



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

Comprehensive Annual Financial Report
Year Ended June 30, 2016

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

Comprehensive Annual Financial Report
Year Ended June 30, 2016

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

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

September 28, 2016

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, 2016. 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' unmodified 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 2015-16 school year was 9,978. In previous years, the area has experienced growth in student population, and projections indicate a stable enrollment in the future. The projected enrollment for the 2016-17 fiscal year is 9,880. There are six K-4 elementary schools, two K-6 elementary schools, two 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 opinions 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, 2015. 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**

2015-2016 Board of Education

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

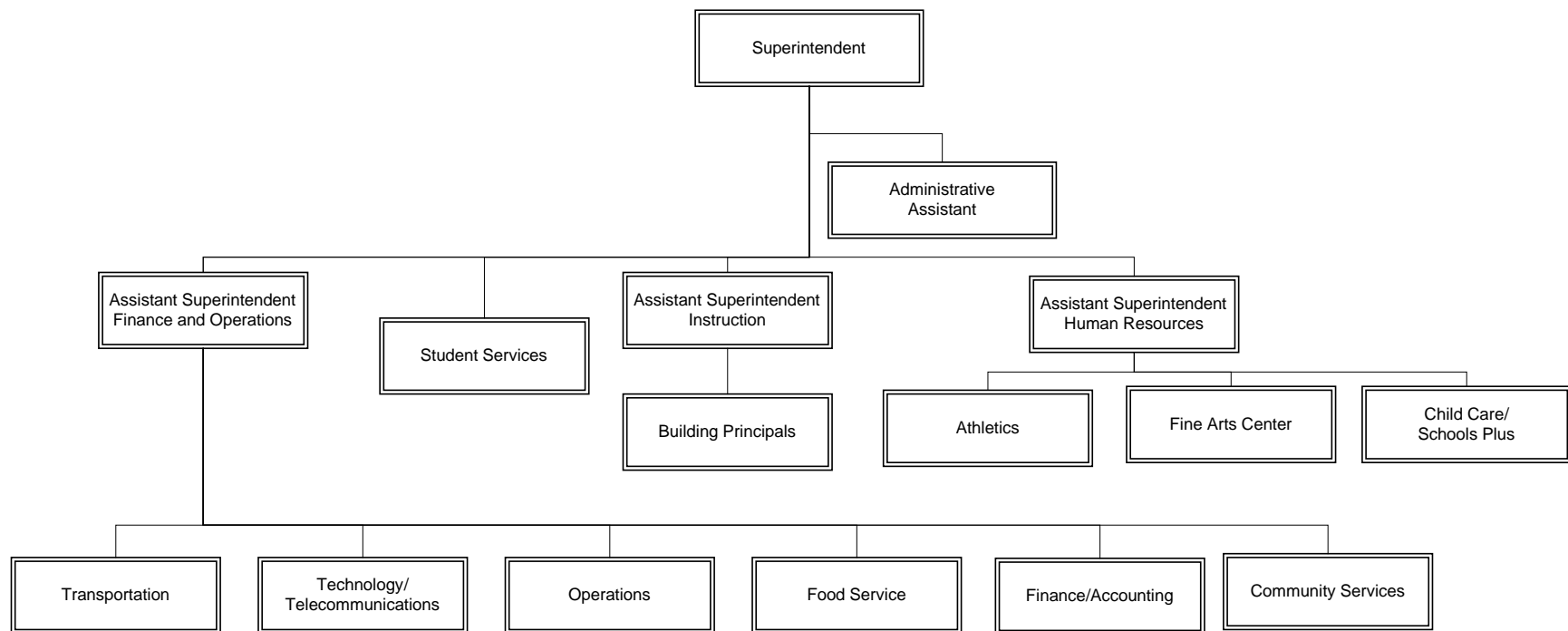
2015-2016 Administrative Staff

Superintendent	Daniel Behm
Assistant Superintendent for Finance and Operations	Julie Davis
Assistant Superintendent for Instruction	Margaret Fellingner
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, 2015**

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



Brenda R. Burkett, CPA, CSBA, SFO
President

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and other 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, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information and the schedule of expenditures of federal awards are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary information and the schedule of expenditures of federal awards have 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 and the schedule of expenditures of federal awards are 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 September 28, 2016 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.

Manes Costeiran PC

September 28, 2016

**Forest Hills Public Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2016**

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, 2016. Generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: the Government-Wide Financial Statements and the Fund Financial Statements.

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 was (\$69,573,410) and on June 30, 2016 was (\$63,131,237) which represents an increase of \$6,442,173 as recorded in the Statement of Activities.

The following schedule summarizes the net position at June 30, 2016 and 2015

	2016	2015
Assets		
Current assets	\$ 54,829,977	\$ 42,078,718
Capital assets	376,988,646	369,979,154
Less accumulated depreciation	(159,758,471)	(150,959,756)
Capital assets, net book value	217,230,175	219,019,398
Total Assets	272,060,152	261,098,116
Deferred Outflows of Resources	23,075,441	19,018,037
Liabilities		
Current liabilities	15,227,228	14,936,031
Long-term liabilities	175,604,762	174,008,144
Net pension liability	162,459,976	144,743,892
Total Liabilities	353,291,966	333,688,067
Deferred Inflow of Resources	4,974,864	16,001,496
Net Position		
Net investment in capital assets	72,267,183	63,397,872
Restricted for debt service	935,395	717,856
Unrestricted	(136,333,815)	(133,689,138)
Total Net Position	\$ (63,131,237)	\$ (69,573,410)

Capital Assets and Long-Term Debt

Capital Assets

By the end of the 2015-16 fiscal year, the District had invested \$377.0 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 \$9.5 million, bringing accumulated depreciation to approximately \$159.8 million as of June 30, 2016.

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

	2016	2015
Buildings and improvements	\$ 197.8	\$ 199.9
Land and land improvements	11.8	12.2
Machinery, furniture and equipment	4.1	2.3
Transportation equipment	1.3	1.7
Construction in progress	2.2	2.9
	\$ 217.2	\$ 219.0

The decrease in capital assets is due to the ongoing depreciation of existing assets being greater than the additions relating to the 2014 Building and Site bonds.

Long-Term Debt

At June 30, 2016, the District had approximately \$175.6 million in long-term obligations outstanding, which included approximately \$156.8 in bonds payable. This represents a decrease of approximately \$4.5 million in bonds payable at the close of the fiscal year due primarily to the retirement of principal.

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.

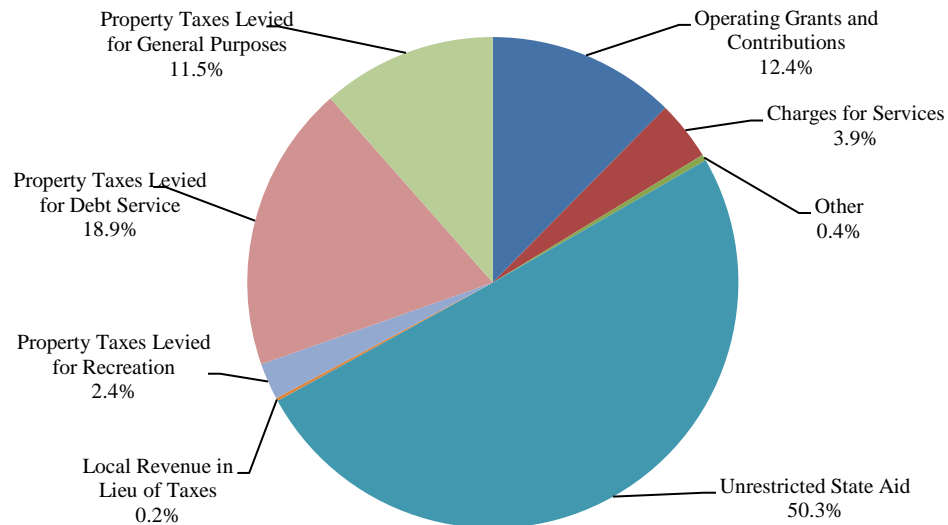
Results of Operations

For the fiscal years ended June 30, 2016 and 2015 the results of operations on a government-wide basis were:

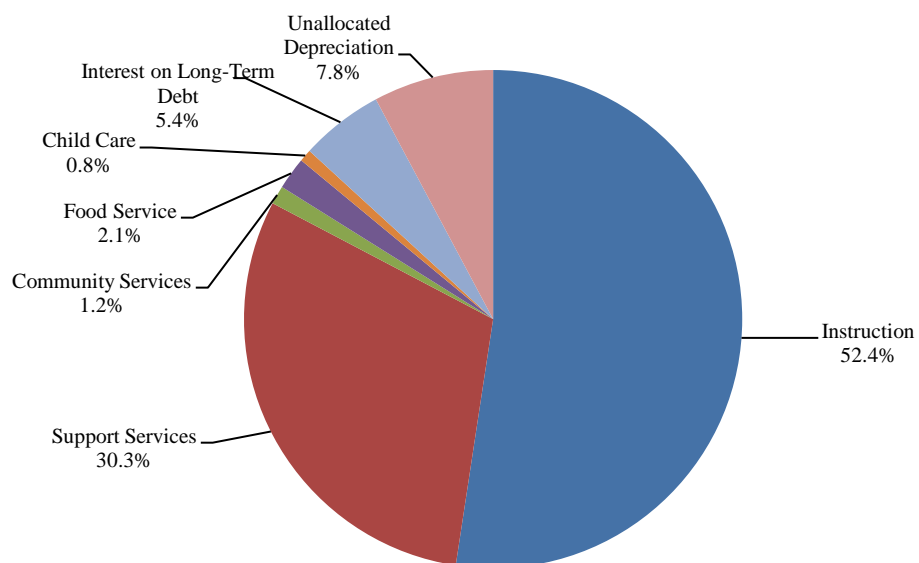
	2016	2015	Percent Change
General Revenues			
Property taxes levied for general purposes	\$ 14,772,583	\$ 14,326,407	3.11%
Property taxes levied for debt service	24,304,723	23,670,284	2.68%
Property taxes levied for recreation	3,146,080	3,025,379	3.99%
Local revenue in lieu of taxes	270,335	122,141	121.33%
State of Michigan aid, unrestricted	64,641,082	65,549,917	-1.39%
Investment earnings	107,140	85,321	25.57%
Other	1,037,569	961,329	7.93%
Total general revenues	108,279,512	107,740,778	0.50%
Program Revenues			
Charges for services	4,949,473	5,153,535	-3.96%
Operating grants and contributions	15,873,817	18,572,147	-14.53%
Total program revenues	20,823,290	23,725,682	-12.23%
Total Revenues	129,102,802	131,466,460	-1.80%
Expenses			
Instruction	63,942,467	64,544,787	-0.93%
Support services	37,606,093	37,451,007	0.4%
Community services	1,494,516	1,517,366	-1.51%
Food service	2,565,137	2,593,543	-1.10%
Child care	1,014,040	1,253,431	-19.10%
Interest on long-term debt	6,559,298	7,011,600	(6.5%)
Unallocated depreciation	9,479,078	9,613,222	-1.40%
Total Expenses	122,660,629	123,984,956	-1.07%
Increase in Net Position	\$ 6,442,173	\$ 7,481,504	-13.89%

Investment earnings increased in 2016 due to rising interest rates and investment of bond proceeds. Revenues and expenses decreased, 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.

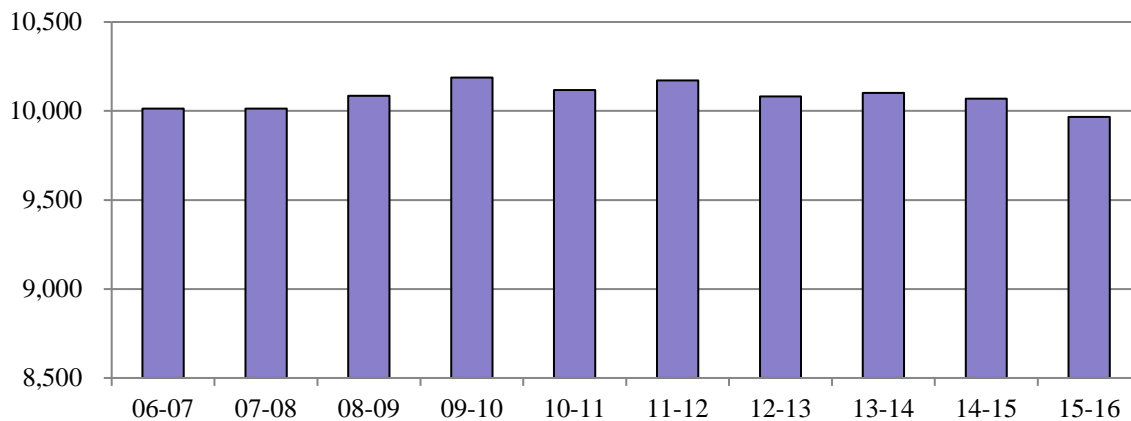
State Sources

The District is funded primarily by state aid, which increased by an additional \$85 per pupil resulting in a final per-pupil allocation of \$8,169. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 90% of the current fiscal year's fall count and 10% of the prior fiscal year's spring count. Blended state aid membership was 9,978 and 10,071 in 2015-16 and 2014-15, respectively. The state per-pupil allocation, including one-time state allocations, for 2015-16 was \$8,169 and \$8,084 for 2014-15.

Student Enrollment

The District's enrollment for the 2015-16 fall count was 9,967 students. This is a decrease of 103 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 enrollment 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 2015-16 fiscal year, the District's non-homestead current year property tax collections were approximately \$14.8 million. This is an increase of 3.1% 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 2015-16 fiscal year was the twelfth year this tax was levied. The total current tax year amount was approximately \$3.1 million. This is a slight increase from the prior year.

The District levied 7.7 mills of property taxes on all classes of property located within the District for bonded debt service. The 7.7 mill levy represents a slight decrease compared to the 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 2015-16 was approximately \$24.3 million. This is a 2.7% 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 2015-16 fiscal year, the District amended the budget two times: once in March 2016, and a final amendment in June 2016. 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
Total Revenues and Other Financing Sources	\$ 103,274,850	\$ 104,875,859	\$ 105,041,609	\$ 165,750	0.2%
Expenditures					
Instruction	\$ 63,671,485	\$ 64,843,090	\$ 64,173,122	\$ 669,968	1.0%
Support services	37,981,196	39,437,854	38,400,003	1,037,851	2.6%
Community services	1,546,833	1,584,471	1,514,292	70,179	4.4%
Total Expenditures and Other Financing Uses	\$ 103,199,514	\$ 105,865,415	\$ 104,087,417	\$ 1,777,998	1.7%

The actual revenues and other financing sources for the fund were \$105.0 million. This is greater than the original budget estimate of \$103.3 million and is greater than the final amended budget amount of \$104.9 million. The actual expenditures and other financing uses were \$104.1 million. This is greater than the original budget estimate of \$103.2 million and less than the final amended budget amount of \$105.9 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 increased fund balance slightly, to approximately 12 percent of expenditures, and 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 2016-17 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 2015-16 fiscal year, the funds restricted for future capital projects amounted to approximately \$5.8 million, with \$8.2 million being recognized in capital project expenditures.

The second series of bonds were sold in April 2016 totaling \$19.3 million-including the bond premium. Planning commenced during the 2015-16 fiscal year, with construction starting in the summer of 2016. At the close of the 2015-16 fiscal year, the funds restricted for future capital projects amounted to approximately \$19.2 million.

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, 2016</i>	Governmental Activities
Assets	
Cash and investments	\$ 39,356,979
Taxes receivable	3,771
Accounts receivable	153,335
Intergovernmental receivable	14,820,572
Interest receivable	15,352
Inventories	128,158
Prepaid expenses	126,810
Deposits	225,000
Capital assets, net of accumulated depreciation	207,366,227
Capital assets, not being depreciated	9,863,948
Total Assets	272,060,152
Deferred Outflows of Resources	
Deferred charge on refunding	3,728,483
Related to pensions	19,346,958
Total Deferred Outflows of Resources	23,075,441
Liabilities	
Accounts payable	487,156
Intergovernmental payable	1,018,778
Accrued interest	1,193,002
Accrued payroll	8,622,852
Accrued retirement	3,097,751
Accrued expenses	96,182
Unearned revenue	711,507
Noncurrent liabilities	
Due within one year	19,072,208
Due in more than one year	156,532,554
Net pension liability	162,459,976
Total Liabilities	353,291,966
Deferred Inflows of Resources	
Related to pensions	538,115
Related to state aid funding for pension	4,436,749
Total Deferred Inflows of Resources	4,974,864
Net Position	
Net investment in capital assets	72,267,183
Restricted for debt service	935,395
Unrestricted	(136,333,815)
Total Net Position	\$ (63,131,237)

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, 2016</i>	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Total
Governmental Activities				
Instruction	\$ 63,942,467	\$ 105,385	\$ 13,370,484	\$ (50,466,598)
Support services	37,606,093	844,613	1,731,347	(35,030,133)
Community services	1,494,516	674,740	33,440	(786,336)
Food service	2,565,137	2,023,918	737,001	195,782
Child care	1,014,040	1,300,817	1,545	288,322
Interest on long-term debt	6,559,298			(6,559,298)
Unallocated depreciation*	9,479,078			(9,479,078)
Total School District	\$122,660,629	\$ 4,949,473	\$ 15,873,817	(101,837,339)

General revenues:

Property taxes levied for general purposes	14,772,583
Property taxes levied for debt service	24,304,723
Property taxes levied for recreation	3,146,080
Local revenue in lieu of taxes	270,335
Unrestricted state aid	64,641,082
Investment earnings	107,140
Miscellaneous	1,037,569

Total general revenues	108,279,512
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Change in net position	6,442,173
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Net Position, beginning of year	(69,573,410)
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Net Position, end of year	\$ (63,131,237)
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* 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

	General	Debt	2016 Capital	2014 Capital	Nonmajor	Total
<i>June 30, 2016</i>	Fund	Service	Projects	Projects	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
Assets						
Cash and investments	\$ 10,997,338	\$ 2,126,419	\$ 19,192,688	\$ 6,026,894	\$ 1,013,640	\$ 39,356,979
Taxes receivable	1,793	1,978				3,771
Accounts receivable	151,288			12,054	2,427	165,769
Intergovernmental receivable	14,805,815				14,757	14,820,572
Interest receivable	2,918					2,918
Inventories	94,979				33,179	128,158
Prepaid expenditures	126,810					126,810
Deposits					225,000	225,000
Total Assets	\$26,180,941	\$2,128,397	\$19,192,688	\$ 6,038,948	\$ 1,289,003	\$ 54,829,977
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 275,076	\$ -	\$ -	\$ 185,861	\$ 26,219	\$ 487,156
Accrued payroll	8,597,292				25,560	8,622,852
Accrued retirement	3,092,571				5,180	3,097,751
Accrued expenditures	96,182					96,182
Intergovernmental payable	1,018,714				64	1,018,778
Unearned revenue	530,856				180,651	711,507
Total liabilities	13,610,691	-	-	185,861	237,674	14,034,226
Fund Balances						
Nonspendable - inventories	94,979				33,179	128,158
Nonspendable - prepaid expenditures	126,810					126,810
Restricted for capital projects			19,192,688	5,853,087		25,045,775
Restricted for debt service		2,128,397				2,128,397
Restricted for food service					277,152	277,152
Assigned for child care program					633,998	633,998
Assigned for subsequent year's budget - food service					107,000	107,000
Unassigned	12,348,461					12,348,461
Total fund balances	12,570,250	2,128,397	19,192,688	5,853,087	1,051,329	40,795,751
Total Liabilities and Fund Balances	\$26,180,941	\$2,128,397	\$19,192,688	\$ 6,038,948	\$ 1,289,003	\$ 54,829,977

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, 2016

Total fund balances - total governmental funds \$ 40,795,751

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

Deferred outflows of resources - deferred charge on refunding	3,728,483
Deferred outflows of resources - related to pensions	19,346,958
Deferred inflows of resources - related to pensions	(538,115)
Deferred inflows of resources - related to state pension funding	(4,436,749)

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	\$ 376,988,646	
Accumulated depreciation	<u>(159,758,471)</u>	
Net capital assets		217,230,175

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	(156,755,000)	
Deferred bond premium	(16,982,250)	
Accrued interest on bonds	(1,193,002)	
Compensated absences	(1,841,049)	
Early retirement incentives payable	(26,463)	
Net pension liability	<u>(162,459,976)</u>	
Net long-term liabilities		<u>(339,257,740)</u>

Net Position of Governmental Activities	<u>\$ (63,131,237)</u>
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Forest Hills Public Schools

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

	General	Debt	2016 Capital	2014 Capital	Nonmajor	Total
<i>Year ended June 30, 2016</i>	Fund	Service	Projects	Projects	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
Revenues						
Property taxes	\$17,918,663	\$24,304,723				\$42,223,386
Other local sources	2,967,164	293,175	\$ 7,636	\$ 121,992	\$ 3,327,170	6,717,137
State sources	75,660,011				96,412	75,756,423
Federal sources	1,984,216				642,134	2,626,350
Intermediate sources	6,144,255					6,144,255
Total revenues	104,674,309	24,597,898	7,636	121,992	4,065,716	133,467,551
Expenditures						
Current:						
Instruction	64,173,122					64,173,122
Support services	38,400,003					38,400,003
Community services	1,514,292					1,514,292
Food service					2,574,089	2,574,089
Child care					1,019,197	1,019,197
Debt service:						
Principal		16,780,000				16,780,000
Interest and other		6,753,883				6,753,883
Payment to refunded bond escrow agent		1,035,900				1,035,900
Bond issuance costs		230,041	124,015			354,056
Capital outlay				8,203,479		8,203,479
Total expenditures	104,087,417	24,799,824	124,015	8,203,479	3,593,286	140,808,021
Excess (deficiency) of revenues						
over (under) expenditures	586,892	(201,926)	(116,379)	(8,081,487)	472,430	(7,340,470)
Other Financing Sources (Uses)						
Issuance of bonds		31,640,000	16,490,000			48,130,000
Premium on bonds issued		5,869,565	2,819,067			8,688,632
Payment to refunded bond escrow agent		(37,279,524)				(37,279,524)
Sale of capital assets	72,000					72,000
Transfers in	295,300					295,300
Transfers out					(295,300)	(295,300)
Total other financing sources (uses)	367,300	230,041	19,309,067	-	(295,300)	19,611,108
Changes in fund balances	954,192	28,115	19,192,688	(8,081,487)	177,130	12,270,638
Fund Balances, beginning of year	11,616,058	2,100,282		13,934,574	874,199	28,525,113
Fund Balances, end of year	\$12,570,250	\$ 2,128,397	\$19,192,688	\$ 5,853,087	\$ 1,051,329	\$40,795,751

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, 2016

Changes in fund balances - total governmental funds \$12,270,638

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	\$ 7,689,855	
Depreciation expense	<u>(9,479,078)</u>	
		(1,789,223)

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	(31,640,000)	
Proceeds from long-term debt	(16,490,000)	
Payment to refunded bond escrow agent	38,315,424	
Premium on issuance of bonds	(8,688,632)	
Repayment of principal	<u>16,780,000</u>	
		(1,723,208)

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	1,270,541	
Pension related items	838,686	
Accrued interest	189,424	
Early retirement incentives	30,942	
Compensated absences	<u>(208,878)</u>	
		<u>2,120,715</u>

Restricted revenue reported in the governmental funds that is deferred
to offset the deferred outflows related to section 147c pension
contributions subsequent to the measurement period.

State aid funding for pension	<u>(4,436,749)</u>
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Change in Net Position of Governmental Activities \$ 6,442,173

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

<i>June 30, 2016</i>	Student Activity Agency Fund
<hr/>	
Assets	
Cash and investments	\$ 1,809,185
Accounts receivable	225
Interest receivable	285
<hr/>	
Total Assets	\$ 1,809,695
<hr/>	
Liabilities	
Accounts payable	\$ 11,571
Due to other governmental units	742
Due to student groups	1,797,382
<hr/>	
Total Liabilities	\$ 1,809,695
<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 and 2016 Capital Projects Fund are considered major funds.

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, 2016, the foundation allowance was based on the blended student membership counts taken in October 2015 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 unearned 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 two items that qualify for reporting in this category. The first is the 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. The second is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

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, Food Service Fund and also in the General Fund to report specific projects subsequent year budgeted use of fund balance.. 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, 2016, 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 7.7 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 the year, the Food Service Fund and Child Care Fund transferred \$150,000 and \$145,300, 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 September 28, 2016 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, 2016, \$1,000,000 of the District's bank balances (without recognition of deposits in transit and outstanding checks) of \$27,920,850 was insured and \$26,920,850 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, 2016, the District had the following investments:

<i>Investment Type</i>	Rating	Fair Value	Maturity
			Less Than 1 Year
Money market funds - Bank	Moody's Aaa	\$ 263,104	\$ 263,104
Money market funds - MILAF	S&P AAAM	5,711,229	5,711,229
Money market funds - Bank	Moody's Aa3	2,878,682	2,878,682
Money market funds - Bank	Moody's Aa2	4,102,419	4,102,419
U.S. Treasury Bonds - MILAF	Moody's Aaa	1,281,381	1,281,381
U.S. Government Agencies - MILAF	Moody's Aaa	1,666,080	1,666,080
Total investments		15,902,895	\$ 15,902,895
Cash		25,263,269	
Total Investments and Cash		\$ 41,166,164	

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, 2016, the fair value of the District's investments is the same as the value of the pool shares.

MILAF money market funds are considered 2a7 like external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

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, 2016.

Forest Hills Public Schools

Notes to Financial Statements

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District's U.S. Treasury Bonds and U.S. Government Agencies Investments are valued at Level 2.

Foreign currency risk

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

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.

Forest Hills Public Schools

Notes to Financial Statements

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, 2016 were as follows:

<i>Fund</i>	Transfers In	Transfers Out
General Fund	\$ 295,300	
Nonmajor Governmental Funds		\$ 295,300
	\$ 295,300	\$ 295,300

The Food Service Fund transferred \$150,000 and the Child Care Fund transferred \$145,300 to reimburse the General Fund for indirect costs.

4. Intergovernmental Receivable

Intergovernmental receivables consist of the following:

<i>Fund</i>	Local	State	Federal	Total
General	\$ 404,069	\$ 14,035,839	\$ 365,907	\$ 14,805,815
Food Service		14,754	3	14,757
Total	\$ 404,069	\$ 14,050,593	\$ 365,910	\$ 14,820,572

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, 2016.

	Balance, June 30, 2015	Additions	Deletions	Balance, June 30, 2016
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 7,696,373			\$ 7,696,373
Construction in progress	2,884,921	\$6,177,069	\$(6,894,415)	2,167,575
Total capital assets not depreciated:	10,581,294	6,177,069	(6,894,415)	9,863,948
Capital assets being depreciated:				
Land improvements	8,849,773			8,849,773
Buildings and improvements	302,719,357	5,825,724		308,545,081
Machinery, furniture and equipment	40,168,290	2,567,052		42,735,342
Transportation equipment	7,660,440	14,425	(680,363)	6,994,502
Total capital assets being depreciated	359,397,860	8,407,201	(680,363)	367,124,698
Totals at historical cost	369,979,154	14,584,270	(7,574,778)	376,988,646
Less accumulated depreciation for:				
Land improvements	4,364,659	339,860		4,704,519
Buildings and improvements	102,761,066	7,955,721		110,716,787
Machinery, furniture and equipment	37,852,691	756,362		38,609,053
Transportation equipment	5,981,340	427,135	(680,363)	5,728,112
Total accumulated depreciation	150,959,756	9,479,078	(680,363)	159,758,471
Net Capital Assets	\$219,019,398	\$5,105,192	\$(6,894,415)	\$217,230,175

Depreciation for the year ended June 30, 2016 was \$9,479,078. 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 \$448,000.

6. Long-Term Obligations

The following is a summary of changes in long-term obligations for the District for the year ended June 30, 2016.

	Balance, June 30, 2015	Additions	Deductions	Balance, June 30, 2016	Due Within One Year
Bonds payable	\$ 161,305,000	\$ 48,130,000	\$(52,680,000)	\$ 156,755,000	\$ 18,175,000
Deferred issuance premium	11,013,568	8,688,632	(2,719,950)	16,982,250	
Compensated absences	1,632,171	911,517	(702,639)	1,841,049	881,723
Retirement contracts payable	57,405	58	(31,000)	26,463	15,485
	\$ 174,008,144	\$ 57,730,207	\$(56,133,589)	\$ 175,604,762	\$ 19,072,208

Forest Hills Public Schools

Notes to Financial Statements

Bonds payable at June 30, 2016 are comprised of the following individual issues:

<i>June 30, 2016</i>	Principal Outstanding	Remaining Interest Requirements
2007 Building and Site Bonds, \$46,800,000, due in annual installments of \$3,000,000 through May 1, 2017, interest at 5.00%.	\$ 3,000,000	\$ 150,000
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 3.50% to 4.63%.	14,475,000	4,790,125
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 1.70% to 2.05%.	1,725,000	91,163
2013 Refunding Bonds, \$19,560,000, due in annual installments of \$1,525,000 to \$2,290,000 through May 1, 2024, interest at 4.00% to 5.00%.	17,075,000	3,543,700
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 4.00% to 5.00%.	23,725,000	6,558,000
2015 Refunding Bonds, \$59,625,000, due in annual installments of \$9,575,000 to \$10,000,000 through May 1, 2021, interest at 4.00% to 5.00%.	48,625,000	7,140,000
2016 Building and Site and Refunding Bonds, \$48,130,000, due in annual installments of \$1,650,000 to \$5,710,000 through May 1, 2027, interest at 5.00%.	48,130,000	15,710,532
	\$ 156,755,000	\$ 37,983,520

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, 2016 the District's liability for the early retirement plan was \$4,500. 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 \$22,000. 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 \$26,463.

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

Forest Hills Public Schools

Notes to Financial Statements

Debt Service Requirements

On April 20, 2016, the District issued general obligation bonds of \$31,640,000 with an interest rate of 5% and made a payment of \$1,035,900 to advance refund a portion of the District's outstanding 2007 bonds with an interest rate of 4% to 5%. The bonds mature at various times through May 1, 2027. The general obligation bonds were issued at a premium of \$5,869,565 after paying issuance costs of \$230,041. The net proceeds were \$37,279,524. 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 \$5,349,949, creating an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$4,711,875.

The District defeased certain general obligations bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2016, \$35,900,000 of bonds outstanding are considered defeased.

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
2017	\$ 18,175,000	\$ 7,084,482	\$ 25,259,482
2018	19,310,000	6,268,676	25,578,676
2019	17,670,000	5,362,275	23,032,275
2020	18,490,000	4,542,412	23,032,412
2021	18,005,000	3,692,000	21,697,000
2022 - 2026	48,325,000	9,817,925	58,142,925
2027 - 2029	16,780,000	1,215,750	17,995,750
	<u>\$156,755,000</u>	<u>\$ 37,983,520</u>	<u>\$ 194,738,520</u>

7. Retirement and Post Retirement Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/mpsers-cafr>.

Forest Hills Public Schools

Notes to Financial Statements

Benefits Provided

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

<u>Plan name</u>	<u>Plan Type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% -7.0%.

Pension Reform 2010

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

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. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Forest Hills Public Schools

Notes to Financial Statements

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, age 46 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 60th 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.

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). As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - 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

Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Forest Hills Public Schools

Notes to Financial Statements

Employer Contributions

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 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.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

March 10, 2015 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - September 30, 2016	14.56% - 18.95%

The District's pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately \$14,730,000, with \$14,194,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (69.45% for pension and 30.55% for OPEB).

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

Pension Liabilities

At June 30, 2016, the District reported a liability of \$162,459,976 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2014 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, 2015 and 2014, the District's proportion was .66514 and .65714 percent.

<i><u>MPSERS (Plan) Non-university employers:</u></i>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total Pension Liability	\$ 66,312,041,902	\$ 65,160,887,182
Plan Fiduciary Net Position	\$ 41,887,015,147	\$ 43,134,384,072
Net Pension Liability	\$ 24,425,026,755	\$ 22,026,503,110
Proportionate share	0.66514%	0.65714%
Net Pension liability for the District	\$ 162,459,976	\$ 144,743,892

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, 2016, the District recognized pension expense of \$8,918,751. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow as of June 30, 2016.

At June 30, 2016, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 4,000,109	
Net difference between projected and actual plan investment earnings	829,227	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,493,928	
Differences between expected and actual experience		\$ 538,115
Reporting Unit's contributions subsequent to the measurement date	13,023,694	
	<u>\$ 19,346,958</u>	<u>\$ 538,115</u>

\$13,023,694, reported as deferred outflows of resources related to pensions resulting from District 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 September 30,</u>	<u>Amount</u>
2016	\$ 857,963
2017	857,963
2018	641,048
2019	3,428,175

Forest Hills Public Schools

Notes to Financial Statements

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%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2020 using projection scale AA for men and women were used.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. 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.

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:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.0%
	<u>100.00%</u>	

*Long term rate of return does not include 2.1% 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 (7% for Pension Plus Plan), 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 or 1 percentage point higher than the current rate:

	<u>1% Lower (6.0 - 7.0%)</u>	<u>Discount Rate (7.0 - 8.0%)</u>	<u>1% Higher (8.0 - 9.0%)</u>
Reporting Unit's proportionate share of the net pension liability	<u>\$ 209,452,555</u>	<u>\$ 162,459,976</u>	<u>\$ 122,843,307</u>

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 2015 Comprehensive Annual Financial Report.

Payable to the Pension Plan - At year end the School District is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Forest Hills Public Schools

Notes to Financial Statements

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.

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 employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPSERS for the years ended June 30, 2016, 2015 and 2014 were approximately \$5,707,000, \$7,214,000 and \$3,655,000.

Forest Hills Public Schools

Notes to Financial Statements

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 29 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 \$1,204,441, 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 16 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 \$1,971,119 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts.

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 63 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, 2016</i>	Cumulative Revenues	Cumulative Expenditures (excluding transfers)
2014 Bonds	\$ 172,986	\$ 20,268,070
2016 Bonds	\$ 7,636	\$ 124,015

Forest Hills Public Schools

Notes to Financial Statements

10. Adoption of New Accounting Standards

The District adopted two standards effective for the year ended June 30, 2016. GASB Statement 72 Fair Value Measurements and Application and Statement 79, Certain External Investment Pools and Pool Participants. Statement 72 required disclosure that fair value is determined and Statement 79 allows certain investment pools to continue to be recorded at amortized cost. The adoption of these standards did not have an impact on the amounts reported in the financial statements.

11. Upcoming Accounting Pronouncements

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.

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and will be effective for the District's 2017 year end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients.
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

This Statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future.

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Required Supplementary Information

Forest Hills Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund

<i>Year ended June 30, 2016</i>	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local sources	\$ 21,016,155	\$ 20,697,506	\$ 20,885,827	\$ 188,321
State sources	74,034,842	75,680,142	75,660,011	(20,131)
Federal sources	2,110,121	2,120,411	1,984,216	(136,195)
Incoming transfers and other	6,138,600	5,996,000	6,144,255	148,255
Total revenues	103,299,718	104,494,059	104,674,309	180,250
Expenditures				
Current:				
Instruction:				
Basic programs	55,472,815	56,586,124	56,210,466	375,658
Added needs	8,198,670	8,256,966	7,962,656	294,310
Total instruction	63,671,485	64,843,090	64,173,122	669,968
Support services:				
Pupil	7,171,203	7,470,921	7,443,937	26,984
Instructional staff	4,178,870	4,298,733	4,202,874	95,859
General administration	612,436	636,038	603,474	32,564
School administration	5,893,517	6,026,196	5,967,970	58,226
Business	1,459,399	1,602,750	1,517,307	85,443
Operation/maintenance	8,582,594	8,774,341	8,592,344	181,997
Pupil transportation	5,204,909	5,256,954	5,113,062	143,892
Central	2,627,443	3,184,063	2,743,929	440,134
Athletics	2,250,825	2,187,858	2,215,106	(27,248)
Total support services	37,981,196	39,437,854	38,400,003	1,037,851
Community services	1,546,833	1,584,471	1,514,292	70,179
Total expenditures	103,199,514	105,865,415	104,087,417	1,777,998
Excess (deficiency) of revenues over (under) expenditures	100,204	(1,371,356)	586,892	1,958,248
Other Financing Sources/Uses				
Sale of capital assets		71,800	72,000	200
Outgoing transfers & other transactions	(24,868)			
Transfers in		310,000	295,300	(14,700)
Total other financing sources (uses)	(24,868)	381,800	367,300	(14,500)
Changes in fund balances	\$ 75,336	\$ (989,556)	954,192	\$ 1,943,748
Fund Balances, beginning of year			<u>11,616,058</u>	
Fund Balances, end of year			<u>\$ 12,570,250</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>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.66514%	0.65714%
Reporting unit's proportionate share of net pension liability	\$ 162,459,976	\$ 144,743,892
Reporting unit's covered-employee payroll	\$ 56,533,172	\$ 56,799,068
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	287.37%	254.83%
Plan fiduciary net position as a percentage of total pension liability	63.17%	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>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 14,194,187	\$ 11,944,916
Contributions in relation to statutorily required contributions	<u>14,194,187</u>	<u>11,944,916</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 55,051,841	\$ 57,042,047
Contributions as a percentage of covered-employee payroll	25.78%	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 in 2015.

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

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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, 2016</i>	Final Budget	Actual	Variance
Revenues			
Local Sources			
Property taxes	\$ 17,901,000	\$ 17,918,663	\$ 17,663
Revenue in lieu of taxes	11,000	13,777	2,777
Tuition (fees for instruction):			
Summer academy	64,300	70,530	6,230
Investment income	20,000	30,780	10,780
Student activity revenue:			
Admissions, athletics	250,000	243,511	(6,489)
Admissions, other	25,000	27,030	2,030
Dues and fees, athletics	392,800	396,449	3,649
Community service revenue:			
Fine arts center, admissions	160,500	162,299	1,799
Community and aquatic center, tuition	455,000	444,983	(10,017)
Community and aquatic center, memberships	25,000	27,858	2,858
Other local revenue:			
Rentals	102,000	137,072	35,072
Private sources	468,606	424,620	(43,986)
Internal printing	215,000	250,046	35,046
Internal trips	200,000	212,235	12,235
Transportation	50,500	48,258	(2,242)
Miscellaneous other local revenue	356,800	477,716	120,916
Total revenues from local sources	20,697,506	20,885,827	188,321
State Sources			
Restricted	11,132,142	11,018,929	(113,213)
Unrestricted	64,548,000	64,574,541	26,541
Payments in lieu of taxes	-	66,541	66,541
Total revenues from state sources	\$ 75,680,142	\$ 75,660,011	\$ (20,131)

Forest Hills Public Schools

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

<i>Year ended June 30, 2016</i>	Final Budget	Actual	Variance
Federal Sources			
IDEA	\$ 1,434,565	\$ 1,434,565	
Title I	367,351	332,520	\$ (34,831)
Title II	213,414	131,844	(81,570)
Title III	93,984	58,540	(35,444)
Medicaid		16,607	16,607
Other grants	11,097	10,140	(957)
Total revenues from federal sources	2,120,411	1,984,216	(136,195)
Other Governmental Units			
Kent ISD Act 18 special education millage	4,300,000	4,289,356	(10,644)
Special education transportation	1,135,000	1,192,331	57,331
Other payments received from other government	561,000	662,568	101,568
Total revenues from other governmental units	5,996,000	6,144,255	148,255
Total revenues	104,494,059	104,674,309	180,250
Other Financing Sources			
Sale of capital assets	71,800	72,000	200
Transfers in	310,000	295,300	(14,700)
Total other financing sources	381,800	367,300	(14,500)
Total Revenues and Other Financing Sources	\$ 104,875,859	\$ 105,041,609	\$ 165,750

Forest Hills Public Schools

General Fund Schedule of Expenditures - Budget to Actual

<i>Year ended June 30, 2016</i>	Salaries	Employee Benefits Retirement	Employee Benefits FICA	Employee Benefits Other
Expenditures				
Instruction				
Basic programs	\$ 32,619,160	\$ 12,322,792	\$ 2,461,956	\$ 6,405,245
Added needs	4,598,649	1,720,134	344,535	760,912
Total instruction	37,217,809	14,042,926	2,806,491	7,166,157
Support Services				
Pupil services	2,197,075	834,920	168,102	398,198
Instructional staff	2,080,592	784,234	156,958	334,431
General administration	289,035	111,068	16,399	31,946
School administration	3,664,909	1,400,359	270,193	541,559
Business	648,216	247,001	47,224	134,093
Operations and maintenance	2,618,732	975,512	206,840	603,364
Pupil transportation	1,811,298	685,983	146,043	410,640
Central services	1,022,949	386,330	77,302	158,396
Other support	1,137,762	417,555	83,177	98,152
Total support services	15,470,568	5,842,962	1,172,238	2,710,779
Community Services	614,487	223,185	47,770	102,257
Total Expenditures	\$ 53,302,864	\$ 20,109,073	\$ 4,026,499	\$ 9,979,193

Forest Hills Public Schools

General Fund Schedule of Expenditures - Budget to Actual

Purchased Services	Supplies, Materials and Other	Total Actual Expenditures	Final Budget	Variance
\$ 1,379,512 83,875	\$ 1,021,801 454,551	\$ 56,210,466 7,962,656	\$ 56,586,124 8,256,966	\$ 375,658 294,310
1,463,387	1,476,352	64,173,122	64,843,090	669,968
310,087	3,535,555	7,443,937	7,470,921	26,984
674,034	172,625	4,202,874	4,298,733	95,859
128,874	26,152	603,474	636,038	32,564
59,793	31,157	5,967,970	6,026,196	58,226
238,325	202,448	1,517,307	1,602,750	85,443
1,788,802	2,399,094	8,592,344	8,774,341	181,997
255,739	1,803,359	5,113,062	5,256,954	143,892
864,182	234,770	2,743,929	3,184,063	440,134
286,254	192,206	2,215,106	2,187,858	(27,248)
4,606,090	8,597,366	38,400,003	39,437,854	1,037,851
425,774	100,819	1,514,292	1,584,471	70,179
\$ 6,495,251	\$ 10,174,537	\$ 104,087,417	\$ 105,865,415	\$ 1,777,998

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.

Forest Hills Public Schools
Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds			
<i>June 30, 2016</i>	Food Service	Child Care	Total	
Assets				
Cash and investments	\$ 315,680	\$ 697,960	\$ 1,013,640	
Accounts receivable	311	2,116	2,427	
Intergovernmental receivable	14,757		14,757	
Inventories	33,179		33,179	
Deposits	225,000		225,000	
Total Assets	\$ 588,927	\$ 700,076	\$ 1,289,003	
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 23,588	\$ 2,631	\$ 26,219	
Accrued payroll	3,150	22,410	25,560	
Accrued retirement	707	4,473	5,180	
Intergovernmental payable	64		64	
Unearned revenue	144,087	36,564	180,651	
Total liabilities	171,596	66,078	237,674	
Fund Balances				
Nonspendable - inventories	33,179		33,179	
Restricted for food service	277,152		277,152	
Assigned for child care program		633,998	633,998	
Assigned for subsequent year's budget	107,000		107,000	
Total fund balances	417,331	633,998	1,051,329	
Total Liabilities and Fund Balances	\$ 588,927	\$ 700,076	\$ 1,289,003	

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

<i>Year ended June 30, 2016</i>	Special Revenue Funds		Total
	Food Service	Child Care	
Revenues			
Local sources	\$ 2,025,611	\$ 1,301,559	\$ 3,327,170
State sources	94,867	1,545	96,412
Federal sources	642,134		642,134
Total revenues	2,762,612	1,303,104	4,065,716
Expenditures			
Salaries and wages	675,477	585,926	1,261,403
Employee benefits	275,699	299,534	575,233
Food and milk costs	1,072,520	49,881	1,122,401
Supplies, materials and other	145,304	53,766	199,070
Purchased services	405,089	23,898	428,987
Transportation		6,192	6,192
Total expenditures	2,574,089	1,019,197	3,593,286
Excess (deficiency) of revenues over (under) expenditures	188,523	283,907	472,430
Other Financing Use			
Transfers out	(150,000)	(145,300)	(295,300)
Changes in fund balances	38,523	138,607	177,130
Fund Balances, beginning of year	378,808	495,391	874,199
Fund Balances, end of year	\$ 417,331	\$ 633,998	\$ 1,051,329

Forest Hills Public Schools

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

<i>Year ended June 30, 2016</i>	Food Service		
	Final Budget	Actual	Variance
Revenues			
Local sources:			
Food sales	\$ 1,975,000	\$ 2,023,918	\$ 48,918
Child care fees			
Investment income	1,600	1,693	93
State source:			
Restricted state aid	81,200	94,867	13,667
Federal sources:			
Child nutrition cluster	484,000	481,539	(2,461)
Donated commodities	175,000	160,595	(14,405)
Total revenues	2,716,800	2,762,612	45,812
Expenditures			
Current:			
Salaries and wages	695,400	675,477	19,923
Employee benefits	371,410	275,699	95,711
Food and milk costs	1,120,000	1,072,520	47,480
Supplies, materials and other	150,720	145,304	5,416
Purchased services	417,000	405,089	11,911
Transportation			
Total expenditures	2,754,530	2,574,089	180,441
Other Financing Use			
Transfers out	150,000	150,000	
Total expenditures and other financing use	2,904,530	2,724,089	180,441
Excess (deficiency) of revenues over (under) expenditures and other financing use	(187,730)	38,523	226,253
Fund Balances, beginning of year	378,808	378,808	
Fund Balances, end of year	\$ 191,078	\$ 417,331	\$ 226,253

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
			\$ 1,975,000	\$ 2,023,918	\$ 48,918
\$ 1,347,850	\$ 1,300,817	\$ (47,033)	1,347,850	1,300,817	(47,033)
650	742	92	2,250	2,435	185
1,600	1,545	(55)	82,800	96,412	13,612
			484,000	481,539	(2,461)
			175,000	160,595	(14,405)
1,350,100	1,303,104	(46,996)	4,066,900	4,065,716	(1,184)
605,500	585,926	19,574	1,300,900	1,261,403	39,497
395,010	299,534	95,476	766,420	575,233	191,187
57,200	49,881	7,319	1,177,200	1,122,401	54,799
58,775	53,766	5,009	209,495	199,070	10,425
26,920	23,898	3,022	443,920	428,987	14,933
6,850	6,192	658	6,850	6,192	658
1,150,255	1,019,197	131,058	3,904,785	3,593,286	311,499
162,000	145,300	16,700	312,000	295,300	16,700
1,312,255	1,164,497	147,758	4,216,785	3,888,586	328,199
37,845	138,607	100,762	(149,885)	177,130	327,015
495,391	495,391		874,199	874,199	
\$ 533,236	\$ 633,998	\$ 100,762	\$ 724,314	\$ 1,051,329	\$ 327,015

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, 2016</i>	Balance, June 30, 2015	Additions	Deletions	Balance, June 30, 2016
Assets				
Cash and investments	\$ 1,717,500	\$ 4,028,127	\$ 3,936,442	\$ 1,809,185
Accounts receivable	5,823	469	6,067	225
Interest receivable	105	389	209	285
Total Assets	\$ 1,723,428	\$ 4,028,985	\$ 3,942,718	\$ 1,809,695
Liabilities				
Accounts payable	\$ 30,281	\$ 2,042,571	\$ 2,061,281	\$ 11,571
Due to other governmental units	849	19,909	20,016	742
Due to student groups	1,692,298	2,970,687	2,865,603	1,797,382
Total Liabilities	\$ 1,723,428	\$ 5,033,167	\$ 4,946,900	\$ 1,809,695

Schedules of Debt Service Requirements

Forest Hills Public Schools
2007 Building and Site Bonds - Bonded Debt

The original issue dated June 27, 2007, refunded in the current year, with one remaining principal payment of \$3,000,000 due on May 1, 2017, with interest payable on May 1 and November 1.

<i>Payment Date</i>	Rate	Requirements			Outstanding
		Principal	Interest	Total	
November 1, 2016	5.00	\$	75,000	\$ 75,000	
May 1, 2017	5.00	\$ 3,000,000	75,000	3,075,000	
Total requirements	\$	3,000,000	\$ 150,000	\$ 3,150,000	

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, 2016 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, 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	
Total requirements		\$ 14,475,000	\$ 4,790,125	\$ 19,265,125	

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, 2016 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, 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	
Total requirements		\$ 1,725,000	\$ 91,163	\$ 1,816,163	

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, 2016 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, 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	
Total requirements		\$ 17,075,000	\$ 3,543,700	\$ 20,618,700	

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, 2016 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, 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	
Total requirements	\$	23,725,000	\$ 6,558,000	\$ 30,283,000	

Forest Hills Public Schools
2015 Refunding Bonds - Bonded Debt

This issue consists of bonds ranging in denominations from \$9,575,000 to \$10,000,000 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, 2016 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, 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	
Total requirements		\$ 48,625,000	\$ 7,140,000	\$ 55,765,000	

Forest Hills Public Schools

2016 Building and Site and Refunding Bonds - Bonded Debt

This issue consists of bonds ranging in denominations from \$1,650,000 to \$5,710,000 dated April 20, 2016, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2016 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, 2016	5.00		\$ 1,276,782	\$ 1,276,782	
May 1, 2017	5.00	\$ 1,650,000	1,203,250	2,853,250	\$ 46,480,000
November 1, 2017	5.00		1,162,000	1,162,000	
May 1, 2018	5.00	5,710,000	1,162,000	6,872,000	40,770,000
November 1, 2018	5.00		1,019,250	1,019,250	
May 1, 2019	5.00	3,405,000	1,019,250	4,424,250	37,365,000
November 1, 2019	5.00		934,125	934,125	
May 1, 2020	5.00	3,780,000	934,125	4,714,125	33,585,000
November 1, 2020	5.00		839,625	839,625	
May 1, 2021	5.00	3,775,000	839,625	4,614,625	29,810,000
November 1, 2021	5.00		745,250	745,250	
May 1, 2022	5.00	4,655,000	745,250	5,400,250	25,155,000
November 1, 2022	5.00		628,875	628,875	
May 1, 2023	5.00	4,795,000	628,875	5,423,875	20,360,000
November 1, 2023	5.00		509,000	509,000	
May 1, 2024	5.00	4,910,000	509,000	5,419,000	15,450,000
November 1, 2024	5.00		386,250	386,250	
May 1, 2025	5.00	5,045,000	386,250	5,431,250	10,405,000
November 1, 2025	5.00		260,125	260,125	
May 1, 2026	5.00	5,175,000	260,125	5,435,125	5,230,000
November 1, 2026	5.00		130,750	130,750	
May 1, 2027	5.00	5,230,000	130,750	5,360,750	
Total requirements		\$ 48,130,000	\$ 15,710,532	\$ 63,840,532	

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.	80-93
<i>Revenue Capacity</i> These schedules contain information to help the reader assess locally levied taxes.	94-100
<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.	101-103
<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.	104-105
<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.	106-109

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			
	2007	2008	2009	2010
Governmental Activities				
Net investment in capital assets	\$ 28,229,402	\$ 29,090,440	\$ 29,177,013	\$ 36,193,589
Restricted	1,645,932	1,035,270	199,297	270,380
Unrestricted	11,132,881	15,835,734	18,270,331	13,338,191
Total Primary Government Net Position	\$ 41,008,215	\$ 45,961,444	\$ 47,646,641	\$ 49,802,160

Forest Hills Public Schools

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

Year											
		2011		2012		2013		2014		2015	2016
\$	41,256,564	\$	50,174,616	\$	53,196,095	\$	55,461,936	\$	63,397,872	\$	72,267,183
	418,442		279,442		1,131,323		1,931,693		717,856		935,395
	12,171,907		8,723,824		9,786,410		10,654,520		(133,689,138)		(136,333,815)
\$	53,846,913	\$	59,177,882	\$	64,113,828	\$	68,048,149	\$	(69,573,410)	\$	(63,131,237)

Forest Hills Public Schools

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

<i>Year ended June 30,</i>	Fiscal			
	2007	2008	2009	2010
Expenses				
Governmental Activities				
Instruction	\$ 56,651,424	\$ 58,169,308	\$ 60,743,569	\$ 63,972,444
Support services	37,123,680	36,376,324	39,242,199	38,408,837
Community services	1,778,632	1,833,943	1,819,752	1,881,022
Food service	2,504,952	2,534,990	2,509,982	2,450,062
Child care services	1,267,882	1,392,902	1,372,366	1,512,542
Interest on long-term debt	8,889,100	10,342,556	10,631,976	9,941,113
Unallocated depreciation	9,017,450	8,610,878	7,523,354	7,030,686
Total Expenses	117,233,120	119,260,901	123,843,198	125,196,706
Program Revenues				
Governmental Activities				
Charges for services:				
Instruction	494,195	165,269	109,753	123,919
Athletic services	408,393	498,290	536,109	520,013
Community services	545,421	795,534	761,106	938,453
Food service	2,178,885	2,176,046	2,256,002	2,103,887
Child care services	1,245,260	1,492,250	1,440,733	1,451,273
Miscellaneous	237,592	211,807	335,179	337,373
Operating grants and contributions	11,356,437	12,318,160	13,034,270	14,833,421
Total Program Revenues	16,466,183	17,657,356	18,473,152	20,308,339
Net Expense	\$ (100,766,937)	\$ (101,603,545)	\$ (105,370,046)	\$ (104,888,367)

Forest Hills Public Schools

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

Year											
2011		2012		2013		2014		2015		2016	
\$	62,797,099	\$	61,583,537	\$	61,788,288	\$	63,224,228	\$	64,544,787	\$	63,942,467
	35,801,439		35,121,579		37,022,343		37,878,549		37,451,007		37,606,093
	1,575,093		1,508,346		1,392,473		1,426,471		1,517,366		1,494,516
	2,424,820		2,557,767		2,474,973		2,590,634		2,593,543		2,565,137
	1,381,940		1,316,705		1,094,796		1,160,813		1,253,431		1,014,040
	10,003,053		9,349,182		8,026,757		7,967,588		7,011,600		6,559,298
	7,882,834		9,152,095		9,380,246		9,421,150		9,613,222		9,479,078
	121,866,278		120,589,211		121,179,876		123,669,433		123,984,956		122,660,629
	128,032		143,777		126,017		122,171		135,502		105,385
	530,642		496,982		519,905		523,011		625,591		639,960
	811,776		738,232		644,504		659,790		673,419		674,740
	1,951,129		2,019,838		1,932,026		1,981,440		1,981,213		2,023,918
	1,429,149		1,585,405		1,192,806		1,350,653		1,514,796		1,300,817
	318,463		295,599		229,146		216,625		223,014		204,653
	13,806,005		15,602,513		15,823,928		17,160,644		18,572,147		15,873,817
	18,975,196		20,882,346		20,468,332		22,014,334		23,725,682		20,823,290
\$	(102,891,082)	\$	(99,706,865)	\$	(100,711,544)	\$	(101,655,099)	\$	(100,259,274)	\$	(101,837,339)

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>	2007	2008	2009	Fiscal 2010
Net Expense	\$ (100,766,937)	\$ (101,603,545)	\$ (105,370,046)	\$ (104,888,367)
General Revenues				
Governmental Activities				
Taxes:				
Property taxes levied for general purposes	18,465,773	19,437,552	14,734,548	16,334,512
Property taxes levied for debt service	18,417,140	19,316,870	19,642,860	21,800,774
Property taxes levied for recreation	2,918,894	3,066,012	3,100,963	3,091,710
Local revenue in lieu of taxes				
Unrestricted state aid	61,294,570	60,883,356	63,312,687	61,952,371
Unrestricted federal revenue ^a			3,741,328 ^a	2,821,266 ^a
Investment earnings	1,478,194	2,966,748	1,780,329	463,828
Gain on sale of assets	87,001	44,561	73,804	20,290
Miscellaneous	817,862	841,675	668,724	559,135
Total General Revenues	103,479,434	106,556,774	107,055,243	107,043,886
Change in Net Position	\$ 2,712,497	\$ 4,953,229	\$ 1,685,197	\$ 2,155,519

Note:

^a 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						
	2011	2012	2013	2014	2015	2016
\$	(102,891,082)	\$ (99,706,865)	\$ (100,711,544)	\$ (101,655,099)	\$ (100,259,274)	\$ (101,837,339)
	15,736,596	14,383,225	14,470,964	13,948,317	14,326,407	14,772,583
	21,939,692	22,253,096	22,976,125	23,262,034	23,670,284	24,304,723
	2,963,464	2,880,565	2,906,579	2,935,931	3,025,379	3,146,080
	76,044	68,620	72,488	94,115	122,141	270,335
	64,274,373	64,560,153	64,645,104	65,474,545	65,549,917	64,641,082
	1,180,239 ^a					
	121,120	31,207	35,804	12,415	85,321	107,140
	90,421	43,605	36,315			
	553,886	817,363	504,111	677,728	961,329	1,037,569
	106,935,835	105,037,834	105,647,490	106,405,085	107,740,778	108,279,512
\$	4,044,753	\$ 5,330,969	\$ 4,935,946	\$ 4,749,986	\$ 7,481,504	\$ 6,442,173

Forest Hills Public Schools

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

<i>June 30,</i>	Fiscal			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 459,995	\$ 897,111	\$ 410,431	\$ 249,153
Unreserved	10,770,920	12,397,232	14,512,388	14,143,051
Nonspendable				
Assigned				
Unassigned				
Total General Fund ^b	\$ 11,230,915	\$ 13,294,343	\$ 14,922,819	\$ 14,392,204
All Other Governmental Funds				
Reserved	\$ 272,898	\$ 19,770,771	\$ 20,770,621	\$ 10,007,707
Unreserved, reported in:				
Debt service fund	3,091,300	2,423,578	1,864,561	1,951,580
Capital projects funds	51,065,942 ^a	29,237,546	1,514,874	5,931,051 ^a
Special revenue funds	419,724	760,640	940,545	844,711
Nonspendable				
Restricted for capital projects				
Restricted for debt service				
Restricted for food service				
Assigned				
Total All Other Governmental Funds	\$ 54,849,864	\$ 52,192,535	\$ 25,090,601	\$ 18,735,049

Notes:

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

^a Increase in fund balance due to receipt of bond proceeds.

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

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

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Forest Hills Public Schools

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

<i>Year ended June 30,</i>	Fiscal			
	2007	2008	2009	2010
Revenues				
Federal Sources				
Federal grants	\$ 2,358,842	\$ 2,356,447	\$ 2,449,564	\$ 4,137,292
Food service fund	414,426	417,025	455,300	495,392
Unrestricted			3,741,328 ^a	2,821,266 ^a
Total federal sources	2,773,268	2,773,472	6,646,192	7,453,950
State Sources				
Restricted	2,844,901	3,392,710	3,439,018	3,823,387
Unrestricted	61,290,399	60,883,356	61,753,008	63,512,050
Total state sources	64,135,300	64,276,066	65,192,026	67,335,437
Other Governmental Units				
Kent ISD Act 18 special education millage	4,306,201	4,534,794	4,786,392	4,770,024
Miscellaneous	1,451,189	1,588,006	1,610,686	1,392,853
Total other governmental units	5,757,390	6,122,800	6,397,078	6,162,877
Local Sources				
Property taxes	39,801,807	41,820,434	39,755,656	38,926,628
Food service fund	2,178,885	2,176,043	2,256,002	2,103,887
Athletic fund ^b	408,393	498,290	536,109	520,013
Child care fund	1,245,260	1,492,250	1,440,733	1,451,273
Interest and other income	1,430,870	3,337,576	2,042,389	524,709
Miscellaneous	2,575,788	2,489,560	2,602,601	2,721,422
Total local sources	47,641,003	51,814,153	48,633,490	46,247,932
Total Revenues	\$ 120,306,961	\$ 124,986,491	\$ 126,868,786	\$ 127,200,196

Notes:

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

^b 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											
2011		2012		2013		2014		2015		2016	
\$ 3,717,480		\$ 4,057,949		\$ 2,272,296		\$ 2,389,567		\$ 2,109,846		\$ 1,984,216	
560,008		592,443		607,329		646,145		630,376		642,134	
1,180,239 ^a											
5,457,727		4,650,392		2,879,625		3,035,712		2,740,222		2,626,350	
2,909,051		4,397,839		5,949,987		7,313,852		9,341,042		11,115,341	
64,277,075		64,560,153		64,645,104		65,474,545		65,549,917		64,641,082	
67,186,126		68,957,992		70,595,091		72,788,397		74,890,959		75,756,423	
4,472,057		4,446,641		4,130,402		4,107,027		4,209,139		4,289,356	
1,858,219		1,790,249		2,485,223		2,510,101		1,845,556		1,854,899	
6,330,276		6,236,890		6,615,625		6,617,128		6,054,695		6,144,255	
40,639,752		39,516,886		40,353,669		40,146,282		41,022,070		42,223,386	
1,951,129		2,019,838		1,930,937		1,981,440		1,983,034		2,025,611	
1,429,208		1,585,405		1,192,806		1,350,653		1,515,258		1,301,559	
122,921		31,207		33,390		12,415		85,321		107,140	
3,124,405		3,305,799		2,900,298		2,930,405		3,344,612		3,282,827	
47,267,415		46,459,135		46,411,100		46,421,195		47,950,295		48,940,523	
\$ 126,241,544		\$ 126,304,409		\$ 126,501,441		\$ 128,862,432		\$ 131,636,171		\$ 133,467,551	

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>	Fiscal			
	2007	2008	2009	2010
Expenditures				
Instruction	\$ 57,000,954	\$ 58,455,293	\$ 60,271,370	\$ 62,875,568
Pupil support services	6,655,840	6,910,333	7,188,419	7,171,843
Instructional support services	2,730,506	2,802,795	3,222,781	3,314,018
General administration	691,772	771,053	671,033	716,215
School administration	5,310,773	5,386,619	5,413,839	5,756,296
Business services	1,858,421	1,497,971	1,476,296	1,413,857
Operation and maintenance of plant	10,001,120	9,393,661	9,375,531	9,049,074
Pupil transportation services	5,187,786	5,500,750	5,301,521	5,474,691
Central support services	1,969,122	1,911,914	1,900,194	2,059,075
Other support services ^a				
Community services	1,767,649	1,813,913	1,813,745	1,929,559
Food service fund	2,516,691	2,543,291	2,507,637	2,440,201
Athletic fund ^a	2,098,701	2,157,805	2,232,604	2,370,546
Child care fund	1,265,680	1,405,906	1,374,422	1,477,176
Capital outlay	4,407,619	4,769,786	28,768,539	23,521,897
Non-capitalized outlay ^b				
Debt service				
Principal	8,765,000	9,840,000	10,475,000	11,100,000
Interest and other	9,151,253	10,467,713	10,423,117	10,165,643
Total Expenditures	\$ 121,378,887	\$ 125,628,803	\$ 152,416,048	\$ 150,835,659
Debt Service as a Percentage of				
Noncapital Expenditures	15.3%	16.8%	16.9%	16.7%

Notes:

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

^b 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.

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

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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>	<i>Fiscal</i>			
	2007	2008	2009	2010
Deficiency of Revenues Over Expenditures	\$ (1,071,926)	\$ (642,312)	\$ (25,547,262)	\$ (23,635,463)
Other Financing Sources (Uses)				
Issuance of bonds	46,800,000			16,500,000
Premium on bonds issued	1,831,565			195,209
Payment to escrow agent				
Proceeds from sale of capital assets	87,001	48,411	73,804	54,087
Transfers in	1,770,000	1,770,000	1,820,000	1,870,000
Transfers out	(1,770,000)	(1,770,000)	(1,820,000)	(1,870,000)
Total Other Financing Sources (Uses)	48,718,566	48,411	73,804	16,749,296
Net Change in Fund Balances	\$ 47,646,640	\$ (593,901)	\$ (25,473,458)	\$ (6,886,167)

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						
	2011	2012	2013	2014	2015	2016
\$	(11,432,750)	\$ (2,729,207)	\$ (2,645,722)	\$ (4,513,056)	\$ (12,594,964)	\$ (7,340,470)
		7,720,000	19,560,000	25,000,000	59,625,000	48,130,000
			2,903,741	948,170	6,917,408	8,688,632
		(4,720,000)	(22,778,542)		(66,061,917)	(37,279,524)
	90,421	43,605	36,315		29,358	72,000
	270,000	270,000	338,000	289,000	329,000	295,300
	(270,000)	(270,000)	(338,000)	(289,000)	(329,000)	(295,300)
	90,421	3,043,605	(278,486)	25,948,170	509,849	19,611,108
\$	(11,342,329)	\$ 314,398	\$ (2,924,208)	\$ 21,435,114	\$ (12,085,115)	\$ 12,270,638

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
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
2015	2015 - 2016	6,895,839,800	3,447,919,900

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
\$ 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
975,753,088	1,934,279,247	2,910,032,335	18.0000	7.7000	1.0000	26.7000
964,251,297	1,945,047,205	2,909,298,502	18.0000	7.9000	1.0000	26.9000
955,637,870	1,991,533,339	2,947,171,209	18.0000	7.9000	1.0000	26.9000
974,931,927	2,056,699,192	3,031,631,119	18.0000	7.8000	1.0000	26.8000
1,019,601,023	2,138,387,464	3,157,988,487	18.0000	7.7000	1.0000	26.7000

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	
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
2015	2015 - 2016	18.0000	7.7000	1.0000	26.7000

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	
\$	2.7136	\$	2.1561	\$	3.5498
	3.0508		2.1546		3.5498
	3.0255		2.1540		3.7626
	3.0460		2.6346		3.7626
	3.0460		2.1540		3.7626
	3.0580		2.1540		3.7626
	2.8605		2.1540		3.7626
	2.8605		2.1540		3.7626
	2.7861		2.1299		3.5244
	2.7371		2.1170		3.5244

Forest Hills Public Schools

Principal Property Taxpayers, Current Year and Nine Years Ago

<i>Year ended December 31,</i>	2015				
Taxpayer	Ad Valorem Taxable Value	Rank	Percentage of Total Taxable Value	Equivalent Industrial Facilities Tax (IFT)	IFT and Taxable Value
Access Business Group LLC	\$ 102,560,176	1	3.59%	\$	102,560,176
Amway Corporation	65,798,153	2	2.30%		65,798,153
Consumers Energy	23,343,157	3	0.82%		23,343,157
Alticor Incorporated - Complex	21,717,800	4	0.76%		21,717,800
Meijer Inc./Thrifty Kraft Inc.	19,949,285	5	0.70%		19,949,285
Access Logistics Limited Partner	14,536,806	6	0.51%		14,536,806
Spectrum Health	14,503,456	7	0.51%		14,503,456
GE Aviation Systems LLC	14,184,600	8	0.50%		14,184,600
Porter Hills Presbyterian Village	12,726,053	9	0.45%		12,726,053
Paragon Die & Engineering	12,050,079	10	0.42%		12,050,079
Cascade Engineering, Inc./ Keller Real Estate					
Fifth Third Bank					
Ada Cogeneration LP					
Smiths Aerospace					
Celebration Cinemas					
Total principal taxpayers	301,369,565		10.56%	\$ -	\$ 301,369,565
Balance of valuations	2,555,249,357		89.44%		
Total Ad Valorem Valuation	\$ 2,856,618,922		100.00%		

Source: School District Local Tax Units.

Forest Hills Public Schools

Principal Property Taxpayers, Current Year and Nine Years Ago

		2006		
	Taxable Value	Rank	Percentage of Total Taxable Value	Equivalent Industrial Facilities Tax (IFT) Taxable Value
\$	80,219,055	1	2.77%	\$ 5,941,594 \$ 86,160,649
	15,094,113	5	0.52%	15,094,113
	51,144,500	2	1.76%	51,144,500
	20,071,559	4	0.69%	20,071,559
	11,533,169	9	0.40%	11,533,169
	17,398,487	3	0.60%	4,472,485 21,870,972
	13,259,421	6	0.46%	13,259,421
	12,251,558	7	0.42%	12,251,558
	11,160,400	8	0.38%	628,900 11,789,300
	9,418,761	10	0.32%	9,418,761
	241,551,023		8.32%	\$ 11,042,979 \$ 252,594,002
	2,657,273,157		91.68%	
\$	2,898,824,180		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
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%	(173,107)	40,185,140	99.30%
2012	2012 - 2013	40,614,308	40,553,716	99.85%	(205,694)	40,348,022	99.34%
2013	2013 - 2014	40,479,717	40,452,963	99.93%	(131,612)	40,321,351	99.61%
2014	2014 - 2015	41,068,632	41,021,579	99.89%	(129,878)	40,891,701	99.57%
2015	2015 - 2016	42,387,423	42,366,712	99.95%		42,366,712	99.95%

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>
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	2,957,197,895	6.74%	46,264	4,309	63,920
2011	2011 - 2012	189,295,000	2,910,032,335	6.50%	48,765	3,882	59,675
2012	2012 - 2013	173,420,000	2,909,298,502	5.96%	49,439	3,508	58,846
2013	2013 - 2014	183,485,000	2,947,171,209	6.23%	48,200	3,807	61,145
2014	2014 - 2015	172,318,568	3,031,631,119	5.68%	50,816	3,174	59,659
2015	2015 - 2016	173,737,250	3,157,988,487	5.50%	52,664	3,293	59,965

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, 2016

<i>Governmental Unit</i>	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Ada Township	\$ 5,065,000	89.79%	\$ 4,547,864
Cannon Township	5,600,000	0.64%	35,840
Cascade Township	4,760,000	84.63%	4,028,388
Grand Rapids Township		89.20%	
City of Grand Rapids	116,245,000	1.34%	1,557,683
City of Kentwood	19,965,000	10.18%	2,032,437
Kent County	111,385,978	15.09%	16,808,144
Grand Rapids Community College	55,880,000	14.61%	8,164,068
Subtotal, overlapping debt			<u>37,174,424</u>
District Direct Debt			<u>173,737,250</u>
Total Direct and Overlapping Debt			<u>\$ 210,911,674</u>

Sources: Municipal Advisory Council of Michigan.

Forest Hills Public Schools

Legal Debt Margin Information, Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2015-2016:

State Equalized Valuation (SEV), July 1, 2015	\$ 3,447,919,900
Statutory Debt Limit (15% of SEV)	517,187,985
Debt applicable to limit	210,911,674

Legal Debt Margin	\$ 306,276,311
--------------------------	-----------------------

<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
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	210,911,674	250,143,830	45.75%
2014	2014 - 2015	3,206,471,100	480,970,665	161,305,000	319,665,665	33.54%
2015	2015 - 2016	3,447,919,900	517,187,985	210,911,674	306,578,401	40.78%

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 ^a	Unemployment ^b			Inflation Rate ^c	Personal Income ^d	
		City of Grand Rapids *	County of Kent	State of Michigan		Total	Per Capita
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%	44,317,379	43,123
2015	52,664	3.7%	3.4%	4.6%	0.7%	N/A	N/A

Notes: N/A = not available

^a U.S. Census Bureau and estimated.

^b Federal Reserve Economic Data.

* Grand Rapids-Wyoming Metropolitan Statistical Area.

^c U. S. Department of Labor - Bureau of Labor Statistics.

National Consumer price index measured December to December.

^d 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 2006

<i>Year ended December 31,</i>	2015			2006		
<i>Employer</i>	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Spectrum Health	22,000	1	3.0%	12,000	1	2.0%
Meijer Inc.	10,343	2	1.4%	7,725	2	1.3%
Mercy General Health Partners	6,500	3	0.9%	3,900	7	0.7%
Amway Corporation	4,000	4	0.5%			
Gentex Corporation	3,900	5	0.5%			
Perrigo Company	3,800	6	0.5%			
Herman Miller Inc.	3,621	7	0.5%			
Steelcase Inc.	3,500	8	0.5%	5,000	3	0.9%
Grand Valley State University	3,306	9	0.5%	4,225	5	0.7%
Magna International Inc.	2,950	10	0.4%			
Johnson Controls Inc.						
Axios Incorporated				4,000	6	0.7%
Grand Rapids Public Schools				3,392	8	0.6%
Spartan Stores, Inc.				3,040	9	0.5%
Haworth Inc.				3,000	10	0.5%
Total Principal Employers	63,920		8.7%	50,813		8.7%

Source: The Right Place Inc. of Greater Grand Rapids.

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administrators	39	39	42	42	35	35	35	35	35	37
Teachers	630	630	644	641	626	614	605	583	570	551
Clerical/secretarial	97	97	95	95	79	81	79	82	78	78
Instructional aides	148	148	161	156	141	147	167	128	140	140
Maintenance/custodial/food service	121	121	127	125	115	119	132	128	120	113
Transportation	67	67	66	67	57	57	56	57	53	53
Daycare	27		28	26	23	24	18	18	19	16
Non-classified/other	45		46	53	70	64	77	72	83	83
Total	1,174	1,102	1,209	1,205	1,146	1,141	1,169	1,103	1,098	1,071

Source: Michigan Department of Education Registry of Educational Personnel.

Forest Hills Public Schools

Operating Statistics, Last Ten Fiscal Years

<i>Fiscal Year</i>	Enrollment ^a	Percent Change	Operating Expenditures ^b	Percent Change	Cost Per Pupil	Percent Change	Percent of Students Receiving Free or Reduced- Price Meals ^c
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	(0.28%)	105,225,212	2.35%	10,446	2.61%	11.90%
2015 - 2016	9,978	(0.92%)	104,087,417	-1.08%	10,432	-0.13%	10.10%

Sources:

^a District enrollment records audited by Intermediate School District.

^b District financial statements as audited.

^c 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	114.72	2004	2005, 2010, 2014, 2015	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
A.C.E. Building	N/A	0.32	approx. 1865		950
EM/H Knapp Property 5952 Knapp St	N/A	20.00			
Alta Dale Property 110-120 Alta Dale SE	N/A	1.70			
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, 2016

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue 7/1/2015	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued revenue 6/30/2016
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Child nutrition cluster:								
Non-cash assistance (commodities):								
Entitlement commodities	10.555		\$ 160,595			\$ 160,595	\$ 160,595	
Total non-cash assistance			160,595			160,595	160,595	
Cash assistance:								
National School Lunch Program - Section 11	10.555	151960	455,737		\$ 412,880	42,857	42,857	
National School Lunch Program - Section 11	10.555	161960	413,643			413,640	413,643	\$ 3
			869,380		412,880	456,497	456,500	3
Total CFDA# 10.555			1,029,975		412,880	617,092	617,095	3
School Breakfast Program	10.553	151970	25,949		24,007	1,942	1,942	
School Breakfast Program	10.553	161970	23,097			23,097	23,097	
			49,046		24,007	25,039	25,039	
Total cash assistance			918,426		436,887	481,536	481,539	3
Total U.S. Department of Agriculture (Cluster total)			1,079,021		436,887	642,131	642,134	3

The accompanying notes are an integral part of this schedule.

Forest Hills Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue 7/1/2015	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued revenue 6/30/2016
U.S. Department of Education:								
Passed through Kent Intermediate School District:								
Special Education Cluster:								
Special Education Flow Through Grant	84.027	150450-1415	\$ 1,417,950	\$ 383,660	\$ 1,417,950	\$ 383,660		
Special Education Flow Through Grant	84.027	160450-1516	1,387,488			1,071,057	\$ 1,387,488	\$ 316,431
			<u>2,805,438</u>	<u>383,660</u>	<u>1,417,950</u>	<u>1,454,717</u>	<u>1,387,488</u>	<u>316,431</u>
Special Education - Preschool Incentive	84.173	150460-1415	45,651	10,419	45,651	10,419		
Special Education - Preschool Incentive	84.173	160460-1516	47,077			35,862	47,077	11,215
			<u>92,728</u>	<u>10,419</u>	<u>45,651</u>	<u>46,281</u>	<u>47,077</u>	<u>11,215</u>
Total Special Education Cluster			<u>2,898,166</u>	<u>394,079</u>	<u>1,463,601</u>	<u>1,500,998</u>	<u>1,434,565</u>	<u>327,646</u>
Passed through Michigan Department of Education:								
Title I	84.010	151530-1415	536,063	1,056	441,394	35,205	34,149	
Title I	84.010	161530-1516	333,202			288,825	298,371	9,546
			<u>869,265</u>	<u>1,056</u>	<u>441,394</u>	<u>324,030</u>	<u>332,520</u>	<u>9,546</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, 2016

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue 7/1/2015	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued revenue 6/30/2016
<u>U.S. Department of Education (Concluded):</u>								
Passed through Michigan Department of Education (Concluded):								
Title II - Improving Teacher Quality	84.367	150520-1415	\$ 204,599	\$ 4,560	\$ 118,819	\$ 4,560		
Title II - Improving Teacher Quality	84.367	160520-1516	213,414			126,669	\$ 131,844	\$ 5,175
			418,013	4,560	118,819	131,229	131,844	5,175
Title III Limited Immigrant Students	84.365A	150570-1415	17,534		6,455			
Title III Limited Immigrant Students	84.365A	160570-1516	27,278			1,629	4,567	2,938
			44,812		6,455	1,629	4,567	2,938
Title III Limited English Proficient Students	84.365A	150580-1415	60,223	1,518	32,329	14,967	13,449	
Title III Limited English Proficient Students	84.365A	160580-1516	53,001			36,529	40,524	3,995
			113,224	1,518	32,329	51,496	53,973	3,995
Total Michigan Department of Education			1,445,314	7,134	598,997	508,384	522,904	21,654
Total U.S. Department of Education			4,343,480	401,213	2,062,598	2,009,382	1,957,469	349,300

The accompanying notes are an integral part of this schedule.

Forest Hills Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

<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 7/1/2015</u>	<u>Prior year expenditures (memorandum only)</u>	<u>Current year receipts</u>	<u>Current year expenditures</u>	<u>Accrued revenue 6/30/2016</u>
<u>U.S. Department of Health and Human Services:</u>								
Passed through Kent Intermediate School District:								
Medicaid Outreach 2015-2016	93.778		\$ 16,607				\$ 16,607	\$ 16,607
<u>U.S. Department of Commerce:</u>								
Passed through Grand Valley State University:								
Groundswell 2014-2015	11.429		13,000	\$ 2,474	\$ 5,977	\$ 2,474		
Groundswell 2015-2016	11.429					2,897	2,897	
Groundswell LGREI 2014-2015	11.429		1,500		1,500			
Groundswell LGREI 2015-2016	11.429		8,200			7,243	7,243	
			<u>22,700</u>	<u>2,474</u>	<u>7,477</u>	<u>12,614</u>	<u>10,140</u>	
Total U.S. Department of Commerce								
TOTAL FEDERAL AWARDS			<u>\$ 5,461,808</u>	<u>\$ 403,687</u>	<u>\$ 2,506,962</u>	<u>\$ 2,664,127</u>	<u>\$ 2,626,350</u>	<u>\$ 365,910</u>

The accompanying notes are an integral part of this schedule.

Forest Hills Public Schools

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Forest Hills Public Schools under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 financial position or changes in net position of Forest Hills Public Schools.

The District qualifies for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and 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. Forest Hills Public Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2016:

General fund	\$ 1,984,216
Other nonmajor governmental fund	<u>642,134</u>
Total per financial statements	<u><u>\$ 2,626,350</u></u>

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**INDEPENDENT AUDITOR'S 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***

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2016.

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

September 28, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maney Costeiran PC

September 28, 2016

Forest Hills Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

➤ Material weakness(es) identified? Yes X No

➤ Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified? Yes X No

➤ Significant deficiency(ies) identified? Yes X None reported

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

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Forest Hills Public Schools
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2016

There were no audit findings required to be reported on this schedule for the year ended June 30, 2015.

September 28, 2016

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, 2016, and have issued our report thereon dated September 28, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

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 U.S. generally accepted accounting principles. 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' of 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 requirements 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 the Uniform Guidance.

As part of obtaining reasonable assurance about whether Forest Hills Public Schools' financial statements are free of 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 the Uniform Guidance, we examined, on a test basis, evidence about Forest Hills Public Schools' compliance with the types of compliance requirements described in the *OMB 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 letter about planning matters dated August 22, 2016 and in our discussion with the Treasurer.

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. No new accounting policies were adopted and the application of existing policies was not changed during 2016 except for the accounting for investments. The Government Accounting Standards Board (GASB). The District adopted two standards effective for the year ended June 30, 2016. GASB statements 72 Fair value measurements and application and statement 79 certain external investment pools and pool participants. Statement 72 requires disclosure how fair value is determined and statement 79 allows for the recording of certain investment pools can continue to be recorded at amortized cost. The adoption of these standards did not have an impact on the amounts reported in the financial statements. We noted no transactions entered into by the Organization 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 in calculating the liability for employee compensated absences:

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management 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. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

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 sensitive 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 misstatements identified during the audit, other than those that are clearly 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.

4. *Disagreements with Management*

For purposes of this letter, a disagreement with management is 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 September 28, 2016.

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 Organization'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 Organization'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.

A separate management letter was not issued.

Upon substantial completion of the projects funded from the 2014 and 2016 capital projects bonds supplemental reporting will be required to be submitted the State of Michigan in compliance with section 1351a of the revised school code.

This information is intended solely for the use of the Finance Committee, Board of Education and management 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,

Maney Costeiran PC