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

### ***Budgets and Budgetary Accounting***

The budgetary data reflected in the financial statements is established by the District using the procedures outlined below:

During the January to June period, the budget development process occurs. This process includes sharing of information on District finances, soliciting input, and responding to questions with various employee and parent groups and the Board of Education.

# Forest Hills Public Schools

## Notes to Financial Statements

This information is used to develop a budget and resolution for the General Fund and Special Revenue Funds. This includes proposed expenditures and the means of financing them, and is compiled on the same basis of accounting used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis.

In June, the budget resolution is subjected to a public hearing before the full Board of Education and is adopted after this hearing and before July 1, the first day of the budgeted fiscal year.

Various administrators are authorized to transfer amounts within their departmental budget. However, any revisions that alter the total expenditures of a fund, the legal level of budgetary control, must be approved by the Board of Education. Unexpended appropriations lapse at year-end. The budget is integrated with the accounting system of the District and is used as a management control device during the year.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

The budget was amended during the year to reflect changes occurring since the original adoption. The major cause of amendments typically relates to classification of revenues and expenditures, as well as changes since the original adoption. The State of Michigan has implemented new accounting classifications in recent years which has caused some of these changes.

### ***Investments***

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that 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.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

### ***Inventories and Prepaid Items***

Inventories are stated at cost. Inventories consist primarily of food, cafeteria supplies, teaching and maintenance supplies and are valued using FIFO, except natural gas inventory which is valued using a weighted average method. Inventories are reported as assets when purchased and charged to operations when used.

# Forest Hills Public Schools

## Notes to Financial Statements

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items when purchased and charged to operations when used in both government-wide and fund financial statements.

### *Capital Assets*

Capital assets, which include property, buildings and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year, and whose costs exceed \$20,000 for buildings and improvements and \$10,000 for all other capital asset categories, are capitalized. Capital assets are stated at historical cost, or estimated historical cost where actual cost information is not available. Donated capital assets are stated at their market value as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Land improvements	20
Transportation equipment	8
Buildings, additions and improvements	20 - 50
Machinery, furniture and equipment	5 - 20

### *Defined benefit plan*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# Forest Hills Public Schools

## Notes to Financial Statements

### *Deferred Outflows/Inflows of Resources*

#### *Deferred outflows*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until that time. The District has two items that qualify for reporting in this category; deferred charge on refunding and pension related items reported in the government-wide statement of net position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the life of the refunding debt. A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.

#### *Deferred inflows*

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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category; future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

### *Compensated Absences*

District employees are granted vacation and sick leave in varying amounts based on length of service. Sick leave is accumulated at different rates for various categories of employees. Unused sick leave accumulates from year to year to a maximum, which varies for different categories of employees. Unused sick leave is paid to employees at a contractual rate for each unused sick day either at the time of retirement or upon termination, depending upon the category of the employee. The liability for compensated absences includes salary-related payments. In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the government-wide financial statements.

### *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds issued are deferred and amortized over the life of the related bonds. Bond issuance costs are expensed.

In the fund financial statements, the face amount of new debt issued is reported as other financing sources. Bond premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

# Forest Hills Public Schools

## Notes to Financial Statements

### *Net Position*

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on its use, either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

### *Fund Balance*

Fund balance represents the difference between assets and liabilities in the governmental fund financial statements. The District's fund balance is classified in the following categories:

*Nonspendable fund balance* - represents amounts that cannot be spent due to legal requirements or because it is not in spendable form. The District reports nonspendable fund balance for inventories and prepaid expenditures.

*Restricted fund balance* - restricted for specific purposes imposed by grantors, bondholders, constitutional provisions or enabling legislation. The District reports restricted fund balance in the Debt Fund, Capital Projects Fund and Food Service Fund.

*Assigned fund balance* - intended to be used for specific purposes but doesn't meet the criteria for restricted or committed fund balance. The District reports assigned fund balance in the Child Care Fund and also in the General Fund to report specific projects. The Board of Education has authority to assign amounts to a specific purpose by authority of a Board resolution passed in June 2011.

*Unassigned fund balance* - the residual fund balance of the General Fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance and then unassigned fund balance.

The District has a policy that funds equal to 10% of the adopted General Fund budget shall be maintained for the purposes of protecting the cash flow position of the District and avoiding the need to borrow against either anticipated state aid payments or local property tax revenues for school operating purposes.

### *Property Taxes*

School District property taxes are due July 1 of each fiscal year in the City of Grand Rapids, on December 1 of each fiscal year in Cannon Township, and on July 1 and December 1 of each fiscal year in the City of Kentwood and the remaining townships. The taxes are payable without interest on or before July 31 in the City of Grand Rapids, February 14 in Cannon Township and September 1 and February 14 in the City of Kentwood, and September 14 and February 14 in the remaining townships, and without penalty on or before the following February 14. All real property taxes remaining unpaid on March 1 of the year following the levy are turned over to the County Treasurer for collection.

# Forest Hills Public Schools

## Notes to Financial Statements

For the year ended June 30, 2015, the District levied the following amounts per \$1,000 of assessed valuation:

The general fund levied the standard 18.0 mills for applicable property and a supplemental 1.0 mill for parks and recreation activities. The various debt service funds levied 7.8 mills.

### *Interfund Activity*

During the course of its operations the District has transactions between funds. The General Fund regularly has transfers of funds between the Food Service and Child Care funds. During 2014-15, the Food Service Fund and Child Care Fund transferred \$150,000 and \$179,000, respectively, to the General Fund for indirect costs. To the extent that certain transactions had not been paid or received as of year-end, balances of interfund receivables or payables are recorded. Balances are normally liquidated in the subsequent fiscal year.

### *Use of Estimates*

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### *Subsequent Events*

Management has evaluated subsequent events through October 26, 2015, the date the financial statements were available to be issued. Based on that evaluation, there were no matters identified that had a significant impact on the financial statements as presented

## **2. Cash and Investments**

### *Deposits*

#### *Custodial Credit Risk Related to Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District minimizes custodial credit risk by pre-qualifying financial institutions. At June 30, 2015, \$1,500,000 of the District's bank balances (without recognition of deposits in transit and outstanding checks) of \$4,746,898 was insured and \$3,246,898 was uninsured and uncollateralized.

The Federal Deposit Insurance Corporation (FDIC) general deposit insurance rules provide \$250,000 of insurance per institution.

# Forest Hills Public Schools

## Notes to Financial Statements

### *Investments*

At June 30, 2015, the District had the following investments:

<i>Investment Type</i>	Rating	Fair Value	Maturity	
			Less Than 1 Year	1-5 Years
Money market funds - Bank	Moody's Aaa	\$ 437,511	\$ 437,511	
Money market funds - MILAF	S&P AAAM	5,286,432	5,286,432	
Money market funds - Bank	Moody's Aa3	2,956,233	2,956,233	
Money market funds - Bank	Moody's Aa2	5,984,920	5,984,920	
U.S. Treasury Bonds - MILAF	Moody's Aaa	3,140,771	1,845,170	\$ 1,295,601
U.S. Government Agencies - MILAF	Moody's Aaa	6,337,302	4,665,394	1,671,908
<b>Total investments</b>		<b>24,143,169</b>	<b>\$ 21,175,660</b>	<b>\$ 2,967,509</b>
<b>Cash</b>		<b>3,832,349</b>		
<b>Total Investments and Cash</b>		<b>\$ 27,975,518</b>		

The District voluntarily invests certain excess funds in external pooled investment funds which includes money market funds. One of the pooled investment funds utilized by the District is 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 as of June 30, 2015, the fair value of the District's investments is the same as the value of the pool shares.

### *Interest Rate Risk*

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. This practice avoids the need to sell securities in the open market and invests operating funds primarily in shorter-term investments.

### *Custodial Credit Risk Related to Investments*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments and pre-qualifying financial institutions. The District had no investments subject to custodial credit risk at June 30, 2015.

### *Foreign currency risk*

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

# Forest Hills Public Schools

## Notes to Financial Statements

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

State statutes authorize the District to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, banker's acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, and investment pools authorized by the Surplus Funds Investment Pool Act.

The District follows state statutes and has no investment policy that would further limit its investment choices.

### *Concentration of Credit Risk*

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

### **3. Interfund Activity**

Transfers between funds during the year June 30, 2015 were as follows:

<i>Fund</i>	Transfers In	Transfers Out
General Fund	\$ 329,000	
Nonmajor Governmental Funds		\$ 329,000
	\$ 329,000	\$ 329,000

### **4. Intergovernmental Receivable**

Intergovernmental receivables consist of the following:

<i>Fund</i>	Local	State	Federal	Total
General	\$ 478,926	\$ 14,053,583	\$ 630,822	\$ 15,163,331
Food Service		12,252		12,252
Child Care		100		100
<b>Total</b>	\$ 478,926	\$ 14,065,935	\$ 630,822	\$ 15,175,683

All balances are expected to be collected within one year.



# Forest Hills Public Schools

## Notes to Financial Statements

### 5. Capital Assets

The following summarizes capital asset activity for the year ended June 30, 2015.

	Balance, June 30, 2014	Additions	Deletions	Balance, June 30, 2015
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Land	\$ 7,508,203	\$ 420,000	\$ (231,830)	\$ 7,696,373
Construction in progress	1,156,513	9,714,551	(7,986,143)	2,884,921
Capital assets being depreciated:				
Land improvements	6,215,467	2,634,306		8,849,773
Buildings and improvements	297,373,220	5,346,137		302,719,357
Machinery, furniture and equipment	39,762,602	405,688		40,168,290
Transportation equipment	7,427,076	569,022	(335,658)	7,660,440
<b>Totals at historical cost</b>	<b>359,443,081</b>	<b>19,089,704</b>	<b>(8,553,631)</b>	<b>369,979,154</b>
Less accumulated depreciation for:				
Land improvements	4,090,654	274,005		4,364,659
Buildings and improvements	94,981,216	7,779,850		102,761,066
Machinery, furniture and equipment	36,845,071	1,007,620		37,852,691
Transportation equipment	5,765,251	551,747	(335,658)	5,981,340
<b>Total accumulated depreciation</b>	<b>141,682,192</b>	<b>9,613,222</b>	<b>(335,658)</b>	<b>150,959,756</b>
<b>Net Capital Assets</b>	<b>\$217,760,889</b>	<b>\$ 9,476,482</b>	<b>\$ (8,217,973)</b>	<b>\$219,019,398</b>

Depreciation for the year ended June 30, 2015 was \$9,613,222. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Costs to complete the construction in progress are approximately \$4,185,000.

### 6. Long-Term Obligations

The following is a summary of changes in long-term obligations for the District for the year ended June 30, 2015.

	Balance, June 30, 2014	Additions	Deductions	Balance, June 30, 2015	Due Within One Year
Bonds payable	\$ 183,485,000	\$ 59,625,000	\$ (81,805,000)	\$ 161,305,000	\$ 16,780,000
Deferred issuance premium	8,464,042	6,917,408	(4,367,882)	11,013,568	
Compensated absences	1,706,850	800,487	(875,166)	1,632,171	875,000
Retirement contracts payable	47,435	32,970	(23,000)	57,405	30,969
	<b>\$ 193,703,327</b>	<b>\$ 67,375,865</b>	<b>\$ (87,071,048)</b>	<b>\$ 174,008,144</b>	<b>\$ 17,685,969</b>

# Forest Hills Public Schools

## Notes to Financial Statements

Bonds payable at June 30, 2015 are comprised of the following individual issues:

<i>June 30, 2015</i>	Principal Outstanding	Remaining Interest Requirements
2007 Building and Site Bonds, \$46,800,000, due in annual installments of \$2,200,000 to \$3,950,000 through May 1, 2027, interest at 4.00% to 5.00%.	\$ 41,100,000	\$ 14,021,000
2010 Building and Site Bonds, \$16,500,000 due in annual installments of \$650,000 to \$1,300,000 through May 1, 2029, interest at 3.25% to 4.63%.	15,125,000	5,426,250
2012 Building and Site and Refunding Bonds, \$7,720,000, due in annual installments of \$325,000 to \$525,000 through May 1, 2020, interest at 1.45% to 2.05%.	2,050,000	128,825
2013 Refunding Bonds, \$19,560,000, due in annual installments of \$1,580,000 to \$2,290,000 through May 1, 2024, interest at 0.67% to 5.00%.	18,655,000	4,295,800
2014 Building and Site Bonds, \$25,000,000 due in annual installments of \$625,000 to \$2,650,000 through May 1, 2029, interest at 0.67% to 5.00%.	24,750,000	7,325,750
2015 Refunding Bonds, \$59,625,000, due in annual installments of \$9,575,000 to \$11,000,000 through May 1, 2021, interest at 4.00% to 5.00%.	59,625,000	10,573,271
	<b>\$ 161,305,000</b>	<b>\$ 41,770,896</b>

### ***Early Retirement Incentive***

The District offered some employees an early retirement incentive program as part of their contractual agreement through 2008. There were eight employees who participated in the early retirement program, which provides \$1,500 annually for ten years or until the employee reaches the age of 65. At June 30, 2015 the District's liability for the early retirement plan was \$13,500. A severance program is available for administrative staff. In 2013, five former employees participated in the severance program receiving \$11,000 per year for three years, and the liability at year-end was \$44,000. In 2010, the District offered eligible employees an early retirement incentive paying an incentive equal to 40% of the participant's annual base salary. The total present value of the future payments for all programs, using a discount rate of 0.10%, is \$57,405.

Retirement contracts and compensated absences typically are liquidated by the General Fund.

# Forest Hills Public Schools

## Notes to Financial Statements

### *Debt Service Requirements*

On February 5, 2015, the District issued general obligation bonds of \$59,625,000 with an interest rate of 4% to 5% and made a payment of \$1,894,000 to advance refund a portion of the District's outstanding 2005 bonds with an interest rate of 5%. The bonds mature at various times through May 1, 2021. The general obligation bonds were issued at a premium of \$6,917,408 after paying issuance costs of \$480,491. The net proceeds were \$66,061,917. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$7,442,684, creating an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$6,956,866.

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

<i>Year ending June 30,</i>	Principal	Interest	Total
2016	\$ 16,780,000	\$ 7,632,533	\$ 24,412,533
2017	16,525,000	6,372,075	22,897,075
2018	16,750,000	5,712,301	22,462,301
2019	17,515,000	4,933,900	22,448,900
2020	18,060,000	4,121,787	22,181,787
2021 - 2025	52,600,000	10,864,175	63,464,175
2026 - 2029	23,075,000	2,134,125	25,209,125
	\$161,305,000	\$ 41,770,896	\$ 203,075,896

## 7. Defined Benefit Plan and Post Retirement

### Plan Description

The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at the following address: <http://michigan.gov/orsschools/0,1607,7-206-36585-,00.html>.

# Forest Hills Public Schools

## Notes to Financial Statements

### **Benefits Provided**

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

### **Pension Reform 2010**

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

### **Pension Reform 2012**

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

### **Regular Retirement (no reduction factor for age)**

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

### **Pension Plus**

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

# Forest Hills Public Schools

## Notes to Financial Statements

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan).

Final Average Compensation - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

### **Member Contributions**

The majority of the members currently participate on a contributory basis, under a variety of options "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

### **Employer Contributions**

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

The District's pension contributions for the year ended June 30, 2015 were equal to the required contribution total. Pension contributions were approximately \$18,074,000, with \$16,588,000 specifically for the Defined Benefit Plan. These amounts include Section 147 contributions also.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

#### **Pension Liabilities**

At June 30, 2015, the District reported a liability of \$144,743,892 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2013 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the District's proportion was .65714 percent.

# Forest Hills Public Schools

## Notes to Financial Statements

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

For the year ended June 30, 2015, the District recognized pension expense of \$11,332,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes of assumptions	\$ 5,340,740	
Net difference between projected and actual plan investment earnings		\$ (16,001,496)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	527	
Reporting Unit's contributions subsequent to the measurement date	<u>10,914,302</u>	
	<u>\$ 16,255,569</u>	<u>\$ (16,001,496)</u>

The District reported \$10,914,302 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

<u>Year ended June 30,</u>	<u>Amount</u>
2016	\$ (2,594,777)
2017	(2,594,777)
2018	(2,594,777)
2019	(2,875,898)

### Actuarial Assumptions

**Investment rate of return** - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

**Salary increases** - The rate of pay increase used for individual members is 3.5%.

**Inflation** - 2.5%

# Forest Hills Public Schools

## Notes to Financial Statements

**Mortality assumptions** - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Male and Female Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2008 to September 30, 2013. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

**The long-term expected rate of return on pension plan investments** - The rate was **8% (7% Pension Plus Plan)** net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	4.80%
Alternate Investment Pools	18.00%	8.50%
International Equity	16.00%	6.10%
Fixed Income Pools	10.50%	1.50%
Real Estate and Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	15.50%	6.30%
Short Term Investment Pools	2.00%	(0.2%)
	100.00%	

\*Long term rate of return does not include 2.5% inflation.

# Forest Hills Public Schools

## Notes to Financial Statements

**Discount rate** - The discount rate used to measure the total pension liability was **8%** (7% for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the net pension liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Lower (7.0%)	Discount Rate (8.0%)	1% Higher (9.0%)
Reporting Unit's proportionate share of the net pension liability	\$ 190,832,218	\$ 144,743,892	\$ 105,913,797

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

### Benefit Provisions - Other Postemployment

#### *Introduction*

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.



# Forest Hills Public Schools

## Notes to Financial Statements

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

### *Retiree Healthcare Reform of 2012*

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

### *Employer Contributions*

The District post-employment healthcare contributions to MPSERS for the year ended June 30, 2015 were approximately \$1,540,000.

## **8. Risk Management and Benefits**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees and natural disasters. The District is a member of the West Michigan Risk Management Trust (Trust), a self-insurance program with 30 districts pooling together to insure property, liability and auto exposures. Premiums from members of the Trust are arrived at through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,245,405, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. Specific types of coverage are listed in the supplemental material. A \$1,000 per occurrence deductible for property losses is maintained to place the responsibility for small charges with the members of the Trust.

The District is a member of the West Michigan Workers' Compensation Fund, a self-insurance program with 18 districts pooling together to insure workers' compensation and employers' liability exposures. The fund pays the first \$450,000 of any workers' compensation or employers' liability loss out of a \$2,176,471 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts.

# Forest Hills Public Schools

## Notes to Financial Statements

Health and life insurance is provided in most cases by private insurance carriers. Settled claims resulting from these risks for those insured have not exceeded commercial insurance coverage in any of the past three fiscal years. The District became a member of the Western Michigan Health Insurance Pool (WMHIP) in 2010 for insurance coverage for some of its employees. The WMHIP is a PA 106 Self-Insurance Cooperative with 47 public entities pooling together to insure health insurance claims. The WMHIP cooperatively pays the first \$150,000 on any individual claim, with the amount in excess of that being covered by stop loss insurance purchased by the WMHIP. The District pays an equivalent monthly premium for employees who are part of the WMHIP.

### 9. Bond Compliance

The Capital Projects Funds include activities funded by bonds that were issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351(a) of the Revised School Code. Beginning with the year of bond issuance, the District has reported the annual construction activity in the Capital Projects Funds as follows:

<i>June 30, 2015</i>	Cumulative Revenues	Cumulative Expenditures (excluding transfers)
2014 Bonds	\$ 50,994	\$ 12,064,591

### 10. New Accounting Standards

For the year ended June 30, 2015 the District implemented the following new pronouncements: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

#### Summary:

GASB Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. 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. The Statement 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.

# Forest Hills Public Schools

## Notes to Financial Statements

GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

The restatement of the beginning of the year net position is as follows:

	<u>Governmental Activities</u>
Net position as previously stated July 1, 2014	\$ 68,048,149
Adoption of GASB Statements 68 and 71	
Net Pension Liability	(153,979,822)
Deferred Outflows	<u>8,876,759</u>
Net position as restated July 1, 2014	<u>\$ (77,054,914)</u>

### 11. Upcoming Accounting Pronouncement

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB 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 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

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## **Required Supplementary Information**

# Forest Hills Public Schools

## Required Supplementary Information Budgetary Comparison Schedule - General Fund

<i>Year ended June 30, 2015</i>	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Local sources	\$ 20,570,831	\$ 20,765,844	\$ 20,608,536	\$ (157,308)
State sources	73,527,120	74,879,594	74,824,179	(55,415)
Federal sources	2,550,854	2,311,621	2,109,846	(201,775)
Incoming transfers and other	5,940,000	5,799,600	6,054,695	255,095
<b>Total revenues</b>	<b>102,588,805</b>	<b>103,756,659</b>	<b>103,597,256</b>	<b>(159,403)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	54,345,678	56,897,161	56,634,406	262,755
Added needs	8,968,311	8,631,207	8,372,597	258,610
<b>Total instruction</b>	<b>63,313,989</b>	<b>65,528,368</b>	<b>65,007,003</b>	<b>521,365</b>
Support services:				
Pupil	7,047,385	7,173,428	7,176,444	(3,016)
Instructional staff	4,287,274	4,312,247	4,019,956	292,291
General administration	701,230	645,500	586,462	59,038
School administration	5,577,608	5,995,876	6,063,629	(67,753)
Business	1,553,199	1,651,400	1,605,180	46,220
Operation/maintenance	9,014,380	8,925,470	9,015,762	(90,292)
Pupil transportation	5,225,088	5,231,681	5,162,620	69,061
Central	2,699,601	2,694,665	2,607,510	87,155
Athletics	2,075,062	2,440,139	2,450,889	(10,750)
<b>Total support servies</b>	<b>38,180,827</b>	<b>39,070,406</b>	<b>38,688,452</b>	<b>381,954</b>
Community services	1,441,199	1,566,145	1,529,757	36,388
<b>Total expenditures</b>	<b>102,936,015</b>	<b>106,164,919</b>	<b>105,225,212</b>	<b>939,707</b>
Excess (deficiency) of revenues over (under) expenditures	(347,210)	(2,408,260)	(1,627,956)	780,304
<b>Other Financing Sources</b>				
Sale of capital assets	50,000	28,900	29,358	458
Transfers in	315,000	320,000	329,000	9,000
<b>Total other financing sources</b>	<b>365,000</b>	<b>348,900</b>	<b>358,358</b>	<b>9,458</b>
Changes in fund balances	\$ 17,790	\$ (2,059,360)	(1,269,598)	\$ 789,762
<b>Fund Balances, beginning of year</b>			<u>12,885,656</u>	
<b>Fund Balances, end of year</b>			<u>\$ 11,616,058</u>	

## Forest Hills Public Schools

**Required Supplementary Information  
Schedule of the Reporting Unit's Proportionate Share  
Of the Net Pension Liability  
Michigan Public School Employee Retirement Plan  
Last 10 Fiscal Years (Amounts Were Determined  
as of 9/30 of Each Fiscal Year)**

	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.65714%
Reporting unit's proportionate share of net pension liability	\$ 144,743,892
Reporting unit's covered-employee payroll	\$ 56,799,068
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	254.83%
Plan fiduciary net position as a percentage of total pension liability	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

# Forest Hills Public Schools

## Required Supplementary Information Schedule of the Reporting Unit's Contributions Michigan Public School Employee Retirement Plan Last 10 Fiscal Years (Amounts Were Determined as of 6/30 of Each Fiscal Year)

	<u>2015</u>
Statutorily required contributions	\$ 11,944,916
Contributions in relation to statutorily required contributions	<u>11,944,916</u>
Contribution deficiency (excess)	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 57,042,047
Contributions as a percentage of covered-employee payroll	20.94%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.



# Forest Hills Public Schools

## Notes to the Required Supplementary Information

**Changes of benefit terms:** There were no changes of benefit terms.

**Changes of assumptions:** Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

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## **Additional Supplementary Information**

## **General Fund**

# **Forest Hills Public Schools**

## **General Fund**

To account for resources except those required to be accounted for in another fund.

# Forest Hills Public Schools

## General Fund Schedule of Revenues and Other Financing Sources - Budget to Actual

<i>Year ended June 30, 2015</i>	Final Budget	Actual	Variance
<b>Revenues</b>			
<b>Local Sources</b>			
Property taxes	\$ 17,293,000	\$ 17,351,786	\$ 58,786
Revenue in lieu of taxes	19,000	12,995	(6,005)
Tuition (fees for instruction):			
Summer academy	106,000	100,586	(5,414)
Investment income	12,000	19,001	7,001
Student activity revenue:			
Admissions, athletics	235,000	232,519	(2,481)
Dues and fees, athletics	395,000	393,099	(1,901)
Community service revenue:			
Fine arts center, admissions	200,900	182,873	(18,027)
Community and aquatic center, tuition	495,000	445,524	(49,476)
Community and aquatic center, memberships	30,000	28,702	(1,298)
Other local revenue:			
Rentals	105,000	137,092	32,092
Private sources	780,744	610,490	(170,254)
Internal printing	235,000	225,441	(9,559)
Internal trips	180,000	212,783	32,783
Transportation	75,500	71,725	(3,775)
Miscellaneous other local revenue	603,700	583,920	(19,780)
<b>Total revenues from local sources</b>	<b>20,765,844</b>	<b>20,608,536</b>	<b>(157,308)</b>
<b>State Sources</b>			
Restricted	9,388,074	9,274,262	(113,812)
Unrestricted	65,427,820	65,486,230	58,410
Payments in lieu of taxes	63,700	63,687	(13)
<b>Total revenues from state sources</b>	<b>\$ 74,879,594</b>	<b>\$ 74,824,179</b>	<b>\$ (55,415)</b>

# Forest Hills Public Schools

## General Fund Schedule of Revenues and Other Financing Sources - Budget to Actual

<i>Year ended June 30, 2015</i>	Final Budget	Actual	Variance
<b>Federal Sources</b>			
IDEA	\$ 1,463,601	\$ 1,463,601	
Title I	545,012	450,343	\$ (94,669)
Title II	204,719	118,939	(85,780)
Title III	83,789	44,816	(38,973)
Medicaid		24,670	24,670
Other grants	14,500	7,477	(7,023)
<b>Total revenues from federal sources</b>	<b>2,311,621</b>	<b>2,109,846</b>	<b>(201,775)</b>
<b>Other Governmental Units</b>			
Kent ISD Act 18 special education millage	4,210,000	4,209,139	(861)
Special education transportation	930,000	965,187	35,187
Other payments received from other government	659,600	880,369	220,769
<b>Total revenues from other governmental units</b>	<b>5,799,600</b>	<b>6,054,695</b>	<b>255,095</b>
<b>Total revenues</b>	<b>103,756,659</b>	<b>103,597,256</b>	<b>(159,403)</b>
<b>Other Financing Sources</b>			
Sale of capital assets	28,900	29,358	458
Transfers in	320,000	329,000	9,000
<b>Total other financing sources</b>	<b>348,900</b>	<b>358,358</b>	<b>9,458</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 104,105,559</b>	<b>\$ 103,955,614</b>	<b>\$ (149,945)</b>

# Forest Hills Public Schools

## General Fund Schedule of Expenditures - Budget to Actual

<i>Year ended June 30, 2015</i>	Salaries	Employee Benefits Retirement	Employee Benefits FICA	Employee Benefits Other
<b>Expenditures</b>				
<b>Instruction</b>				
Basic programs	\$ 33,678,840	\$ 11,792,790	\$ 2,412,804	\$ 6,389,909
Added needs	4,853,573	1,688,243	351,779	816,048
<b>Total instruction</b>	<b>38,532,413</b>	<b>13,481,033</b>	<b>2,764,583</b>	<b>7,205,957</b>
<b>Support Services</b>				
Pupil services	2,131,485	746,581	155,300	375,481
Instructional staff	2,066,500	690,808	143,731	329,424
General administration	279,412	95,750	15,523	42,704
School administration	3,829,893	1,326,395	268,699	534,838
Business	785,403	250,474	53,895	119,151
Operations and maintenance	2,827,175	939,234	208,126	676,490
Pupil transportation	1,809,093	631,302	138,421	359,751
Central services	1,027,292	347,863	73,716	161,875
Other support	1,219,186	409,581	89,873	87,613
<b>Total support services</b>	<b>15,975,439</b>	<b>5,437,988</b>	<b>1,147,284</b>	<b>2,687,327</b>
<b>Community Services</b>	<b>622,194</b>	<b>196,310</b>	<b>45,631</b>	<b>101,881</b>
<b>Total Expenditures</b>	<b>\$ 55,130,046</b>	<b>\$ 19,115,331</b>	<b>\$ 3,957,498</b>	<b>\$ 9,995,165</b>



# Forest Hills Public Schools

## General Fund Schedule of Expenditures - Budget to Actual

Purchased Services	Supplies, Materials and Other	Total Actual Expenditures	Final Budget	Variance
\$ 1,316,891	\$ 1,043,172	\$ 56,634,406	\$ 56,897,161	\$ 262,755
73,814	589,140	8,372,597	8,631,207	258,610
1,390,705	1,632,312	65,007,003	65,528,368	521,365
200,935	3,566,662	7,176,444	7,173,428	(3,016)
659,491	130,002	4,019,956	4,312,247	292,291
134,963	18,110	586,462	645,500	59,038
63,474	40,330	6,063,629	5,995,876	(67,753)
191,263	204,994	1,605,180	1,651,400	46,220
1,895,530	2,469,207	9,015,762	8,925,470	(90,292)
294,522	1,929,531	5,162,620	5,231,681	69,061
844,320	152,444	2,607,510	2,694,665	87,155
286,115	358,521	2,450,889	2,440,139	(10,750)
4,570,613	8,869,801	38,688,452	39,070,406	381,954
461,273	102,468	1,529,757	1,566,145	36,388
\$ 6,422,591	\$ 10,604,581	\$ 105,225,212	\$ 106,164,919	\$ 939,707

## **Nonmajor Governmental Funds**

## **Forest Hills Public Schools**

### **Nonmajor Governmental Funds**

#### **Special Revenue Funds**

To account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District maintains the following Special Revenue Funds:

*Food Service Fund* - to account for activity relating to cafeteria operations.

*Child Care Fund* - to account for activities related to child care.

#### **Capital Projects Funds**

*2012 Capital Projects Fund* – accounts for the erection, renovation, furnishing and equipping of school buildings and other projects approved by voters. Funding is provided by the 2012 bond proceeds and interest earned.

**Forest Hills Public Schools**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**

<i>June 30, 2015</i>	Special Revenue Funds		Total
	Food Service	Child Care	
<b>Assets</b>			
Cash and investments	\$ 360,461	\$ 531,501	\$ 891,962
Accounts receivable	3,018	2,108	5,126
Intergovernmental receivable	12,252	100	12,352
Inventories	34,545		34,545
Deposits	150,000		150,000
<b>Total Assets</b>	<b>\$ 560,276</b>	<b>\$ 533,709</b>	<b>\$ 1,093,985</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 40,186	\$ 2,096	\$ 42,282
Intergovernmental payable	73		73
Accrued payroll	3,086	35,918	39,004
Unearned revenue	138,123	304	138,427
<b>Total liabilities</b>	<b>181,468</b>	<b>38,318</b>	<b>219,786</b>
<b>Fund Balances</b>			
Nonspendable - inventories	34,545		34,545
Restricted for food service	280,333		280,333
Assigned for child care program		495,391	495,391
Assigned for subsequent year's budget	63,930		63,930
<b>Total fund balances</b>	<b>378,808</b>	<b>495,391</b>	<b>874,199</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 560,276</b>	<b>\$ 533,709</b>	<b>\$ 1,093,985</b>

**Forest Hills Public Schools**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

<i>Year ended June 30, 2015</i>	Special Revenue Funds		2012 Capital Projects	Total
	Food Service	Child Care		
<b>Revenues</b>				
Local sources	\$ 1,983,034	\$ 1,515,258		\$ 3,498,292
State sources	66,035	745		66,780
Federal sources	630,376			630,376
<b>Total revenues</b>	<b>2,679,445</b>	<b>1,516,003</b>		<b>4,195,448</b>
<b>Expenditures</b>				
Salaries and wages	687,618	684,584		1,372,202
Employee benefits	343,850	401,139		744,989
Food and milk costs	1,048,456	61,013		1,109,469
Supplies, materials and other	126,045	69,985		196,030
Purchased services	392,334	36,914		429,248
Capital outlay			\$ 173,312	173,312
Transportation		3,564		3,564
<b>Total expenditures</b>	<b>2,598,303</b>	<b>1,257,199</b>	<b>173,312</b>	<b>4,028,814</b>
Excess (deficiency) of revenues over (under) expenditures	81,142	258,804	(173,312)	166,634
<b>Other Financing Use</b>				
Transfers out	(150,000)	(179,000)		(329,000)
Changes in fund balances	(68,858)	79,804	(173,312)	(162,366)
<b>Fund Balances, beginning of year</b>	<b>447,666</b>	<b>415,587</b>	<b>173,312</b>	<b>1,036,565</b>
<b>Fund Balances, end of year</b>	<b>\$ 378,808</b>	<b>\$ 495,391</b>	<b>\$ -</b>	<b>\$ 874,199</b>

## Forest Hills Public Schools

### Special Revenue Funds Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

	Food Service		
<i>Year ended June 30, 2015</i>	Final Budget	Actual	Variance
<b>Revenues</b>			
Local sources:			
Food sales	\$ 1,970,000	\$ 1,981,213	\$ 11,213
Child care fees			
Investment income	1,850	1,821	(29)
State source:			
Restricted state aid	66,000	66,035	35
Federal sources:			
Child nutrition cluster	500,000	497,806	(2,194)
Donated commodities	134,000	132,570	(1,430)
<b>Total revenues</b>	<b>2,671,850</b>	<b>2,679,445</b>	<b>7,595</b>
<b>Expenditures</b>			
Current:			
Salaries and wages	684,500	687,618	(3,118)
Employee benefits	341,500	343,850	(2,350)
Food and milk costs	1,064,000	1,048,456	15,544
Supplies, materials and other	127,630	126,045	1,585
Purchased services	405,020	392,334	12,686
Transportation			
<b>Total expenditures</b>	<b>2,622,650</b>	<b>2,598,303</b>	<b>24,347</b>
<b>Other Financing Use</b>			
Transfers out	150,000	150,000	
<b>Total expenditures and other financing use</b>	<b>2,772,650</b>	<b>2,748,303</b>	<b>24,347</b>
Excess (deficiency) of revenues over (under) expenditures and other financing use	(100,800)	(68,858)	31,942
<b>Fund Balances, beginning of year</b>	<b>447,666</b>	<b>447,666</b>	
<b>Fund Balances, end of year</b>	<b>\$ 346,866</b>	<b>\$ 378,808</b>	<b>\$ 31,942</b>

# Forest Hills Public Schools

## Special Revenue Funds Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

Child Care			Total		
Final Budget	Actual	Variance	Final Budget	Actual	Variance
			\$ 1,970,000	\$ 1,981,213	\$ 11,213
\$ 1,506,500	\$ 1,514,796	\$ 8,296	1,506,500	1,514,796	8,296
400	462	62	2,250	2,283	33
650	745	95	66,650	66,780	130
			500,000	497,806	(2,194)
			134,000	132,570	(1,430)
1,507,550	1,516,003	8,453	4,179,400	4,195,448	16,048
696,730	684,584	12,146	1,381,230	1,372,202	9,028
424,100	401,139	22,961	765,600	744,989	20,611
66,800	61,013	5,787	1,130,800	1,109,469	21,331
71,600	69,985	1,615	199,230	196,030	3,200
37,005	36,914	91	442,025	429,248	12,777
2,800	3,564	(764)	2,800	3,564	(764)
1,299,035	1,257,199	41,836	3,921,685	3,855,502	66,183
170,000	179,000	(9,000)	320,000	329,000	(9,000)
1,469,035	1,436,199	32,836	4,241,685	4,184,502	57,183
38,515	79,804	41,289	(62,285)	10,946	73,231
415,587	415,587		863,253	863,253	
\$ 454,102	\$ 495,391	\$ 41,289	\$ 800,968	\$ 874,199	\$ 73,231

## **Agency Fund**



# **Forest Hills Public Schools**

## **Agency Fund**

To account for assets held by the District as an agent for student organizations.

**Forest Hills Public Schools**  
**Student Activity Fund**  
**Statement of Changes in Assets and Liabilities**

<i>Year ended June 30, 2015</i>	Balance, June 30, 2014	Additions	Deletions	Balance, June 30, 2015
<b>Assets</b>				
Cash and investments	\$ 1,702,706	\$ 3,663,086	\$ 3,648,292	\$ 1,717,500
Accounts receivable	1,261	5,863	1,301	5,823
Interest receivable	96	126	117	105
<b>Total Assets</b>	<b>\$ 1,704,063</b>	<b>\$ 3,669,075</b>	<b>\$ 3,649,710</b>	<b>\$ 1,723,428</b>
<b>Liabilities</b>				
Accounts payable	\$ 34,520	\$ 1,280,424	\$ 1,284,663	\$ 30,281
Due to other governmental units	658	23,864	23,673	849
Due to student groups	1,668,885	2,503,258	2,479,845	1,692,298
<b>Total Liabilities</b>	<b>\$ 1,704,063</b>	<b>\$ 3,807,546</b>	<b>\$ 3,788,181</b>	<b>\$ 1,723,428</b>

## **Schedules of Debt Service Requirements**

## Forest Hills Public Schools

### 2007 Building and Site Bonds - Bonded Debt

The original issue dated June 27, 2007 currently consists of bonds ranging in denominations from \$2,200,000 to \$3,950,000, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2015 together with the semi-annual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semi-annual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after payment of each annual principal requirement are also shown.

<i>Payment Date</i>	Rate	Requirements			Outstanding
		Principal	Interest	Total	
November 1, 2015	4.00		\$ 1,002,813	\$ 1,002,813	
May 1, 2016	4.00	\$ 2,200,000	1,002,812	3,202,812	\$ 38,900,000
November 1, 2016	5.00		958,813	958,813	
May 1, 2017	5.00	3,000,000	958,812	3,958,812	35,900,000
November 1, 2017	5.00		883,813	883,813	
May 1, 2018	5.00	3,150,000	883,812	4,033,812	32,750,000
November 1, 2018	5.00		805,063	805,063	
May 1, 2019	5.00	3,250,000	805,062	4,055,062	29,500,000
November 1, 2019	5.00		723,813	723,813	
May 1, 2020	5.00	3,350,000	723,812	4,073,812	26,150,000
November 1, 2020	5.00		640,063	640,063	
May 1, 2021	5.00	3,450,000	640,062	4,090,062	22,700,000
November 1, 2021	4.75		553,813	553,813	
May 1, 2022	4.75	3,550,000	553,812	4,103,812	19,150,000
November 1, 2022	4.75		469,500	469,500	
May 1, 2023	4.75	3,650,000	469,500	4,119,500	15,500,000
November 1, 2023	4.75		382,813	382,813	
May 1, 2024	4.75	3,750,000	382,812	4,132,812	11,750,000
November 1, 2024	5.00		293,750	293,750	
May 1, 2025	5.00	3,850,000	293,750	4,143,750	7,900,000
November 1, 2025	5.00		197,500	197,500	
May 1, 2026	5.00	3,950,000	197,500	4,147,500	3,950,000
November 1, 2026	5.00		98,750	98,750	
May 1, 2027	5.00	3,950,000	98,750	4,048,750	
<b>Total requirements</b>		<b>\$ 41,100,000</b>	<b>\$ 14,021,000</b>	<b>\$ 55,121,000</b>	

## Forest Hills Public Schools

### 2010 Building and Site Bonds - Bonded Debt

This issue consists of bonds ranging in denominations from \$650,000 to \$1,300,000 dated May 6, 2010, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2015 together with the semi-annual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semi-annual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after payment of each annual principal requirement are also shown.

<i>Payment Date</i>	Rate	Requirements			Outstanding
		Principal	Interest	Total	
November 1, 2015	3.25		\$ 318,063	\$ 318,063	
May 1, 2016	3.25	\$ 650,000	318,062	968,062	\$ 14,475,000
November 1, 2016	3.50		307,500	307,500	
May 1, 2017	3.50	650,000	307,500	957,500	13,825,000
November 1, 2017	4.00		296,125	296,125	
May 1, 2018	4.00	850,000	296,125	1,146,125	12,975,000
November 1, 2018	4.00		279,125	279,125	
May 1, 2019	4.00	1,025,000	279,125	1,304,125	11,950,000
November 1, 2019	4.00		258,625	258,625	
May 1, 2020	4.00	1,075,000	258,625	1,333,625	10,875,000
November 1, 2020	4.00		237,125	237,125	
May 1, 2021	4.00	1,075,000	237,125	1,312,125	9,800,000
November 1, 2021	4.00		215,625	215,625	
May 1, 2022	4.00	1,125,000	215,625	1,340,625	8,675,000
November 1, 2022	4.25		193,125	193,125	
May 1, 2023	4.25	1,150,000	193,125	1,343,125	7,525,000
November 1, 2023	4.25		168,688	168,688	
May 1, 2024	4.25	1,200,000	168,687	1,368,687	6,325,000
November 1, 2024	4.38		143,188	143,188	
May 1, 2025	4.38	1,200,000	143,187	1,343,187	5,125,000
November 1, 2025	4.50		116,938	116,938	
May 1, 2026	4.50	1,250,000	116,937	1,366,937	3,875,000
November 1, 2026	4.50		88,813	88,813	
May 1, 2027	4.50	1,275,000	88,812	1,363,812	2,600,000
November 1, 2027	4.63		60,125	60,125	
May 1, 2028	4.63	1,300,000	60,125	1,360,125	1,300,000
November 1, 2028	4.63		30,062	30,062	
May 1, 2029	4.63	1,300,000	30,063	1,330,063	
<b>Total requirements</b>		\$ 15,125,000	\$ 5,426,250	\$ 20,551,250	

## Forest Hills Public Schools

### 2012 Building and Site and Refunding Bonds - Bonded Debt

This issue consists of bonds ranging in denominations from \$325,000 to \$525,000 dated March 28, 2012, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2015 together with the semi-annual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semi-annual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after payment of each annual principal requirement are also shown.

<i>Payment Date</i>	Rate	Requirements			Outstanding
		Principal	Interest	Total	
November 1, 2015	1.45		\$ 18,831	\$ 18,831	
May 1, 2016	1.45	\$ 325,000	18,831	343,831	\$ 1,725,000
November 1, 2016	1.70		16,475	16,475	
May 1, 2017	1.70	325,000	16,475	341,475	1,400,000
November 1, 2017	1.85		13,713	13,713	
May 1, 2018	1.85	400,000	13,713	413,713	1,000,000
November 1, 2018	1.95		10,013	10,013	
May 1, 2019	1.95	475,000	10,012	485,012	525,000
November 1, 2019	2.05		5,381	5,381	
May 1, 2020	2.05	525,000	5,381	530,381	
<b>Total requirements</b>		\$ 2,050,000	\$ 128,825	\$ 2,178,825	

**Forest Hills Public Schools**  
**2013 Refunding Bonds - Bonded Debt**

This issue consists of bonds ranging in denominations from \$1,525,000 to \$2,290,000 dated April 11, 2013, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2015 together with the semi-annual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semi-annual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after payment of each annual principal requirement are also shown.

<i>Payment Date</i>	Rate	Requirements			Outstanding
		Principal	Interest	Total	
November 1, 2015	0.67		\$ 376,050	\$ 376,050	
May 1, 2016	0.67	\$ 1,580,000	376,050	1,956,050	\$ 17,075,000
November 1, 2016	4.00		364,000	364,000	
May 1, 2017	4.00	1,525,000	364,000	1,889,000	15,550,000
November 1, 2017	4.00		333,500	333,500	
May 1, 2018	4.00	1,925,000	333,500	2,258,500	13,625,000
November 1, 2018	4.00		295,000	295,000	
May 1, 2019	4.00	2,290,000	295,000	2,585,000	11,335,000
November 1, 2019	4.00		249,200	249,200	
May 1, 2020	4.00	2,285,000	249,200	2,534,200	9,050,000
November 1, 2020	4.00		203,500	203,500	
May 1, 2021	4.00	2,280,000	203,500	2,483,500	6,770,000
November 1, 2021	4.00		157,900	157,900	
May 1, 2022	4.00	2,270,000	157,900	2,427,900	4,500,000
November 1, 2022	5.00		112,500	112,500	
May 1, 2023	5.00	2,250,000	112,500	2,362,500	2,250,000
November 1, 2023	5.00		56,250	56,250	
May 1, 2024	5.00	2,250,000	56,250	2,306,250	
<b>Total requirements</b>		<b>\$ 18,655,000</b>	<b>\$ 4,295,800</b>	<b>\$ 22,950,800</b>	

## Forest Hills Public Schools

### 2014 Building and Site Bonds - Bonded Debt

This issue consists of bonds ranging in denominations from \$625,000 to \$2,650,000 dated May 8, 2014, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2015 together with the semi-annual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semi-annual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after payment of each annual principal requirement are also shown.

<i>Payment Date</i>	Rate	Requirements			Outstanding
		Principal	Interest	Total	
November 1, 2015	0.67		\$ 383,875	\$ 383,875	
May 1, 2016	0.67	\$ 1,025,000	383,875	1,408,875	\$ 23,725,000
November 1, 2016	4.00		373,625	373,625	
May 1, 2017	4.00	1,025,000	373,625	1,398,625	22,700,000
November 1, 2017	4.00		363,375	363,375	
May 1, 2018	4.00	625,000	363,375	988,375	22,075,000
November 1, 2018	4.00		357,125	357,125	
May 1, 2019	4.00	800,000	357,125	1,157,125	21,275,000
November 1, 2019	4.00		345,125	345,125	
May 1, 2020	4.00	1,250,000	345,125	1,595,125	20,025,000
November 1, 2020	4.00		326,375	326,375	
May 1, 2021	4.00	1,300,000	326,375	1,626,375	18,725,000
November 1, 2021	4.00		306,875	306,875	
May 1, 2022	4.00	2,050,000	306,875	2,356,875	16,675,000
November 1, 2022	5.00		276,125	276,125	
May 1, 2023	5.00	2,125,000	276,125	2,401,125	14,550,000
November 1, 2023	5.00		244,250	244,250	
May 1, 2024	5.00	2,200,000	244,250	2,444,250	12,350,000
November 1, 2024	5.00		211,250	211,250	
May 1, 2025	5.00	2,300,000	211,250	2,511,250	10,050,000
November 1, 2025	5.00		176,750	176,750	
May 1, 2026	5.00	2,375,000	176,750	2,551,750	7,675,000
November 1, 2026	5.00		141,125	141,125	
May 1, 2027	5.00	2,475,000	141,125	2,616,125	5,200,000
November 1, 2027	5.00		104,000	104,000	
May 1, 2028	5.00	2,550,000	104,000	2,654,000	2,650,000
November 1, 2028	5.00		53,000	53,000	
May 1, 2029	5.00	2,650,000	53,000	2,703,000	
<b>Total requirements</b>		<b>\$ 24,750,000</b>	<b>\$ 7,325,750</b>	<b>\$ 32,075,750</b>	



**Forest Hills Public Schools**  
**2015 Refunding Bonds - Bonded Debt**

This issue consists of bonds ranging in denominations from \$9,575,000 to \$11,000,000 dated February 5, 2015, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2015 together with the semi-annual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semi-annual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after payment of each annual principal requirement are also shown.

<i>Payment Date</i>	Rate	Requirements			Outstanding
		Principal	Interest	Total	
November 1, 2015	4.00		\$ 2,047,646	\$ 2,047,646	
May 1, 2016	4.00	\$ 11,000,000	1,385,625	12,385,625	\$ 48,625,000
November 1, 2016	4.00		1,165,625	1,165,625	
May 1, 2017	4.00	10,000,000	1,165,625	11,165,625	38,625,000
November 1, 2017	5.00		965,625	965,625	
May 1, 2018	5.00	9,800,000	965,625	10,765,625	28,825,000
November 1, 2018	5.00		720,625	720,625	
May 1, 2019	5.00	9,675,000	720,625	10,395,625	19,150,000
November 1, 2019	5.00		478,750	478,750	
May 1, 2020	5.00	9,575,000	478,750	10,053,750	9,575,000
November 1, 2020	5.00		239,375	239,375	
May 1, 2021	5.00	9,575,000	239,375	9,814,375	
<b>Total requirements</b>		<b>\$ 59,625,000</b>	<b>\$ 10,573,271</b>	<b>\$ 70,198,271</b>	

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**Statistical Section (unaudited)**

# Forest Hills Public Schools

## Contents of the Statistical Section

This part of the Forest Hills Public Schools' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health. Many of the schedules present data for the past fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statement.

<u>Contents</u>	<u>Pages</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	78-91
<i>Revenue Capacity</i> These schedules contain information to help the reader assess locally levied taxes.	92-98
<i>Debt Capacity</i> These schedules present information to help the reader assess the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	99-101
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	102-103
<i>Operating Information</i> These schedules contain data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	104-107

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. Certain other information had not been presented previously. The reported numbers begin with the year for which information believed to be accurate is available.

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## Forest Hills Public Schools

### Net Position by Component, Last Ten Fiscal Years (accrual basis of accounting)

<i>June 30,</i>	Fiscal			
	2006	2007	2008	2009
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 30,854,647	\$ 28,229,402	\$ 29,090,440	\$ 29,177,013
Restricted	468,413	1,645,932	1,035,270	199,297
Unrestricted	6,972,658	11,132,881	15,835,734	18,270,331
<b>Total Primary Government Net Position</b>	<b>\$ 38,295,718</b>	<b>\$ 41,008,215</b>	<b>\$ 45,961,444</b>	<b>\$ 47,646,641</b>

## Forest Hills Public Schools

### Net Position by Component, Last Ten Fiscal Years (accrual basis of accounting)

Year	2010	2011	2012	2013	2014	2015
\$	36,193,589	\$ 41,256,564	\$ 50,174,616	\$ 53,196,095	\$ 55,461,936	\$ 63,397,872
	270,380	418,442	279,442	1,131,323	1,931,693	717,856
	13,338,191	12,171,907	8,723,824	9,786,410	10,654,520	(133,689,138)
\$	49,802,160	\$ 53,846,913	\$ 59,177,882	\$ 64,113,828	\$ 68,048,149	\$ (69,573,410)

## Forest Hills Public Schools

### Expenses, Program Revenues and Net Expense, Last Ten Fiscal Years (accrual basis of accounting)

<i>Year ended June 30,</i>	2006	2007	2008	Fiscal 2009
<b>Expenses</b>				
Governmental Activities				
Instruction	\$ 53,993,661	\$ 56,651,424	\$ 58,169,308	\$ 60,743,569
Support services	34,593,733	37,123,680	36,376,324	39,242,199
Community services	1,812,367	1,778,632	1,833,943	1,819,752
Food service	2,360,259	2,504,952	2,534,990	2,509,982
Child care services	1,247,056	1,267,882	1,392,902	1,372,366
Interest on long-term debt	7,653,812	8,889,100	10,342,556	10,631,976
Unallocated depreciation	10,182,215	9,017,450	8,610,878	7,523,354
<b>Total Expenses</b>	<b>111,843,103</b>	<b>117,233,120</b>	<b>119,260,901</b>	<b>123,843,198</b>
<b>Program Revenues</b>				
Governmental Activities				
Charges for services:				
Instruction	371,007	494,195	165,269	109,753
Athletic services	444,443	408,393	498,290	536,109
Community services	501,834	545,421	795,534	761,106
Food service	2,104,339	2,178,885	2,176,046	2,256,002
Child care services	1,208,488	1,245,260	1,492,250	1,440,733
Miscellaneous	329,837	237,592	211,807	335,179
Operating grants and contributions	11,370,022	11,356,437	12,318,160	13,034,270
<b>Total Program Revenues</b>	<b>16,329,970</b>	<b>16,466,183</b>	<b>17,657,356</b>	<b>18,473,152</b>
<b>Net Expense</b>	<b>\$ (95,513,133)</b>	<b>\$ (100,766,937)</b>	<b>\$ (101,603,545)</b>	<b>\$ (105,370,046)</b>



## Forest Hills Public Schools

### Expenses, Program Revenues and Net Expense, Last Ten Fiscal Years (accrual basis of accounting)

Year	2010	2011	2012	2013	2014	2015
\$ 63,972,444	\$ 62,797,099	\$ 61,583,537	\$ 61,788,288	\$ 63,224,228	\$ 64,544,787	
38,408,837	35,801,439	35,121,579	37,022,343	37,878,549	37,451,007	
1,881,022	1,575,093	1,508,346	1,392,473	1,426,471	1,517,366	
2,450,062	2,424,820	2,557,767	2,474,973	2,590,634	2,593,543	
1,512,542	1,381,940	1,316,705	1,094,796	1,160,813	1,253,431	
9,941,113	10,003,053	9,349,182	8,026,757	7,967,588	7,011,600	
7,030,686	7,882,834	9,152,095	9,380,246	9,421,150	9,613,222	
125,196,706	121,866,278	120,589,211	121,179,876	123,669,433	123,984,956	
123,919	128,032	143,777	126,017	122,171	135,502	
520,013	530,642	496,982	519,905	523,011	625,591	
938,453	811,776	738,232	644,504	659,790	673,419	
2,103,887	1,951,129	2,019,838	1,932,026	1,981,440	1,981,213	
1,451,273	1,429,149	1,585,405	1,192,806	1,350,653	1,514,796	
337,373	318,463	295,599	229,146	216,625	223,014	
14,833,421	13,806,005	15,602,513	15,823,928	17,160,644	18,572,147	
20,308,339	18,975,196	20,882,346	20,468,332	22,014,334	23,725,682	
\$ (104,888,367)	\$ (102,891,082)	\$ (99,706,865)	\$ (100,711,544)	\$ (101,655,099)	\$ (100,259,274)	

## Forest Hills Public Schools

### General Revenues and Total Change in Net Position, Last Ten Fiscal Years (accrual basis of accounting)

<i>Year ended June 30,</i>	Fiscal			
	2006	2007	2008	2009
<b>Net Expense</b>	\$ (95,513,133)	\$ (100,766,937)	\$ (101,603,545)	\$ (105,370,046)
<b>General Revenues</b>				
Governmental Activities				
Taxes:				
Property taxes levied for general purposes	16,708,463	18,465,773	19,437,552	14,734,548
Property taxes levied for debt service	17,826,100	18,417,140	19,316,870	19,642,860
Property taxes levied for recreation	2,513,453	2,918,894	3,066,012	3,100,963
Local revenue in lieu of taxes				
Unrestricted state aid	58,574,462	61,294,570	60,883,356	63,312,687
Unrestricted federal revenue <sup>a</sup>				3,741,328 <sup>a</sup>
Investment earnings	1,259,842	1,478,194	2,966,748	1,780,329
Gain on sale of assets	57,264	87,001	44,561	73,804
Miscellaneous	751,791	817,862	841,675	668,724
<b>Total General Revenues</b>	97,691,375	103,479,434	106,556,774	107,055,243
<b>Change in Net Position</b>	\$ 2,178,242	\$ 2,712,497	\$ 4,953,229	\$ 1,685,197

**Note:**

<sup>a</sup> Includes American Recovery and Reinvestment Act Funds of \$3,741,328 in 2009, \$2,821,266 in 2010 and \$1,180,239 in 2011.

## Forest Hills Public Schools

### General Revenues and Total Change in Net Position, Last Ten Fiscal Years (accrual basis of accounting)

Year	2010	2011	2012	2013	2014	2015
	\$ (104,888,367)	\$ (102,891,082)	\$ (99,706,865)	\$ (100,711,544)	\$ (101,655,099)	\$ (100,259,274)
	16,334,512	15,736,596	14,383,225	14,470,964	13,948,317	14,326,407
	21,800,774	21,939,692	22,253,096	22,976,125	23,262,034	23,670,284
	3,091,710	2,963,464	2,880,565	2,906,579	2,935,931	3,025,379
		76,044	68,620	72,488	94,115	122,141
	61,952,371	64,274,373	64,560,153	64,645,104	65,474,545	65,549,917
	2,821,266 <sup>a</sup>	1,180,239 <sup>a</sup>				
	463,828	121,120	31,207	35,804	12,415	85,321
	20,290	90,421	43,605	36,315		
	559,135	553,886	817,363	504,111	677,728	961,329
	107,043,886	106,935,835	105,037,834	105,647,490	106,405,085	107,740,778
	\$ 2,155,519	\$ 4,044,753	\$ 5,330,969	\$ 4,935,946	\$ 4,749,986	\$ 7,481,504

# Forest Hills Public Schools

## Fund Balances, Governmental Funds, Last Ten Fiscal Years (modified accrual basis of accounting)

<i>June 30,</i>	Fiscal			
	2006	2007	2008	2009
<b>General Fund</b>				
Reserved	\$ 406,062	\$ 459,995	\$ 897,111	\$ 410,431
Unreserved	8,603,294	10,770,920	12,397,232	14,512,388
Nonspendable				
Assigned				
Unassigned				
<hr/>				
<b>Total General Fund <sup>b</sup></b>	<b>\$ 9,009,356</b>	<b>\$ 11,230,915</b>	<b>\$ 13,294,343</b>	<b>\$ 14,922,819</b>
<hr/>				
<b>All Other Governmental Funds</b>				
Reserved	\$ 1,440,466	\$ 272,898	\$ 19,770,771	\$ 20,770,621
Unreserved, reported in:				
Debt service fund	1,954,613	3,091,300	2,423,578	1,864,561
Capital projects funds	5,602,177	51,065,942 <sup>a</sup>	29,237,546	1,514,874
Special revenue funds	427,527	419,724	760,640	940,545
Nonspendable				
Restricted for capital projects				
Restricted for debt service				
Restricted for food service				
Assigned				
<hr/>				
<b>Total All Other Governmental Funds</b>	<b>\$ 9,424,783</b>	<b>\$ 54,849,864</b>	<b>\$ 52,192,535</b>	<b>\$ 25,090,601</b>

**Notes:**

The District reclassified fund balance descriptions in the government fund statements beginning in fiscal year 2011 when it implemented GASB 54.

<sup>a</sup> Increase in fund balance due to receipt of bond proceeds.

<sup>b</sup> The District included athletics in General Fund instead of Special Revenue Funds beginning in fiscal year 2011 when it implemented GASB 54.

## Forest Hills Public Schools

### Fund Balances, Governmental Funds, Last Ten Fiscal Years (modified accrual basis of accounting)

Year	2010	2011	2012	2013	2014	2015
\$ 249,153						
14,143,051						
	\$ 344,652	\$ 389,077	\$ 370,300	\$ 282,840	\$ 263,531	
	2,157,141	2,269,181	2,162,514	586,703	245,647	
	11,621,644	11,872,010	11,413,731	12,016,113	11,106,880	
\$ 14,392,204	\$ 14,123,437	\$ 14,530,268	\$ 13,946,545	\$ 12,885,656	\$ 11,616,058	
\$ 10,007,707						
1,951,580						
5,931,051 <sup>a</sup>						
844,711						
	\$ 76,949	\$ 79,753	\$ 48,048	\$ 52,661	\$ 34,545	
	4,868,903	4,920,819	2,500,733	24,648,789 <sup>a</sup>	13,934,574 <sup>a</sup>	
	2,019,625	1,759,846	1,874,649	2,212,530	2,100,282	
	514,895	449,381	456,218	414,517	280,333	
	181,115	359,255	348,921	396,075	559,321	
\$ 18,735,049	\$ 7,661,487	\$ 7,569,054	\$ 5,228,569	\$ 27,724,572	\$ 16,909,055	

**Forest Hills Public Schools**  
**Governmental Funds Revenues, Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<i>Year ended June 30,</i>	Fiscal			
	2006	2007	2008	2009
<b>Revenues</b>				
<b>Federal Sources</b>				
Federal grants	\$ 2,248,909	\$ 2,358,842	\$ 2,356,447	\$ 2,449,564
Food service fund	369,885	414,426	417,025	455,300
Unrestricted				3,741,328 <sup>a</sup>
<b>Total federal sources</b>	<b>2,618,794</b>	<b>2,773,268</b>	<b>2,773,472</b>	<b>6,646,192</b>
<b>State Sources</b>				
Restricted	3,274,718	2,844,901	3,392,710	3,439,018
Unrestricted	58,574,462	61,290,399	60,883,356	61,753,008
<b>Total state sources</b>	<b>61,849,180</b>	<b>64,135,300</b>	<b>64,276,066</b>	<b>65,192,026</b>
<b>Other Governmental Units</b>				
Kent ISD Act 18 special education millage	3,945,572	4,306,201	4,534,794	4,786,392
Miscellaneous	1,423,930	1,451,189	1,588,006	1,610,686
<b>Total other governmental units</b>	<b>5,369,502</b>	<b>5,757,390</b>	<b>6,122,800</b>	<b>6,397,078</b>
<b>Local Sources</b>				
Property taxes	37,471,965	39,801,807	41,820,434	39,755,656
Food service fund	2,085,938	2,178,885	2,176,043	2,256,002
Athletic fund <sup>b</sup>	444,443	408,393	498,290	536,109
Child care fund	1,206,722	1,245,260	1,492,250	1,440,733
Interest and other income	1,325,604	1,430,870	3,337,576	2,042,389
Miscellaneous	2,692,269	2,575,788	2,489,560	2,602,601
<b>Total local sources</b>	<b>45,226,941</b>	<b>47,641,003</b>	<b>51,814,153</b>	<b>48,633,490</b>
<b>Total Revenues</b>	<b>\$ 115,064,417</b>	<b>\$ 120,306,961</b>	<b>\$ 124,986,491</b>	<b>\$ 126,868,786</b>

**Notes:**

<sup>a</sup> Includes American Recovery and Reinvestment Act Funds of \$3,741,328 in 2009, \$2,821,266 in 2010 and \$1,180,239 in 2011.

<sup>b</sup> The District included athletics in General Fund instead of Special Revenue Funds beginning in fiscal year 2011 when it implemented GASB 54.

## Forest Hills Public Schools

### Governmental Funds Revenues, Last Ten Fiscal Years (modified accrual basis of accounting)

Year	2010	2011	2012	2013	2014	2015
	\$ 4,137,292	\$ 3,717,480	\$ 4,057,949	\$ 2,272,296	\$ 2,389,567	\$ 2,109,846
	495,392	560,008	592,443	607,329	646,145	630,376
	2,821,266 <sup>a</sup>	1,180,239 <sup>a</sup>				
	7,453,950	5,457,727	4,650,392	2,879,625	3,035,712	2,740,222
	3,823,387	2,909,051	4,397,839	5,949,987	7,313,852	9,341,042
	63,512,050	64,277,075	64,560,153	64,645,104	65,474,545	65,549,917
	67,335,437	67,186,126	68,957,992	70,595,091	72,788,397	74,890,959
	4,770,024	4,472,057	4,446,641	4,130,402	4,107,027	4,209,139
	1,392,853	1,858,219	1,790,249	2,485,223	2,510,101	1,845,556
	6,162,877	6,330,276	6,236,890	6,615,625	6,617,128	6,054,695
	38,926,628	40,639,752	39,516,886	40,353,669	40,146,282	41,022,070
	2,103,887	1,951,129	2,019,838	1,930,937	1,981,440	1,983,034
	520,013					
	1,451,273	1,429,208	1,585,405	1,192,806	1,350,653	1,515,258
	524,709	122,921	31,207	33,390	12,415	85,321
	2,721,422	3,124,405	3,305,799	2,900,298	2,930,405	3,344,612
	46,247,932	47,267,415	46,459,135	46,411,100	46,421,195	47,950,295
	\$ 127,200,196	\$ 126,241,544	\$ 126,304,409	\$ 126,501,441	\$ 128,862,432	\$ 131,636,171

## Forest Hills Public Schools

### Governmental Funds Expenditures and Debt Service Ratio, Last Ten Fiscal Years (modified accrual basis of accounting)

<i>Year ended June 30,</i>	2006	2007	2008	Fiscal 2009
<b>Expenditures</b>				
Instruction	\$ 53,860,799	\$ 57,000,954	\$ 58,455,293	\$ 60,271,370
Pupil support services	3,423,582	6,655,840	6,910,333	7,188,419
Instructional support services	2,410,179	2,730,506	2,802,795	3,222,781
General administration	916,313	691,772	771,053	671,033
School administration	4,943,901	5,310,773	5,386,619	5,413,839
Business services	1,627,133	1,858,421	1,497,971	1,476,296
Operation and maintenance of plant	9,469,849	10,001,120	9,393,661	9,375,531
Pupil transportation services	3,593,777	5,187,786	5,500,750	5,301,521
Central support services	1,933,332	1,969,122	1,911,914	1,900,194
Other support services <sup>a</sup>				
Community services	1,794,247	1,767,649	1,813,913	1,813,745
Payments to other governmental units <sup>b</sup>	4,661,747			
Food service fund	2,370,220	2,516,691	2,543,291	2,507,637
Athletic fund <sup>a</sup>	1,981,950	2,098,701	2,157,805	2,232,604
Child care fund	1,250,879	1,265,680	1,405,906	1,374,422
Capital outlay	6,589,745	4,407,619	4,769,786	28,768,539
Non-capitalized outlay <sup>c</sup>				
Debt service				
Principal	10,470,000	8,765,000	9,840,000	10,475,000
Interest and other	8,519,459	9,151,253	10,467,713	10,423,117
<b>Total Expenditures</b>	<b>\$ 119,817,112</b>	<b>\$ 121,378,887</b>	<b>\$ 125,628,803</b>	<b>\$ 152,416,048</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>16.8%</b>	<b>15.3%</b>	<b>16.8%</b>	<b>16.9%</b>

**Notes:**

<sup>a</sup> The District included athletics in General Fund instead of Special Revenue Funds beginning in fiscal year 2011 when it implemented GASB 54.

<sup>b</sup> As required by the Michigan Public Schools Accounting Manual, payments to other public schools are recorded in the related expenditure category beginning in fiscal year 2007.

<sup>c</sup> In 2015 the District separated non-capitalized outlay from total capital outlay in order to more accurately record debt service as a percentage of non-capital expenditures.



## Forest Hills Public Schools

### Governmental Funds Expenditures and Debt Service Ratio, Last Ten Fiscal Years (modified accrual basis of accounting)

Year	2010	2011	2012	2013	2014	2015
\$	62,875,568	\$ 63,304,027	\$ 62,025,519	\$ 62,339,094	\$ 63,181,431	\$65,007,003
	7,171,843	6,877,220	7,023,082	6,555,555	6,894,790	7,176,444
	3,314,018	3,084,446	2,955,302	4,131,404	4,540,193	4,019,956
	716,215	699,204	800,825	624,016	666,358	586,462
	5,756,296	5,655,074	5,577,978	5,617,994	5,551,841	6,063,629
	1,413,857	1,388,025	1,388,121	1,427,233	1,518,990	1,605,180
	9,049,074	8,461,400	8,305,787	8,533,758	9,212,913	9,015,762
	5,474,691	5,616,348	5,476,580	5,317,985	5,176,389	5,162,620
	2,059,075	2,100,772	2,199,301	2,499,680	2,563,109	2,607,510
		1,985,169	2,073,934	2,113,728	2,080,420	2,450,889
	1,929,559	1,596,151	1,535,115	1,413,878	1,425,767	1,529,757
	2,440,201	2,410,439	2,570,184	2,488,009	2,592,814	2,598,303
	2,370,546					
	1,477,176	1,390,926	1,329,626	1,106,372	1,159,736	1,257,199
	23,521,897	11,167,713	2,380,832	2,349,485	3,487,788	10,632,548
						136,533
	11,100,000	11,785,000	13,100,000	14,060,000	14,935,000	15,505,000
	10,165,643	10,152,380	10,291,430	8,568,972	8,387,949	8,876,340
\$	150,835,659	\$ 137,674,294	\$ 129,033,616	\$ 129,147,163	\$ 133,375,488	\$ 144,231,135
	16.7%	17.3%	18.5%	17.8%	18.0%	18.2%

## Forest Hills Public Schools

### Other Financing Sources (Uses) and Net Change in Fund Balances, Governmental Funds, Last Ten Fiscal Years (modified accrual basis of accounting)

<i>Year ended June 30,</i>	Fiscal			
	2006	2007	2008	2009
<b>Deficiency of Revenues Over Expenditures</b>	\$ (4,752,695)	\$ (1,071,926)	\$ (642,312)	\$ (25,547,262)
<b>Other Financing Sources (Uses)</b>				
Issuance of bonds	103,730,000	46,800,000		
Premium on bonds issued	8,078,770	1,831,565		
Payment to escrow agent	(111,295,967)			
Proceeds from sale of capital assets	57,264	87,001	48,411	73,804
Transfers in	2,143,904	1,770,000	1,770,000	1,820,000
Transfers out	(2,143,904)	(1,770,000)	(1,770,000)	(1,820,000)
<b>Total Other Financing Sources (Uses)</b>	570,067	48,718,566	48,411	73,804
<b>Net Change in Fund Balances</b>	\$ (4,182,628)	\$ 47,646,640	\$ (593,901)	\$ (25,473,458)

## Forest Hills Public Schools

### Other Financing Sources (Uses) and Net Change in Fund Balances, Governmental Funds, Last Ten Fiscal Years (modified accrual basis of accounting)

Year	2010	2011	2012	2013	2014	2015
\$	(23,635,463)	\$ (11,432,750)	\$ (2,729,207)	\$ (2,645,722)	\$ (4,513,056)	\$ (12,594,964)
	16,500,000		7,720,000	19,560,000	25,000,000	59,625,000
	195,209			2,903,741	948,170	6,917,408
			(4,720,000)	(22,778,542)		(66,061,917)
	54,087	90,421	43,605	36,315		29,358
	1,870,000	270,000	270,000	338,000	289,000	329,000
	(1,870,000)	(270,000)	(270,000)	(338,000)	(289,000)	(329,000)
	16,749,296	90,421	3,043,605	(278,486)	25,948,170	509,849
\$	(6,886,167)	\$ (11,342,329)	314,398	\$ (2,924,208)	21,435,114	\$ (12,085,115)

## Forest Hills Public Schools

### Taxable Value and Actual Value of Taxable Property, Last Ten Fiscal Years (rate per \$1,000 of assessed value)

<i>Tax Year</i>	Fiscal Year	Estimated Market Value	State Equalized Value
2005	2005 - 2006	\$ 5,909,461,000	\$ 2,954,730,500
2006	2006 - 2007	6,277,433,400	3,138,716,700
2007	2007 - 2008	6,592,105,052	3,296,052,526
2008	2008 - 2009	6,615,261,600	3,307,630,800
2009	2009 - 2010	6,454,447,600	3,227,223,800
2010	2010 - 2011	6,433,947,856	3,216,973,928
2011	2011 - 2012	6,096,622,680	3,048,311,340
2012	2012 - 2013	6,031,010,400	3,015,505,200
2013	2013 - 2014	6,147,406,720	3,073,703,360
2014	2014 - 2015	6,412,942,200	3,206,471,100

**Source:** County Equalization Department.

**Notes:** State Equalized Value is estimated at 50% of market value. Taxable Value is basis for tax levy.

Annual growth for property limited to 5% or inflation whichever is less. Other millage includes Recreation millage from 2004 to present. Operating millage applied only against Non-Homestead property. All other taxes applied against total Taxable Value.

## Forest Hills Public Schools

### Taxable Value and Actual Value of Taxable Property, Last Ten Fiscal Years (rate per \$1,000 of assessed value)

Taxable Value			Direct Tax Rates			
Non-Homestead Property	Homestead Property	Total	Operating	Debt	Other	Total
\$ 928,320,435	\$ 1,758,039,870	\$ 2,686,360,305	\$ 17.9424	\$ 6.6000	\$ 1.0000	\$ 25.5424
1,008,244,303	1,877,487,666	2,885,731,969	18.0000	6.3000	1.0000	25.3000
1,070,008,390	1,969,641,715	3,039,650,105	18.0000	6.3000	1.0000	25.3000
1,070,821,335	2,019,016,637	3,089,837,972	18.0000	6.5000	1.0000	25.5000
1,058,553,116	2,001,177,573	3,059,730,689	18.0000	7.0500	1.0000	26.0500
1,015,904,838	1,941,293,512	2,957,198,350	18.0000	7.4000	1.0000	26.4000
975,767,088	1,934,279,247	2,910,046,335	18.0000	7.7000	1.0000	26.7000
964,722,899	1,944,995,463	2,909,718,362	18.0000	7.9000	1.0000	26.9000
959,279,944	1,991,296,073	2,950,576,017	18.0000	7.9000	1.0000	26.9000
982,431,118	2,054,281,887	3,036,713,005	18.0000	7.8000	1.0000	26.8000

## Forest Hills Public Schools

### Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years (rate per \$1,000 of assessed value)

<i>Tax Year</i>	Fiscal Year	Direct Tax Rates			Total
		Operating	Debt	Other	
2005	2005 - 2006	\$ 17.9424	\$ 6.6000	\$ 1.0000	\$ 25.5424
2006	2006 - 2007	18.0000	6.3000	1.0000	25.3000
2007	2007 - 2008	18.0000	6.3000	1.0000	25.3000
2008	2008 - 2009	18.0000	6.5000	1.0000	25.5000
2009	2009 - 2010	18.0000	7.0500	1.0000	26.0500
2010	2010 - 2011	18.0000	7.4000	1.0000	26.4000
2011	2011 - 2012	18.0000	7.7000	1.0000	26.7000
2012	2012 - 2013	18.0000	7.9000	1.0000	26.9000
2013	2013 - 2014	18.0000	7.9000	1.0000	26.9000
2014	2014 - 2015	18.0000	7.8000	1.0000	26.8000

**Source:** County Equalization Department.

**Note:** Other millage includes Recreation millage from 2004 to present. Operating millage applied only against Non-Homestead property. All other taxes applied against total Taxable Value.

## Forest Hills Public Schools

### Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years (rate per \$1,000 of assessed value)

Overlapping Rates											
Ada Township		Cannon Township		Cascade Township		Grand Rapids Township		City of Grand Rapids		City of Kentwood	
\$	2.5574	\$	2.1679	\$	3.5498	\$	1.5995	\$	8.1223	\$	7.5318
	2.7136		2.1561		3.5498		1.5995		8.1217		7.5318
	3.0508		2.1546		3.5498		1.5995		8.2413		7.5061
	3.0255		2.1540		3.7626		1.5995		8.2410		7.5061
	3.0460		2.6346		3.7626		1.5995		8.3709		7.7064
	3.0460		2.1540		3.7626		1.5995		8.3711		9.7064
	3.0580		2.1540		3.7626		1.5995		8.3713		9.7064
	2.8605		2.1540		3.7626		1.5995		8.1716		9.7064
	2.8605		2.1540		3.7626		1.5995		8.1719		9.7064
	2.7861		2.1299		3.5244		1.5995		9.1518		9.6066

# Forest Hills Public Schools

## Principal Property Taxpayers, Current Year and Nine Years Ago

<i>Year ended December 31,</i>	2014				
Taxpayer	Ad Valorem Taxable Value	Rank	Percentage of Total Taxable Value	Equivalent Industrial Facilities Tax (IFT)	IFT and Taxable Value
Access Business Group LLC	\$ 66,490,300	1	2.25%	\$ 17,174,700	\$ 83,665,000
Amway Corporation	63,475,436	2	2.15%		63,475,436
Consumers Energy	22,390,490	3	0.76%		22,390,490
Alticor Incorporated - Complex	20,748,700	4	0.70%		20,748,700
Meijer Inc./Thrifty Kraft Inc.	20,109,251	5	0.68%		20,109,251
Access Logistics Limited Partner	14,322,232	6	0.49%		14,322,232
GE Aviation Systems LLC	14,092,720	7	0.48%		14,092,720
Porter Hills Presbyterian Village	12,525,643	8	0.42%		12,525,643
Paragon Die & Engineering	11,585,949	9	0.39%	1,969,701	13,555,650
Fifth Third Bank	10,654,300	10	0.36%		10,654,300
Cascade Engineering, Inc./ Keller Real Estate					
Ada Cogeneration LP					
Michcon					
Smiths Aerospace					
Waterfall Shoppes					
<b>Total principal taxpayers</b>	<b>256,395,021</b>		<b>8.68%</b>	<b>\$ 19,144,401</b>	<b>\$ 275,539,422</b>
<b>Balance of valuations</b>	<b>2,696,448,250</b>		<b>91.32%</b>		
<b>Total Ad Valorem Valuation</b>	<b>\$ 2,952,843,271</b>		<b>100.00%</b>		

Source: School District Local Tax Units.



# Forest Hills Public Schools

## Principal Property Taxpayers, Current Year and Nine Years Ago

		2005				
Taxable Value	Rank	Percentage of Total Taxable Value	Equivalent Industrial Facilities Tax (IFT)	IFT and Taxable Value		
\$ 68,529,274	1	2.55%	\$ 14,300,581	\$	82,829,855	
15,572,313	4	0.58%			15,572,313	
51,144,500	2	1.90%			51,144,500	
10,524,351	8	0.39%			10,524,351	
11,498,352	6	0.43%			11,498,352	
12,746,765	3	0.47%	4,651,722		17,398,487	
12,251,558	5	0.46%			12,251,558	
8,167,050	10	0.30%			8,167,050	
10,475,200	7	0.39%	685,200		11,160,400	
8,435,484	9	0.31%			8,435,484	
209,344,847		7.78%	\$ 19,637,503	\$	228,982,350	
2,481,556,321		92.22%				
\$ 2,690,901,168		100.00%				

# Forest Hills Public Schools

## Property Tax Levies and Collections, Last Ten Fiscal Years

<i>Tax Year</i>	Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections (Refunds) in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2005	2005 - 2006	\$ 37,281,201	\$ 37,234,847	99.88%	\$ (92,997)	\$ 37,141,850	99.63%
2006	2006 - 2007	39,515,962	39,465,382	99.87%	(210,028)	39,255,354	99.34%
2007	2007 - 2008	41,763,917	41,688,781	99.82%	(220,978)	41,467,803	99.29%
2008	2008 - 2009	39,731,075	39,713,248	99.96%	(342,346)	39,370,902	99.09%
2009	2009 - 2010	41,275,945	41,253,317	99.95%	(465,988)	40,787,329	98.82%
2010	2010 - 2011	40,845,227	40,652,834	99.53%	(470,083)	40,182,751	98.38%
2011	2011 - 2012	40,468,882	40,358,247	99.73%	(173,197)	40,185,050	99.30%
2012	2012 - 2013	40,614,308	40,553,716	99.85%	(195,434)	40,358,282	99.37%
2013	2013 - 2014	40,479,717	40,452,963	99.93%	(87,412)	40,365,551	99.72%
2014	2014 - 2015	41,068,632	41,021,579	99.91%		41,021,579	99.91%

**Sources:** Kent County Equalization Department and District records.

## Forest Hills Public Schools

### Outstanding Debt by Type, Last Ten Fiscal Years

<i>Tax Year</i>	<i>Fiscal Year</i>	<i>Outstanding Debt</i>	<i>Total Taxable Value</i>	<i>Outstanding Debt as a % of Taxable Value</i>	<i>Estimated Population</i>	<i>Outstanding Debt Per Capita</i>	<i>Taxable Value Per Capita</i>
2005	2005 - 2006	\$ 188,015,000	\$ 2,686,360,305	7.00%	42,372	\$ 4,437	\$ 63,399
2006	2006 - 2007	226,050,000	2,885,731,969	7.83%	43,221	5,230	66,767
2007	2007 - 2008	216,210,000	3,039,650,105	7.11%	44,070	4,906	68,973
2008	2008 - 2009	205,735,000	3,089,837,972	6.66%	44,920	4,580	68,785
2009	2009 - 2010	211,135,000	3,059,730,689	6.90%	45,705	4,620	66,945
2010	2010 - 2011	199,350,000	2,957,198,350	6.74%	46,264	4,309	63,920
2011	2011 - 2012	189,295,000	2,910,046,335	6.50%	48,765	3,882	59,675
2012	2012 - 2013	173,420,000	2,909,718,362	5.96%	49,439	3,508	58,855
2013	2013 - 2014	183,485,000	2,950,576,017	6.22%	48,200	3,807	61,215
2014	2014 - 2015	161,305,000	3,036,713,005	5.31%	50,816	3,174	59,759

**Sources:** Kent County Equalization Department, Census Bureau estimates, District records.

**Note:** All outstanding debt is general obligation-unlimited tax debt.

## Forest Hills Public Schools

### Direct and Overlapping Governmental Activities Debt as of June 30, 2015

<i>Governmental Unit</i>	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Ada Township	\$ 5,065,000	89.80%	\$ 4,548,370
Cannon Township	670,892	64.00%	429,371
Cascade Township	5,720,000	84.43%	4,829,396
Grand Rapids Township		89.20%	
City of Grand Rapids	108,017,256	1.37%	1,479,836
City of Kentwood	20,795,000	10.41%	2,164,760
Kent County	113,735,000	15.01%	17,071,624
Grand Rapids Community College	55,830,000	14.52%	8,106,516
Subtotal, overlapping debt			38,629,873
<b>District Direct Debt</b>			<b>161,305,000</b>
<b>Total Direct and Overlapping Debt</b>			<b>\$ 199,934,873</b>

**Sources:** Municipal Advisory Council of Michigan.

# Forest Hills Public Schools

## Legal Debt Margin Information, Last Ten Fiscal Years

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**Legal Debt Margin Calculation for Fiscal Year 2014-2015:**

State Equalized Valuation (SEV), July 1, 2014	\$ 3,206,471,100
Statutory Debt Limit (15% of SEV)	480,970,665
Debt applicable to limit	161,305,000

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**Legal Debt Margin** \$ 319,665,665

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<i>Tax Year</i>	Fiscal Year	State Equalized Value (SEV)	Statutory Debt Limit 15% of SEV	Debt Subject to Debt Limit	Legal Debt Margin	Debt as a Percentage of Debt Limit
2005	2005 - 2006	\$ 2,954,730,500	\$ 443,209,575	\$ 188,015,000	\$ 255,194,575	42.42%
2006	2006 - 2007	3,138,716,700	470,807,505	226,050,000	244,757,505	48.01%
2007	2007 - 2008	3,296,052,526	494,407,879	216,210,000	278,197,879	43.73%
2008	2008 - 2009	3,307,630,800	496,144,620	205,735,000	290,409,620	41.47%
2009	2009 - 2010	3,227,223,800	484,083,570	211,135,000	272,948,570	43.62%
2010	2010 - 2011	3,216,973,928	482,546,089	199,350,000	283,196,089	41.31%
2011	2011 - 2012	3,048,311,340	457,246,701	189,295,000	267,951,701	41.40%
2012	2012 - 2013	3,015,505,200	452,325,780	173,420,000	278,905,780	38.34%
2013	2013 - 2014	3,073,703,360	461,055,504	161,305,000	299,750,504	34.99%
2014	2014 - 2015	3,206,471,100	480,970,665	161,305,000	319,665,665	33.54%

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**Notes:** Personal Income data is located in the Demographic and Economic Statistics table.

# Forest Hills Public Schools

## Demographic and Economic Statistics, Last Ten Calendar Years

<i>Calendar Year</i>	Estimated Population <sup>a</sup>	Unemployment <sup>b</sup>			Inflation Rate <sup>c</sup>	Personal Income <sup>d</sup>	
		City of Grand Rapids *	County of Kent	State of Michigan		Total	Per Capita
2005	42,372	5.9%	5.7%	6.9%	3.4%	24,097,967	31,458
2006	43,221	5.8%	5.6%	6.9%	2.5%	25,180,355	32,734
2007	44,070	6.0%	5.8%	7.1%	4.1%	25,551,312	33,073
2008	44,920	7.0%	6.8%	8.3%	0.1%	25,929,582	33,529
2009	45,705	11.0%	10.7%	13.4%	2.7%	24,507,839	31,688
2010	46,264	10.6%	10.3%	12.7%	1.5%	25,624,912	33,090
2011	48,765	8.3%	8.1%	10.4%	3.0%	27,304,992	35,024
2012	49,439	6.8%	6.5%	9.1%	1.7%	37,474,145	37,264
2013	48,200	6.7%	6.5%	8.8%	1.5%	38,950,342	38,314
2014	50,816	5.0%	4.9%	7.3%	0.8%	N/A	N/A

**Notes:** N/A = not available

<sup>a</sup> U.S. Census Bureau and estimated.

<sup>b</sup> Federal Reserve Economic Data.

\* Grand Rapids-Wyoming Metropolitan Statistical Area.

<sup>c</sup> U. S. Department of Labor - Bureau of Labor Statistics.

National Consumer price index measured December to December.

<sup>d</sup> U.S. Department of Commerce, Bureau of Economic Analysis and Grand Rapids Metropolitan Statistical Area.

Total Personal Income reported in thousands.

## Forest Hills Public Schools

### Principal Employers in West Michigan, Current Year and 2005

<i>Year ended December 31,</i>	2014			2005		
<i>Employer</i>	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Spectrum Health	21,300	1	6.3%	12,000	1	3.7%
Meijer, Inc.	7,700	2	2.3%	8,441	2	2.6%
Mercy Health St. Mary's Health	6,600	3	2.0%			
Spartan Stores	4,176	4	1.2%	3,040	7	0.9%
Alticor, Inc. (formerly Amway Corp.)	4,000	5	1.2%	3,900	5	1.2%
Grand Rapids Public Schools	4,000	6	1.2%	3,392	6	1.0%
Axios, Inc.	3,728	7	1.1%			
Steelcase, Inc.	3,200	8	1.0%	5,000	3	1.5%
Fifth Third Bank	2,450	9	0.7%			
Gordon Food Service, Inc.	2,172	10	0.6%			
Magna Donnelly Mirror				4,225	4	1.3%
Haworth, Inc.				3,000	8	0.9%
City of Grand Rapids				2,688	9	0.8%
Grand Valley State University				2,645	10	0.8%
<b>Total Principal Employers</b>	<b>59,326</b>		<b>17.7%</b>	<b>48,331</b>		<b>14.8%</b>

Source: Kent County 2014 Audited Financial Statements.

## Forest Hills Public Schools

### Full-Time-Equivalent District Employees by Type, Last Ten Fiscal Years

<i>Employee Category</i>	Full-Time-Equivalent Employees as of June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administrators	34	39	39	42	42	35	35	35	35	35
Teachers	576	630	630	644	641	626	614	605	612	612
Clerical/secretarial <sup>a</sup>	149	97	97	95	95	79	81	79	82	78
Instructional aides <sup>a</sup>	129	148	148	161	156	141	147	167	128	140
Maintenance/custodial/food service	111	121	121	127	125	115	119	132	128	120
Transportation	60	67	67	66	67	57	57	56	57	53
Daycare <sup>a</sup>		27		28	26	23	24	18	18	19
Non-classified/other <sup>a</sup>	25	45		46	53	70	64	77	72	83
<b>Total</b>	1,084	1,174	1,102	1,209	1,205	1,146	1,141	1,169	1,132	1,140

**Source:** 2007 through present data provided by Michigan Department of Education Registry of Educational Personnel. 2006 and prior data provided by District records.

<sup>a</sup> Employee categories were reclassified beginning in fiscal year 2007 in accordance with the Michigan Department of Education Registry of Educational Personnel.



**Forest Hills Public Schools**  
**Operating Statistics, Last Ten Fiscal Years**

<i>Fiscal Year</i>	Enrollment <sup>a</sup>	Percent Change	Operating Expenditures <sup>b</sup>	Percent Change	Cost Per Pupil	Percent Change	Percent of Students Receiving Free or Reduced-Price Meals <sup>c</sup>
2005 - 2006	9,733	4.07%	\$ 90,426,874	1.33%	\$ 9,291	-2.63%	8.60%
2006 - 2007	9,966	2.39%	94,715,111	4.74%	9,504	2.29%	8.60%
2007 - 2008	10,010	0.44%	96,144,302	1.51%	9,605	1.06%	7.40%
2008 - 2009	10,061	0.51%	98,334,729	2.28%	9,774	1.76%	9.30%
2009 - 2010	10,162	1.00%	101,460,196	3.18%	9,984	2.15%	9.40%
2010 - 2011	10,118	(0.43%)	100,767,836	(0.68%)	9,959	(0.25%)	10.30%
2011 - 2012	10,166	0.47%	99,361,544	(1.40%)	9,774	(1.86%)	11.10%
2012 - 2013	10,088	(0.77%)	100,574,325	1.22%	9,970	2.01%	11.20%
2013 - 2014	10,099	0.11%	102,812,201	2.23%	10,180	2.11%	10.20%
2014 - 2015	10,071	(0.15%)	105,225,212	4.62%	10,446	4.77%	11.90%

**Sources:**

<sup>a</sup> District enrollment records audited by Intermediate School District.

<sup>b</sup> District financial statements as audited.

<sup>c</sup> State of Michigan Center for Educational Performance and Information (CEPI).

# Forest Hills Public Schools

## School Building Information

<i>Site</i>	Grade Configuration	Acreage	Date Originally Constructed	Additions	Square Feet
Ada Elementary	K-4	17.37	1968	1992, 2003, 2004, 2009	65,185
Ada Vista Elementary	K-4	9.00	1971	2003, 2004, 2009	61,454
Collins Elementary	K-4	13.40	1954	1991, 2004, 2009	62,020
Meadow Brook Elementary	K-4	34.21	1992	1996, 2004, 2010	88,930
Pine Ridge Elementary	K-4	26.20	1975	1991, 2002, 2004, 2010	61,750
Thornapple Elementary	K-4	10.12	1959	1996, 2002, 2004, 2008	57,047
Knapp Forest Elementary	K-6	11.00	2003	2004, 2010	96,654
Orchard View Elementary	K-6	12.97	1959	1991, 1996, 2002, 2004, 2008	66,518
Central Woodlands	5-6	51.80	1997	2004, 2009, 2010	85,678
Goodwillie Environmental	5-6	18.00	2000	2004, 2009	11,786
Northern Trails	5-6	36.10	1997	2004, 2009	85,678
Central Middle	7-8	40.00	1965	1990, 2002, 2004, 2009	137,584
Northern Hills Middle	7-8	34.62	1977	1990, 2002, 2004, 2008	115,025
Eastern High/Middle	7-12	140.16	2004	2005, 2010	342,950
Central High	9-12	74.12	1956	1990, 1995, 2003, 2004, 2009	264,833
Northern High	9-12	54.62	1972	1990, 1995, 2003, 2004, 2008, 2009	251,644
Alternative Pathways High	9-12		2000		4,941
Transitions			2005		3,500

# Forest Hills Public Schools

## School Building Information

<i>Site</i>	Grade Configuration	Acreage	Date Originally Constructed	Additions	Square Feet
Administration Building	N/A	10.02	1951		23,268
Community and Aquatic Center	N/A	18.69	1990	2009	37,900
Fine Arts Center	N/A	28.04	2004		61,850
Operations/Food Service	N/A	6.178	2000		12,438
Buildings and Grounds	N/A		1970	2010	12,528
Transportation	N/A		1999		12,000
<b>A.C.E. Building</b>	N/A	0.32	approx. 1865		950
2 Mile Road Property 8400 2 Mile Road SE	N/A	28.00			
Alta Dale Property 110-120 Alta Dale SE	N/A	2.77			
Buttrick Property 2280 Buttrick SE	N/A	59.00			
Fulton - Spaulding Property	N/A	7.34			
Honey Creek Property 520 Honey Creek NE	N/A	14.55			
Crew Building/Property	N/A	2.50			

**Source:** District records.

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**Forest Hills Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue 7/1/2014	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued revenue 6/30/2015
<b>U.S. Department of Agriculture:</b>								
Passed through Michigan Department of Education:								
Child nutrition cluster:								
Non-cash assistance (commodities):								
Entitlement commodities	10.555		\$ 132,570			\$ 132,570	\$ 132,570	
Total non-cash assistance			132,570			132,570	132,570	
Cash assistance:								
School Breakfast Program	10.553	141970	23,105	\$ 698	\$ 20,473	3,330	2,632	
School Breakfast Program	10.553	151970	24,007			24,007	24,007	
			47,112	698	20,473	27,337	26,639	
National School Lunch Program - Section 11	10.555	141960	473,896	7,282	415,609	65,569	58,287	
National School Lunch Program - Section 11	10.555	151960	412,880			412,880	412,880	
			886,776	7,282	415,609	478,449	471,167	
Total cash assistance			933,888	7,980	436,082	505,786	497,806	
Total U.S. Department of Agriculture (Cluster total)			1,066,458	7,980	436,082	638,356	630,376	

**Forest Hills Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue 7/1/2014	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued revenue 6/30/2015
<b>U.S. Department of Education:</b>								
Passed through Kent Intermediate School District:								
Special Education Cluster:								
Special Education Flow Through Grant	84.027	140450-1314	\$ 1,525,102	\$ 492,731	\$ 1,519,221	\$ 492,731		
Special Education Flow Through Grant	84.027	150450-1415	1,417,950			1,034,290	\$ 1,417,950	\$ 383,660
			<u>2,943,052</u>	<u>492,731</u>	<u>1,519,221</u>	<u>1,527,021</u>	<u>1,417,950</u>	<u>383,660</u>
Special Education - Preschool Incentive	84.173	140460-1314	42,374	11,873	42,374	11,873		
Special Education - Preschool Incentive	84.173	150460-1415	45,651			35,232	45,651	10,419
			<u>88,025</u>	<u>11,873</u>	<u>42,374</u>	<u>47,105</u>	<u>45,651</u>	<u>10,419</u>
Total Special Education Cluster			<u>3,031,077</u>	<u>504,604</u>	<u>1,561,595</u>	<u>1,574,126</u>	<u>1,463,601</u>	<u>394,079</u>
Passed through Michigan Department of Education:								
Title I	84.010	141530-1314	517,279	20,915	429,266	29,864	8,949	
Title I	84.010	151530-1415	536,063			440,338	441,394	1,056
			<u>1,053,342</u>	<u>20,915</u>	<u>429,266</u>	<u>470,202</u>	<u>450,343</u>	<u>1,056</u>

The accompanying notes are an integral part of this schedule.

**Forest Hills Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue 7/1/2014	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued revenue 6/30/2015
<u>U.S. Department of Education (Concluded):</u>								
Passed through Michigan Department of Education (Concluded):								
Title II - Improving Teacher Quality	84.367	140520-1314	\$ 205,429	\$ 6,830	\$ 136,910	\$ 6,950	\$ 120	
Title II - Improving Teacher Quality	84.367	150520-1415	204,599			114,259	118,819	\$ 4,560
			<u>410,028</u>	<u>6,830</u>	<u>136,910</u>	<u>121,209</u>	<u>118,939</u>	<u>4,560</u>
Title III Limited Immigrant Students	84.365A	140570-1314	12,927	4,993	7,768	7,306	2,313	
Title III Limited Immigrant Students	84.365A	150570-1415	17,534			6,455	6,455	
			<u>30,461</u>	<u>4,993</u>	<u>7,768</u>	<u>13,761</u>	<u>8,768</u>	
Title III Limited English Proficient Students	84.365A	140580-1314	57,047	1,095	30,501	4,814	3,719	
Title III Limited English Proficient Students	84.365A	150580-1415	60,223			30,811	32,329	1,518
			<u>117,270</u>	<u>1,095</u>	<u>30,501</u>	<u>35,625</u>	<u>36,048</u>	<u>1,518</u>
Total Michigan Department of Education			<u>1,611,101</u>	<u>33,833</u>	<u>604,445</u>	<u>640,797</u>	<u>614,098</u>	<u>7,134</u>
Total U.S. Department of Education			<u>4,642,178</u>	<u>538,437</u>	<u>2,166,040</u>	<u>2,214,923</u>	<u>2,077,699</u>	<u>401,213</u>

**Forest Hills Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

<u>Federal grantor/pass-through grantor program title</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Award amount</u>	<u>Accrued revenue 7/1/2014</u>	<u>Prior year expenditures (memorandum only)</u>	<u>Current year receipts</u>	<u>Current year expenditures</u>	<u>Accrued revenue 6/30/2015</u>
<u>U.S. Department of Health and Human Services:</u>								
Passed through Kent Intermediate School District:								
Medicaid Outreach 2014-15	93.778		\$ 24,670			\$ 24,670	\$ 24,670	
<u>U.S. Department of Commerce:</u>								
Passed through Grand Valley State University:								
Groundswell 2013-2014	11.429		17,000	\$ 5,489	\$ 17,000	5,489		
Groundswell 2014-2015	11.429		13,000			3,503	5,977	\$ 2,474
Groundswell LGREI 2014-2015	11.429		1,500			1,500	1,500	
			<u>31,500</u>	<u>5,489</u>	<u>17,000</u>	<u>10,492</u>	<u>7,477</u>	<u>2,474</u>
TOTAL FEDERAL AWARDS			<u>\$ 5,764,806</u>	<u>\$ 551,906</u>	<u>\$ 2,619,122</u>	<u>\$ 2,888,441</u>	<u>\$ 2,740,222</u>	<u>\$ 403,687</u>



# Forest Hills Public Schools

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Forest Hills Public Schools under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Forest Hills Public Schools, it is not intended to and does not present the net position or changes in net position of Forest Hills Public Schools.
2. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
3. Title I Part A (CFDA #84.010) and the Child Nutrition Cluster (CFDA #10.553 & 10.555) were audited as major programs, representing 39% of expenditures. The District is a low risk auditee.
4. The threshold for distinguishing type A and type B programs was \$300,000.
5. Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
6. Reconciliation of federal revenues reported on financial statements with expenditures per schedule of expenditures of federal awards:

General fund	\$ 2,109,846
Other nonmajor governmental fund	<u>630,376</u>
	<u>\$ 2,740,222</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Forest Hills Public Schools  
Grand Rapids, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Forest Hills Public Schools (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 26, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Forest Hills Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maney Costeiran PC*

October 26, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Forest Hills Public Schools  
Grand Rapids, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Forest Hills Public Schools' (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. Forest Hills Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Forest Hills Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of Forest Hills Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Maney Costeiran PC*

October 26, 2015

**Forest Hills Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

**Section I - Summary of Auditors' Results**

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**Financial Statements**

Type of auditors' report issued: *Unmodified*

➤ Material weakness(es) identified? \_\_\_\_\_ Yes                      No

➤ Significant deficiency(ies) identified? \_\_\_\_\_ Yes                      None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes                      No

**Federal Awards**

Internal control over major programs:

➤ Material weakness(es) identified? \_\_\_\_\_ Yes                      No

➤ Significant deficiency(ies) identified? \_\_\_\_\_ Yes                      None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes                      No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Part A
10.553 & 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$        300,000

Auditee qualified as low-risk auditee?                      Yes                      No

**Section II - Financial Statement Findings**

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None

**Section III - Federal Award Findings and Questioned Costs**

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None

**Forest Hills Public Schools**  
**Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2015**

There were no audit findings required to be reported on this schedule for the year ended June 30, 2014.



October 26, 2015

To the Finance Committee  
Forest Hills Public Schools

We have audited the financial statements of Forest Hills Public Schools for the year ended June 30, 2015, and have issued our report thereon dated October 26, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Forest Hills Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Forest Hills Public Schools' financial statements are free from material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Forest Hills Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Forest Hills Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Forest Hills Public Schools' compliance with those requirements.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 20, 2015.

## Significant Audit Findings

### *1. Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Forest Hills Public Schools are described in Note 1 to the financial statements. During 2015 the District implemented Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The application of existing policies was not changed during 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability.

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used by management to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

We also evaluated the key factors and assumptions management used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. Certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain allocations on the statement of activities allocating revenue between instruction and support services have been used in preparing the statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any significant disclosures.

2. *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole, except for recording delinquent property taxes receivable.

4. *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 26, 2015.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the statistical information, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of the Finance Committee, Board of Education, management and federal awarding agencies and pass-through entities of Forest Hills Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Manes Costeiran PC*