Reeths-Puffer Schools
Muskegon, Michigan

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

www.reeths-puffer.org

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Muskegon, Michigan

Comprehensive
Annual Financial Report
For the year ended
June 30, 2014

Prepared By

Reeths-Puffer Schools
Business Office

Jason Helsen
Director of Finance

Reeths-Puffer Schools

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REETHS-PUFFER SCHOOLS

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October 13, 2014

Dear Board Members and Citizens of Reeths-Puffer Schools:

The Comprehensive Annual Financial Report (CAFR) of Reeths-Puffer Schools for the fiscal year ended June 30, 2014 is presented for your review. Guided by the Board of Education's commitment to public accountability, detailed financial information relating to the fiscal operation of the District is presented in this report prepared by the District's Finance Department. The CAFR is prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Responsibility for the completeness, accuracy and fairness of the information presented rests with the administration and management of Reeths-Puffer Schools.

The report has been prepared following generally accepted accounting principles. We believe the data presented is accurate in all material respects and clearly reflects the financial position and the results of operations of Reeths-Puffer Schools. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Report Organization

The Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers. The report is divided into the following major sections:

Introductory Section—The reader is introduced to Reeths-Puffer Schools. Included are facts about the District, a brief highlight of our curriculum offerings, points of pride, major initiatives undertaken and other information. The introductory section includes this transmittal letter, the District's organizational chart, a list of District officials and administrative staff.

Financial Section—The Independent Auditor's Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements and Notes to Basic Financial Statements are included. These provide an overview for readers who require less detailed information than is contained in the balance of this report. In addition to the basic financial statements, this section includes budgetary comparison information as well as combining and individual fund supplemental statements and schedules.

Statistical Section—The reader is provided with a 10-year history of financial and demographic data intended to reflect economic conditions, financial trends and the fiscal capabilities of our District.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

We, the administration, would like to stress to you, the reader, that we are responsible for both the financial information and representations contained in the financial statements and other sections of this annual report. In preparing the financial statements, it is necessary to make informed estimates and judgments based on currently available information.

Reporting Entity

Reeths-Puffer Schools is a suburban school district, located in northern Muskegon County, covering five townships, plus a portion of the City of Muskegon, in an area affectionately known as "Rocket City". The District covers approximately 77 square miles and includes the entirety of Laketon Township plus portions of Fruitland, Dalton, Muskegon, and Cedar Creek Townships. The current population is approximately 21,000.

The District was formed in 1946 by the consolidation of the Reeths School District and Puffer School District. Reeths-Puffer High School graduated its first class in 1959. The District reached its present boundaries in 1981 after a process of several consolidations and annexations. The roots of the District extend back to the late 1800s. Reeths-Puffer Schools is a fiscally independent school district governed by a seven-member elected Board of Education.

The District operates eight instructional facilities. Pennsylvania Elementary serves as an early childhood center. Four elementary schools serve grades K through 4 (Central, McMillan, Twin Lake, and Reeths-Puffer Elementary). Reeths-Puffer Intermediate serves grades 5-6. Reeths-Puffer Middle School serves grades 7-8, and Reeths-Puffer High School serves grades 9 through 12. The District has several support facilities, and also participates in a five-district consortium that runs an alternative high school. The student enrollment for 2013-14 was 3,893 students.

School Programs and Major Initiatives

Reeths-Puffer Schools strives to be a leader in instructional excellence and continues to attract new families to the "Rocket City" community. The R-PS curriculum and student programs are guided by the ambitious student achievement goals of the R-P Strategic Plan:

- "No Boundaries, No Limits - Anytime, Anyplace, Any Level Learning"
- "100% Plugged In – Every Child Connected to an 'Out of School', Coordinated, Value-Added Activity"
- "100% of Rocket Graduates are 'College and Career' Aware and Ready"

These standards set high expectations and are based upon the belief that all students can and will succeed. This is punctuated by the bold "23" initiative, which aims to bring the average ACT score of Reeths-Puffer High School graduates up to 23 in order to increase access to higher education opportunities for Rocket alumni.

In response to these goals, opportunities for students have grown, with new clubs, groups, and teams accessible to students of all ages. The District provides a world language program spanning grades K through 12. Pennsylvania Elementary operates as a public/private partnership that provides innovative early childhood and Kindergarten instruction. Advanced Placement and dual enrollment opportunities are available to students at the high school looking for challenges. A college readiness program has started at the elementary level, which will feed into students in the secondary grades having a greater awareness of what it takes to be college-and career-ready. The decorated high school band continues to rack up awards and won another state championship in 2013-14.

Accounting Systems and Budgetary Controls
The District adheres to budgetary policies established by the Board of Education. The District utilizes a line-item budget developed by the Director of Finance and the Superintendent and submitted to the Board of Education for approval and adoption. The budget process is designed to effectively allocate resources to maximize student benefit. One of the key values identified in the District strategic plan is the open sharing of district financial information, and as such, transparency is highly valued in the budget communication process.

The District integrates the budget with the accounting system and internal controls. Internal controls are in place to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from unauthorized use, and for maintaining accountability of the assets. Such controls also provide assurance for the reliability of the financial records necessary for producing accurate financial statements. Our budgetary and internal controls adequately safeguard District assets and provide reasonable assurance that errors or fraud are prevented or can be detected within a timely period.

Financial and Capital Planning
The passage of Proposal A in 1994 has resulted in the District being dependent upon the State of Michigan for the majority of its funding. The District has ongoing financial planning for operational needs as well as capital asset needs. Major assumptions involved with financial forecasting include student enrollment, state funding, employee wage and benefit costs, and equipment and facility life cycles. Considerable time and energy is spent tracking and forecasting student enrollment, as the vast majority of funding is generated on a per-pupil basis.

Many of the District's instructional facilities were built between 1948 and 1962. Reeths-Puffer High School was constructed in 1994. Each of the facilities has benefited from significant improvements over the years, which was highlighted most recently by the complete renovation of Reeths-Puffer Middle School using the 2010 Bond. Facility upgrades have been funded through bond capital projects as well as building and site improvement funds set aside on an annual basis.

Economic Environment
Michigan voters approved the state constitutional amendment known as Proposal A in 1994. Funding of school operations shifted dramatically at that time from local property tax revenue to State Aid funding as a result. The District has seen both increases and decreases in state funding during the time since this change, and it has always dealt with budget challenges responsibly in a manner that puts students at the forefront of the process.

The regional economy in West Michigan has made a slow recovery since the downturn in 2008-2009. The unemployment rate in Muskegon County has tracked the State of Michigan trend. It has declined significantly over the past several years, but it has remained above the level of ten years ago. Property values have followed a similar trend line. Overall taxable values have declined due to a general decline in property values since the high point of 2007 through 2009, but they appear to be stabilizing after five consecutive years of losses. This is compounded by a significant loss from settlements in favor of the District's biggest taxpayer, Consumers Energy.

District voters have consistently supported bond issues for capital improvements, most recently in 2009. Muskegon County voters approved a 1 mill technology and security enhancement millage in 2014, which will benefit the District for years to come.

Certificate of Excellence
The District has not prepared a CAFR in previous years. The District hopes to earn the Association of School Business Officials (ASBO) Certificate of Excellence for the Comprehensive Annual Financial Report for the year ended June 30, 2014 for the first time. If received, this achievement would be a source of pride for both the School Administration and the Board of Education. The vision and leadership of the Board is a necessity for maintaining such high standards for financial reporting. The Administration will submit this year's report in the hopes of gaining this achievement.

Respectfully submitted,

Steven C Edwards

Steven Edwards
Superintendent

Jason R Helsen

Jason Helsen
Director of Finance

Reeths-Puffer Schools

Elected Officials and Administrative Staff

2013-14 Board of Education

Kim Kelly, President

Mike Weessies, Vice President

Mary Schaab, Treasurer

Robert DeMuro, Secretary

Doug Brown, Trustee

Kathy Zahl, Trustee

Susan Blackburn, Trustee

2013-14 Administrative Staff

Steve Edwards, Superintendent

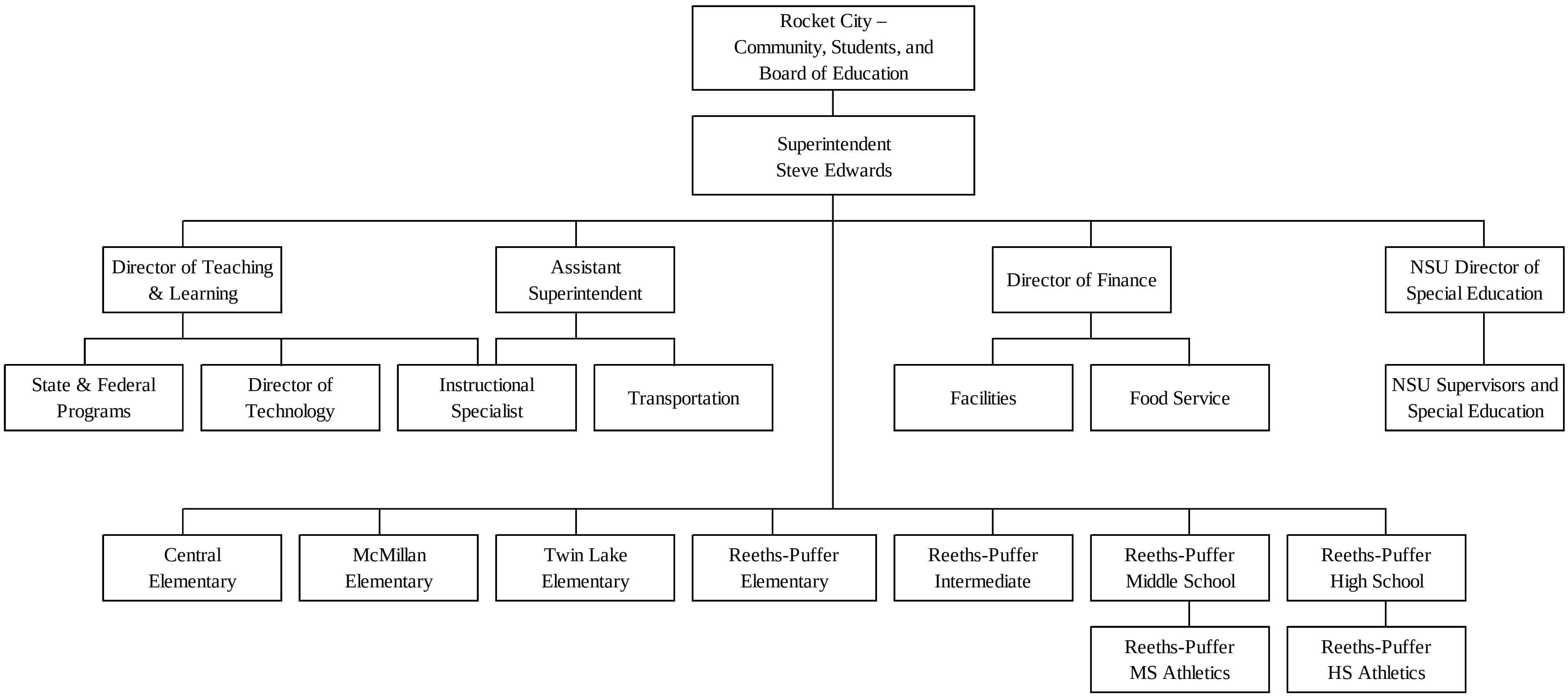
Rob Renes, Assistant Superintendent

Scott Green, Director of Special Education

Jason Helsen, Director of Finance

Terri Portice, Director of Teaching and Learning

Reeths-Puffer Schools
ORGANIZATIONAL STRUCTURE



INDEPENDENT AUDITORS' REPORT

October 13, 2014

Board of Education
Reeths-Puffer Schools
Muskegon, Michigan

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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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 Reeths-Puffer Schools as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10 through 26 and 52 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 Reeths-Puffer Schools' basic financial statements. The introductory section, combining nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2014, on our consideration of Reeths-Puffer 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 Reeths-Puffer Schools' internal control over financial reporting and compliance.

Brickley DeLong, P.C.

Muskegon, Michigan

Reeths-Puffer Schools' management discussion and analysis report is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity and identify changes in its financial position. This section of the financial statements also identifies all material deviations from the financial plan (initial budgets) and discloses individual fund issues and concerns that exist at the close of the fiscal year.

This information is required by GASB 34 (Governmental Accounting Standards Board's Statement No. 34). GASB 34 requires the presentation of two basic types of financial statements; namely, District-Wide Financial Statements and Fund Financial Statements.

Overview of the Financial Statements

This annual report consists of seven parts: (1) the introductory section, (2) the independent auditors' report, (3) management's discussion and analysis (this section), (4) the basic financial statements, (5) required supplementary information, (6) other supplemental information, and (7) the statistical section. The financial statements include notes that explain some of the information in the statements by providing detailed data. These statements are followed by a section of required supplementary information that further explains and supports the financial statements, utilizing a comparison to the District's budget for the year. Additionally, the basic financial statements also include two kinds of statements that present different views of the District.

District-Wide Financial Statements

The district-wide statements provide a financial perspective of the District as a whole. These statements use the "full accrual" basis of accounting. There are two (2) district-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term expendable resources) with capital assets and long-term obligations, whether they are currently available or not.

The Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid (full accrual accounting). The intent of this statement is to summarize and simplify the information relative to funding received and expenditures made for various district services.

Fund Financial Statements

Fund statements are reported under the "modified accrual" method of accounting. Under this basis of accounting, revenues are recorded when received, except where they are measurable and available within sixty (60) days of the close of the fiscal year. Expenditures are accounted for in the period that goods and services are used in school programs; therefore, major payments during the summer for payrolls and benefits belonging to the year's instructional program are expensed on June 30th. In addition, capital asset purchases are expensed when placed in service and are not shown as assets in these statements. Debt payments made in the fiscal year are shown as expenditures in the current year and future debt obligations are not recorded here.

Fund types include the General Fund, special revenue funds, debt retirement funds, capital projects funds and the agency funds. The General Fund is used to show the operational financial activities of the District for the fiscal year. The primary funding sources for the General Fund are from local property taxes, state foundation grant per student, state categorical funding for specific programs, federal grants and inter-governmental transfers. Transactions dealing with the school food service program are recorded in the school service fund accounts. The debt service funds are used to record debt payments of principal and interest amounts. Local property tax funds are used to pay the majority of debt, with any unmet needs being covered by the Michigan School Bond Loan Program and Michigan School Loan Revolving Fund. The capital projects funds are used to record the costs associated with the acquisition of land, construction or improvement of school facilities, and for equipment purchases in excess of $5,000. The agency funds, known as internal activity funds, are held in a trustee capacity for various student or school related groups' financial transactions. Monies in these funds are not available for general school use.

Two funds were added as major funds in the modified accrual section of the financial statements in 2009-10 to account for the capital projects approved in the bond extension passed on November 3, 2009. The Qualified School Construction Bond Fund was fully spent by June 30, 2012, and therefore it is not presented on the financial statements for the year ended June 30, 2014. The Build America Bond Fund continues to be presented separately as a major fund on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance, but it is spent in full as of June 30, 2014. Therefore, it is presented on the financial statements for the final time. Combined, these funds have covered approximately $22 million in facilities upgrades, including renovation and improvements, instructional technology purchases, and bus and equipment replacements.

The net position deficiency shown below is the direct result of the District using capital appreciation bonds and loans from the Michigan School Bond Loan and School Loan Revolving Funds to finance major facility construction projects over the past several years. Under Michigan School Bond Loan funding programs, the payments against principal and interest costs are delayed to some point in the future; therefore, interest costs compound due to their delayed payment.

The negative impact of funding school projects by utilizing these particular funding methods is further increased by the fact that the facility values associated with the borrowed funds are decreasing each year due to depreciation. These particular funding programs have been available for use by public schools where the community's tax base is insufficient to support the immediate costs of debt associated with meeting current facility needs. The particular capital appreciation bonds the District has are currently not "callable" for refinancing at a lower rate.

Statement of Net Postion

	For the Year Ended June 30, 2014	2013
Assets		
Current assets	$ 12,927,923	$ 12,198,720
Capital assets (net of depreciation)	55,702,077	57,803,520
Deferred outflows of resources	487,053	530,714
Total assets and deferred outflows of resources	69,117,053	70,532,954
Liabilities		
Current liabilities	14,668,579	13,455,293
Long-term liabilities	84,228,694	85,298,397
Total liabilities	98,897,273	98,753,690
Net Position		
Net investment in capital assets	(7,334,766)	(9,052,648)
Restricted funds	325,991	355,166
Unrestricted funds	(22,771,445)	(19,523,254)
Net position	$ (29,780,220)	$ (28,220,736)

Comments on Major Changes to Net Position

- Current assets - Increased due to higher cash and investments balances at June 30, 2014, especially in the General Fund. Timing of disbursements as well as early pay-down of the state aid anticipation note in 2012-13 contributed to this situation.
- Capital assets – During 2013-14, the District had a much lower amount of capitalized additions compared to the past several years. Net capital assets were reduced by annual depreciation. This resulted in a net decrease.
- Current liabilities – Increased mainly due to the timing involved with the state aid anticipation note as previously noted. This accounted for a $1.3 million difference from June 30, 2013 to June 30, 2014.
- Long-term liabilities – Decreased due to the bond principal paid off in 2013-14.

Statement of Activities

	For the Year Ended June 30, 2014	2013
District Wide Revenues		
Program Revenues		
Charges for services	$ 591,478	$ 720,522
Operating grants	8,617,345	8,171,746
General Revenues		
Property taxes	7,940,154	8,093,732
Unrestricted grants	23,759,009	22,513,544
Other revenues	132,050	191,220
Total revenues	41,040,036	39,690,764
District Wide Expenses		
Instruction	24,181,513	22,968,670
Support services	12,320,667	12,150,567
Community services	34,757	156,811
Food services	1,341,406	1,357,069
Athletics	816,805	665,547
Interest on long-term debt	3,863,485	4,014,075
Unallocated depreciation	40,887	120,878
Total expenses	42,599,520	41,433,617
Change in net position	(1,559,484)	(1,742,853)
Net position at beginning of year	(28,220,736)	(26,477,883)
Net position at end of year	$ (29,780,220)	$ (28,220,736)

Comments on Changes in Net Position

The change reflected above is a decrease in net position of $1,559,484, or approximately 2.3% of total assets. Overall, revenue in 2013-14 increased compared to 2012-13 by approximately $1,350,000. The biggest area of change came in increased state revenue. Much of this increase was due to the State of Michigan funding Section 147C, which is a subsidy for the MPSERS pension program and is paid back to the State by the District and does not impact our bottom line. Expenses increased by a similar amount in 2013-14, an increase of approximately $1.17 million over 2012-13. Again, Section 147C increases account for a large portion of this change. The District also increased spending in the instructional areas of the budget significantly, as shown above. The issues of state funding for public education and student enrollment remain points of concern as they are the two factors responsible for the great majority of the District's revenue. The District has made significant operating budget cuts annually to remain fiscally responsible. Future cuts will continue to impact the classroom instructional programs.

Net Capital Asset Values

	July 1, 2013	Additions	Deductions	Change in Accumulated Depreciation	June 30, 2014
Land	$ 474,150	$ -	$ -	$ -	$ 474,150
Land Improvements	506,031	-	-	3,007	503,024
Vehicles	668,573	81,697	-	138,408	611,862
Buildings & improvements	54,067,004	39,927	-	1,801,341	52,305,590
Furniture & equipment	2,087,762	-	-	280,311	1,807,451
Total	$57,803,520	$ 121,624	$ -	$ 2,223,067	$ 55,702,077

As shown above, capital assets, net of depreciation, decreased in value from July 1, 2013 to June 30, 2014. During 2013-14, the District had a lower amount of 2010 Bond purchases and projects that were capitalized compared to the past several years. Considering annual depreciation, this resulted in a net decrease. For more information on capital assets, please see Note D in the notes to the financial statements.

Debt Obligations

July 1, 2013	Additions	Deductions	June 30, 2014	Current
$ 90,460,489	$ 4,629,906	$ 5,600,555	$ 89,489,840	$ 5,261,146

The ending balance of debt obligations as of June 30, 2014 is lower than the beginning balance by approximately $1,000,000. Principal and interest payments were made according to bonded debt schedules, and no new bonds were issued. Additions shown above represent borrowing from the State of Michigan School Loan Revolving Fund and accreted interest on capital appreciation bonds. For more information on debt, please see Note G in the notes to the financial statements.

General Fund Budgetary Highlights

The State of Michigan's Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. When the budget is prepared each year, several unknown factors exist. Estimates are used for such major items as student count, employee contracts, state aid, staffing, and tax appeals. As a matter of practice and in accordance with Board policy and state law, the District amends its budget periodically during the fiscal year. These revisions are made in order to deal with changes in revenues and expenditures that become known during the year. During the 2013-14 year, the budget was amended in December 2013, April 2014, and June 2014.

One of the major factors impacting the District's budget is the revenue received from State of Michigan through the per-pupil foundation allowance. The foundation grant for the 2013-14 year was $7,026, a $60 increase from the 2012-13 level, but still $120 below the 2010-11 foundation grant level of $7,146, or $290 per student lower than years prior to 2010-11. The State of Michigan provided approximately $206 per pupil in available supplemental funds through equity payments, MPSERS pension offset grant, best practices grant, and student performance funding. The net increase factoring in all per-pupil sources was about $74 per student above 2012-13 levels.

In June 2013, the state announced MPSERS pension stabilization funding, which resulted in approximately $915,000 in additional revenue and expenditures for 2013-14, leaving no impact on the bottom line but increasing total revenue and total expenditures. This equates to an additional 4.9% of payroll paid into the state pension system above the standard rate of approximately 24.79%.

Revenue adjustments made during the 2013-14 budget process included:

- Pupil count *(December 2013, from Budget Amendment #1)* – Our projected K-12 pupil count was approximately 3,844 FTE, or an increase of about 21 students. This was a positive impact of approximately $147,000 in additional state funding compared to our initial 2013-14 budget estimates.
- Alternative education pupil count *(December 2013, from Budget Amendment #1)* – Our consortium, operated out of Duck Creek and overseen by White Lake Area Community Education (WLACE), changed how we account for the pupils in the program. Reeths-Puffer now keeps students in this program on our rolls, and we pay WLACE to run the program for these students. Our pupil count increased by an additional 42 pupils as a result of this change, which will increase state funding by another $300,000. The flipside of this is a $300,000 cost increase to pay WLACE to run the program. This increased our pupil count and our projected costs and had no impact on the budgeted bottom line.
- Increased grant revenue *(December 2013, from Budget Amendment #1)* - Title I-A, Title II-A, and IDEA special education grants increased due to a number of factors, including higher than expected allocations from the State of Michigan as well as carryover funds from the 2012-13 grant cycle that were not spent in the prior year. Corresponding adjustments were made in our expenditure budgets to account for the additional resources, and no impact on the budgeted bottom line occurred as a result.
- From Budget Amendment #1 in December 2013 to Budget Amendment #3 in June 2014, total revenue changed very little, a net decrease of approximately $10,000.

The initial expenditure assumptions included a MPSERS base pension rate of 24.79%, an increase in PA 152 health insurance caps of approximately 3.5%, costing about $150,000, step increases for R-PEA members according to the contract, costing approximately $280,000, and $440,000 in budget reductions.

Expenditure adjustments made during the 2013-14 budget process included:

- Alternative education pupil count *(December 2013, from Budget Amendment #1)* – Expenditures were increased by $300,000 to account for payments made to White Lake Area Community Education (WLACE) to cover alternative education costs as spelled out above. This was offset by an equal increase in state aid, and therefore, it did not affect the bottom line.
- Increased grant expenditures *(December 2013, from Budget Amendment #1)* – to correspond with increases in Title I-A, Title II-A, and IDEA special education grants listed above. Corresponding adjustments were made in our expenditure budgets to account for the additional resources, and no impact on the budgeted bottom line occurred as a result. The additional resources funded student intervention positions and additional professional development opportunities for staff.

- At each point, staffing levels and costs were reviewed and adjusted as needed. Review of staffing levels and assignments resulted in the need to increase costs in the area of employee benefits *(April 2014, from Budget Amendment #2).* We saw a shift in our demographics compared to prior years with a greater percentage electing full-family coverage despite a lower number enrolled in medical insurance overall. The result was an increase in costs by approximately $40,000 over previous estimates.
- Increased allocations in the operations budget *(April 2014, from Budget Amendment #2)* – Costs for snow plowing and natural gas purchases far exceeded original estimates. Plowing costs exceeded the costs of the last several years combined with the record snowfall levels this past winter. Heating costs also increased significantly with the sustained cold temperatures. The operations budget increased by approximately $80,000 as a result.
- Increased athletics costs *(June 2014, from Budget Amendment #3)* - due to several factors, including the timing of contracted athletic trainer billings from Mercy Health, which was a one-time increase, and increased costs due to hosting of several invitational and state tournament competitions and student-athletes participating in state tournament competitions.

The initial budget called for an operating deficit of approximately $422,000, while the final amended budget called for a deficit of approximately $347,000, a change of approximately $75,000, or less than one-quarter of one percent of annual expenditures. The actual results reflect an operating deficit of approximately $313,000; a positive swing of approximately $34,000 compared to the final budget amendment, or about 0.1% of the total budget.

2013-14 General Fund

	Initial Budget	Final Budget	Actual
Revenues			
Local revenue			
Local sources	$ 3,372,000	$ 3,360,500	$ 3,252,909
Received from other districts	1,838,000	1,709,000	1,868,929
State revenue	26,701,000	27,197,000	27,332,455
Federal revenue	2,020,923	2,281,324	2,133,930
Transfers and other	140,000	225,000	81,061
Total revenues	$ 34,071,923	$ 34,772,824	$ 34,669,284
Variance of actual from budget	$ 597,361	$ (103,540)	
	1.8%	-0.3%	

2013-14 General Fund

	Initial Budget	Final Budget	Actual
Expenditures			
Instruction	$ 21,750,993	$ 22,425,921	$ 22,421,463
Instructional support	4,131,597	3,970,292	3,867,462
Administration	3,925,204	3,947,666	3,836,566
Maintenance and operations	2,512,376	2,601,087	2,617,284
Transportation	1,359,583	1,350,532	1,394,042
Athletics	702,008	719,602	737,768
Transfers and other	112,465	104,571	107,943
Total expenditures	$ 34,494,226	$ 35,119,671	$ 34,982,528
Variance of actual from budget	$ 488,302	$ (137,143)	
	1.4%	-0.4%	
Change in Fund Balance	$ (422,303)	$ (346,847)	$ (313,244)
Variance of actual from budget	$ 109,059	$ 33,603	
Percentage of budgeted expenditures	0.3%	0.1%	

Budget to actual analysis follows:

Revenue

- Local revenues lower than estimated: ($108,000) – The largest factor is lower than anticipated property tax collections. Estimated amounts were off due to declining taxable values and changes throughout the year. This shortfall is offset by state aid revenue coming in higher than estimates. The total net variance between the two is within $27,000 and is positive compared to budgeted figures.
- State revenues higher than estimated: $135,000 – This is the positive side of the local revenue shortfall. We continue to see property tax values decrease, and as a result, the state portion of funding through the foundation allowance formula continues to increase.
- Local revenue sources received from other districts including Act 18 distribution higher than estimated: $160,000 – A large portion of the amounts received in this category are not known until mid-August per the terms of the MAISD Act 18 distribution and special education 'bill-back' procedures. In addition, there was a year-end reclassification required by the State of Michigan accounting manual to move revenue from the "Incoming Transfers and Other Sources" line to this Local Revenue category.
- Federal revenues lower than estimated: ($147,000) – Title I-A and Title II-A budgets combined came in approximately $105,000 under approved award amounts. IDEA budgets came in approximately $40,000 under approved award amounts. These grants are reimbursement-based, meaning this variance has no impact on the District's bottom line. These amounts will be carried over into the 2014-15 year.

- Incoming Transfers and Other Sources lower than estimated: $144,000 – This category represents indirect cost recovery from the food service fund, as well as irregular or non-recurring items like sale of fixed assets, insurance claim reimbursements, and prior period adjustments. The allowable food service indirect amount was about $6,000 less than budgeted and is governed by Michigan Department of Education guidelines. Other items came in approximately $52,000 less than estimates, which were based upon prior year amounts. In addition, the reclassification mentioned above contributed to this difference.

- Revenue lower than budgeted: $104,000 or 0.3% of the $34.78 million budget.

Expenditures

Budget variances in expenditures by functional category are highlighted below.

- Instruction - approximately $4,500 under budget or less than 0.1% of this category.
- Pupil and Instructional staff support - approximately $103,000 under budget or 2.6% of this category. Approximately $52,000 is unspent grant funds that will go into 2014-15 carryover. Non-grant funded staffing savings are approximately $51,000. Of this, approximately $30,000 is unspent NSU direction costs due to mid-year hires, unspent supplies and purchased services allocations, and savings in employee insurance.
- Business and Administration - approximately $111,000 under budget or 2.8% of this category. The biggest savings in this area were in unspent Title II-A professional development funds of $36,000, which will go into 2014-15 carryover. Approximately $12,000 was saved in business services through lower State Aid Note costs and better than expected county property tax chargebacks. Smaller savings were experienced across these categories in purchased services, supplies, and dues allocations. No significant variances in staffing and employee benefit costs were noted.
- Operations and Maintenance - approximately $16,000 over budget or 0.6% of this category. The biggest factors were much higher than anticipated costs in the areas of snow plowing and utilities spending. Total operations spending was approximately $191,000 higher than 2012-13 levels.
- Transportation - approximately $44,000 over budget or 3.2% of this category. Costs for fuel and bus repairs were lower than expected. The MAISD bill-back figure came in approximately $90,000 higher than expected and much higher than previous years. This figure was released on August 18, 2014, so it was not known at the time of the final budget amendment.
- Athletics - approximately $18,000 over budget or 2.5% of this category. Schedule C wages and benefits for coaches were approximately $8,000 higher than expected, and transportation and travel costs related to state tournament competitions were higher than expected.
- Other costs, including community services, interfund transfers, and District capital outlay - approximately $3,400 over budget or 3.2% of this category. The biggest factor here is higher than expected costs related to the Indian Ed grant.

Budget variances in expenditures by object category are highlighted below:

General Fund Expenditures by Object	2013-14 Budget	Percent of total	2013-14 Actual	Percent of total	Variance	Percent of object
Salaries and Wages	$18,015,123	51.3%	$18,084,917	51.7%	$ (69,794)	-0.4%
Benefits	11,012,189	31.4%	10,802,584	30.9%	$ 209,605	1.9%
Purchased services	3,343,820	9.5%	3,343,128	9.6%	$ 692	0.0%
Supplies	1,447,355	4.1%	1,344,108	3.8%	$ 103,247	7.1%
Capital Outlay	61,160	0.2%	24,196	0.1%	$ 36,964	60.4%
Other	1,240,025	3.5%	1,383,595	4.0%	$ (143,570)	-11.6%
Total	$35,119,672	100.0%	$34,982,528	100.0%	$ 137,144	0.4%

- Amounts spent on salaries and wages were about $70,000 higher than expected. This is in part due to temporary assignments and employee turnover, which increased amounts paid to employees slightly.
- Amounts spent on employee benefits were under budget by approximately $210,000 for several reasons. First, a lower amount was spent on retiree incentive and insurance payments than anticipated by approximately $25,000. Insurance benefit costs for active employees were within $54,000 of estimates on approximately $3.7 million of spending. The majority of this savings, approximately $32,000, occurred within self-funded ancillary benefits for administrative, non-union, OPPA, and MTFS employees.
- The District experienced savings in other employee benefits areas as well. Retirement costs were within $8,600 of budget or 0.16% of the $5.36 million budgeted in the General Fund. FICA costs came in $73,000 under budget. Workers' compensation costs continued to decrease due to low claim history as well as positive pool performance, resulting in $15,000 in budget savings, and $8,000 in tuition reimbursement went unspent. Further, positive experience in unemployment claims resulted in $44,000 in savings compared to budget. The District was conservative in the area of benefits, and savings helped cover cost overages in other areas as a result.
- In the area of purchased services, total expenditures were within approximately $1,000 on over $3 million in spending.
- Supply costs came in approximately $103,000 under budget. Approximately $36,000 of this was in federal grants, where the amounts will carry over into the 2014-15 year. Approximately $10,000 was saved within the business department budget, and approximately $49,000 came in unspent department supply allocations across the entire District.
- Capital outlay spending has decreased in the General Fund budget over the past several years with the 2010 Bond and use of the Building and Site Fund. Spending came in $37,000 under budget. The main variance was due to the delay of purchasing a replacement plow truck.

- The other category includes costs such as dues and fees, borrowing and interest costs, special education tuition billings, and software licenses, and it was about $144,000 over estimated amounts. The biggest factors are special education tuition billings exceeding estimates by $36,000, special education transportation exceeding estimates by $89,000, and alternative education billings exceeding estimates by $16,000 due to the addition of 23A state aid recovery mid-year.

- Total expenditure savings: $137,000 or 0.4% of the total $35.1 million budget.

General Fund Year-to-Year Comparison of Actual Results

	2014	2013	Difference
Revenues			
Local revenue			
Local sources	$ 3,252,909	$ 3,456,379	$ (203,470)
Received from other districts	1,868,929	1,733,441	135,488
State revenue	27,332,455	25,940,590	1,391,865
Federal revenue	2,133,930	1,996,507	137,423
Transfers and other Sources	81,061	129,608	(48,547)
Totals revenues	$ 34,669,284	$ 33,256,525	$ 1,412,759
Expenditures			
Instruction	$ 22,421,463	$ 21,425,637	$ 995,826
Instructional support	3,867,462	3,971,784	(104,322)
Administration	3,836,566	3,784,071	52,495
Maintenance	2,617,284	2,426,036	191,248
Transportation	1,394,042	1,315,586	78,456
Athletics	737,768	678,629	59,139
Other costs	107,943	250,373	(142,430)
Total expenditures	$ 34,982,528	$ 33,852,116	$ 1,130,412

In comparing 2013-14 results to 2012-13 results, several things become evident. Total revenues increased by approximately $1.41 million or 4.25% from the 2012-13 total. Looking a little closer, we can identify several important factors by category.

- Local revenues continued to decrease, and one of the factors is the Consumers Energy appeal and subsequent judgment from 2012. Taxable values continue to decrease as well as the property taxes generated.
- Local revenues received from the ISD and other districts increased by about $135,000 from 2012-13. MAISD Act 18 and transportation distributions slightly exceeded expected levels, and the District received Medicaid closeouts from prior years.

- State revenues increased due to an increase in the foundation allowance and establishment of Section 147C MPSERS Rate Stabilization funding. This program, announced in June 2013, brought in over $900,000 for R-P, but it was paid directly out to the State retirement system, so it did not impact the District's bottom line.
- Federal revenue increased slightly. The District received slightly higher allocations in Title grants and IDEA special education grants than in 2012-13.
- Interfund transfers and other sources decreased. Several items in this category are irregular and unpredictable.

Compared to 2012-13 figures, total expenditures increased by approximately $1.13 million in 2013-14 or 3.3% higher than 2012-13 levels. However, it is important to note that over $900,000 of 2013-14 expenditures were due to Section 147C MPSERS stabilization costs paid to the state. Without this large amount, 2013-14 is very comparable in total to 2012-13. In terms of a functional breakdown, there are several important factors that we can identify when comparing fiscal years:

- Instructional spending increased by approximately $995,000 from 2012-13 to 2013-14. Several significant factors contributed to this large increase. The State established Section 147C MPSERS Rate Stabilization funding, which added $638,000 in instructional expenditures in 2013-14. In addition, expenditures were increased by $300,000 to account for payments made to White Lake Area Community Education (WLACE) to cover alternative education costs. This was offset by an equal increase in state aid and therefore did not affect the bottom line
- Instructional Support costs decreased by approximately $104,000. Mid-year hires and departures in the area of NSU special education supervision led to lower spending in 2013-14. In addition, grant funding greatly impacts spending in this area, and the District will carry over significant amounts to 2014-15 in several categories.
- Administrative costs increased by approximately $52,000. One factor to note is the District ended a cooperative agreement for a key administrative position, which was an increase in costs over 2012-13 levels.
- Maintenance costs increased significantly over 2012-13 levels, coming in about $190,000 more than the prior year. The winter of 2013-14 was one of the coldest and snowiest on record for West Michigan. Sustained cold from November through March meant snow piled up and never melted. Snow plowing costs exceeded the last several years' costs combined. Heating costs also were significantly higher than past years.
- Transportation costs increased by approximately $78,000 from 2012-13. District-controlled costs were very steady. MAISD consortium costs for special education transportation increased by $89,000 over 2012-13 levels, resulting in the large increase in this category.
- Athletics spending increased by $59,000. Several factors contributed to this increase. The first was that the cost of Schedule C wages and benefits for coaches increased above estimates. The second was that athletic trainer costs increased due to the timing of the contract billings. Finally, competition-related costs like travel increased with several teams advancing farther into state tournament competition than in previous years.
- Other costs decreased significantly from 2012-13. Costs for facilities upgrades did not recur, and daycare enrichment programs were discontinued in 2013-14, leading to lower costs in this category in 2013-14.

General Fund Revenue and Other Financing Sources

Revenues	**2013-14**	**Percent**	**2012-13**	**Percent**
State revenue	$ 27,332,455	78.8%	$ 25,940,590	78.0%
Federal revenue	2,133,930	6.2%	1,996,507	6.0%
Local sources	3,252,909	9.4%	3,456,379	10.4%
Local from other districts	1,868,929	5.4%	1,733,441	5.2%
Other sources	81,061	0.2%	129,608	0.4%
Total revenues	$ 34,669,284	100.0%	$ 33,256,525	100.0%

As indicated above, funding from the State of Michigan is the District's largest source of revenue, which accounts for over three-quarters of the total budget. Thus, the financial stability of the District rests primarily with the economic health of the State of Michigan. Local sources have continued to decline as property tax revenue has fallen with the Consumers Energy appeal and subsequent adjustment. Local sources received from other districts increased slightly due to Act 18 and Medicaid revenue distributions from MAISD. Other sources often represent special or non-recurring items which can be unpredictable from year-to-year.

General Fund Expenditures by Function

Expenditures	**2013-14**	**Percent**	**2012-13**	**Percent**
Instruction and instructional support	$ 26,288,925	75.1%	$ 25,397,421	75.0%
Business and administration	3,836,566	11.0%	3,784,071	11.2%
Maintenance and operations	2,617,284	7.5%	2,426,036	7.2%
Transportation	1,394,042	4.0%	1,315,586	3.9%
Athletics	737,768	2.1%	678,629	2.0%
Other	107,943	0.3%	250,373	0.7%
Total expenditures	$ 34,982,528	100.0%	$ 33,852,116	100.0%

As indicated above, the District spends over 75% of its budget on direct classroom instruction and instructional support services. It should also be noted that the District spends 7.5% of its budget or approximately $672 per pupil on maintenance and operation costs and 4.0% or approximately $358 per pupil on transportation of its students.

Other Governmental Funds - June 30, 2014

	Food Service	**Debt Service**	**Building and Site**
Beginning Balance	$ 365,264	$ 151,703	$ 403,274
Revenues	1,372,762	7,306,641	76,536
Expenditures	1,412,035	7,202,816	9,469
Ending Balance	$ 325,991	$ 255,528	$ 470,341

Currently known facts, decisions, and conditions affecting the 2014-15 School Year

2014-15 Initial General Fund Budget

The adopted budget for the 2014-15 fiscal year projects a surplus of $168,000. This budget will be amended to reflect updated factors such as foundation grant information, actual student counts, and final staffing levels. This budget is based upon certain assumptions as well as a net of $250,000 in estimated reductions. The main assumptions for the 2014-15 budget are:

- State funding in the budget was based upon the conference committee report at time of printing. This report was later approved by both House and Senate and then signed into law by the Governor. The main points of the state budget are:
  - Foundation allowance - In 2013-14, we received $7,026 per student in base funding and $50 per student for an equity payment since we are a minimum-funded district. The 2014-15 projection is $7,251 per student, which is expected to roll the 2013-14 equity payment into the base, including a base increase of $50 per student for all districts and an equity payment of $125 for minimum-funded districts such as R-PS. This $175 per pupil boost represents an increase of approximately 2.5%. The impact to our General Fund is approximately $680,000.
  - Best practices Section 22F – This is continued as a "one-time" funding source at $50 per student, a decrease of $2 per student from 2013-14 levels. The criteria once again change, requiring satisfaction of seven out of nine objectives. At this time, we feel we can reach seven of the objectives, so we are continuing to include this in initial estimates. The net decrease is about $8,000, and the total expected for 2014-15 is approximately $194,000.
  - Student performance Section 22J - This is continued as a "one-time" funding source with a sliding scale where districts can earn up to $100 per student in increments of $30 and $40 related to different criteria. Initial eligibility estimates suggest that we will not qualify in 2014-15, while we received $40 per student in 2013-14. This is a loss of $152,000 in the initial 2014-15 budget compared to 2013-14 levels.
  - MPSERS offset Section 147A – We expect to continue to receive about $248,000 in funding in this section to help deal with our MPSERS pension costs, the same level as 2013-14. In continuing this funding stream, legislators are allowing the base pension rate charged to districts to rise from 24.79% to 25.78% in 2014-15.
  - MPSERS stabilization Section 147C – This section was implemented in late 2012-13 to help with skyrocketing pension costs. It represents the fully subsidized portion of the District's pension costs. In 2013-14, it equated to approximately 4.9% of our total payroll or about $915,000. For 2014-15, it is projected to increase by $160 per pupil or an additional $620,000. While this drives up our total state funding, it is completely offset by increased expenditures, as we will now charge approximately 8.3% of payroll above and beyond the base pension rate of 25.78% for a total estimated rate of over 34%. There is no impact to the bottom line in the 2014-15 budget.

- Pupil count – Our projected K-12 pupil count is flat compared to 2013-14 figures. The K-12 count is approximately 3,849 FTE, and our total count, including alternative education pupils, is approximately 3,893 FTE. In formulating this assumption, we have consulted with local firms who specialize in projections, reviewed historical data, and considered key figures such as schools of choice and kindergarten round-up.
- Increased inter-district revenue and a slight increase in IDEA grant revenue due to changes in the NSU consortium approach to revenue and cost-sharing among the five districts, adding up to a projected increase of $60,000.
- MPSERS pension costs will once again increase significantly in the 2014-15 year. There are several key factors included in this issue:
    - Base pension rate is expected to rise to 25.78%, which will increase costs by approximately $215,000.
    - MPSERS 147C stabilization rate – Increases from approximately 4.9% of payroll in 2013-14 to approximately 8.3% of payroll will result in $620,000 in additional pension costs for 2014-15. This increase is offset fully by state aid funding. Section 147C now represents over $1.5 million of our General Fund budget.
    - The total pension rate of approximately 34.1% of payroll is double the rate of 16.94% just five years ago in the 2009-10 year.
- Increased insurance benefits expenditures at a rate of 2.9% or the allowable increase through PA 152 for 2014. This is a cost increase of approximately $130,000. Much of this increase still needs to be negotiated with our union groups, and therefore, it is subject to change.
- No increases in wages except where already decided through settled contracts. This is a negotiated item, and with two union groups heading into negotiations, this could be subject to change.
- Reduction of staff as we experienced retirements and several positions were eliminated through attrition. At time of preparing this budget, we expect 6 staff retirements and a net reduction in staff of 2-2.5 FTE.
- Reduction in operational costs as we re-establish our expected baseline spending for 2014-15. We expect that 2013-14 truly was a unique year with the winter we had.

Factoring in all the above assumptions leaves us with approximately $35.97 million in revenue and $35.81 million in expenditures for a projected surplus of $168,000. Our expected beginning fund balance for 2014-15 is approximately $2.74 million or 7.8% of annual expenditures, and this initial budget will take us to approximately $2.91 million or 8.1% of annual expenditures at the conclusion of the 2014-15 year.

2014-15 Technology and Security Fund

The voters of Muskegon Area ISD approved a 10-year, 1 mill levy to local districts in February 2014 to fund technology and security enhancements. The levy will be received countywide and distributed to the eleven districts on a per-pupil basis. Reeths-Puffer anticipates receiving property tax receipts passed through Muskegon Area ISD starting in July 2014. Initial estimates put our annual total at approximately $625,000, and the Reeths-Puffer Board of Education passed a budget resolution at the June 16, 2014 budget hearing to establish the initial technology and security fund budget. Main objectives for the initial year are improving security by updating the High School entrance, improving the police liaison program, strengthening the technology infrastructure and backbone, and providing for student and staff devices. Accountability and transparency will be essential to the success of this program, and progress on these objectives will be communicated with staff and community throughout this first year.

Consumers Energy Property Tax Appeal and Effects of Public Act 437 of 2012

In October 2011, the District became aware of significant property tax appeals entered into by Consumers Energy, the largest taxpayer in the District. On June 26, 2012, the City of Muskegon and Consumers Energy entered into a stipulation agreement that will ultimately result in paybacks of over $4.5 million. Of this total, nearly $2 million is the responsibility of Reeths-Puffer Schools. Payments were made during 2012-13 to clear the District of liabilities that were accrued for planned payback of previous year property taxes at June 30, 2012. Over $1.36 million in operating tax refunds was paid in August 2012, with the remainder of approximately $635,000 paid in January 2013.

The future impact of this settlement is still being monitored as of the report date. This adjustment alone resulted in a greater than 9% decrease in total taxable values, so future tax levies at the same millage rate would produce significantly less tax revenue for the District. Public Act 437 of 2012 requires a recalculation of the District's millage rate since the District participates in the School Bond Loan Fund. This recalculation is used to gauge compliance with the mandatory loan repayment date (MLRD), which occurs in the year 2033. A significant taxable value loss such as this puts the District in MLRD non-compliance, and requires a millage increase. The millage rate for 2014-15 will be increased by 1.0 mills, or an 11.49% increase, equal to the loss in taxable values experienced over the past five years. If taxable values continue to decline, the District will be able to use this statutory limitation to smooth the increase in the millage rate. If taxable values increase, then the District will have to raise the rate to gain compliance with the MLRD. The District is able to continue to borrow through the School Bond Loan Fund to make up the shortfall between bond principal and interest obligations and the tax revenue generated by the levy. The District is monitoring the situation closely to ensure that the financial impact of future settlements is known and recognized in long-term planning for future property tax levies.

Post-Retirement Benefits

The District has a post-retirement benefit plan, created as a result of clauses in the collective bargaining agreement with the R-PEA, which guarantees certain insurance payments for up to ten years after retirement from the District. In 2013-14, the District utilized a pay-as-you-go method and recognized approximately $169,000 in costs. Per the actuary analysis, the District should have contributed approximately $327,000 as the required annual contribution, to offset increasing costs and keep the liability from increasing. The total current liability in present value dollars is $902,685. This means if the program were discontinued today and no new members joined, this would be the cost for the District to pay its current members. Per GASB regulations, the District is not required to recognize this liability or the required annual contribution in the General Fund financial statements. This liability is recognized in the government-wide Statement of Net Position. The costs of this plan and the unfunded liability are projected to continue to increase in 2014-15 and beyond. The District will have to make a decision on how to fund this liability and deal with these costs. Discontinuing this program may prove difficult, as the majority of its entrants and the related costs come from a negotiated union contract. Another option may involve creating an internal service fund and setting funds aside on an annual basis to fund the increase in the liability. This would require appropriation of additional General Fund money not currently in the budget and would likely result in decreasing the General Fund balance until contributions catch up with the retiree insurance liability. For more information, see Note I in the footnotes to these financial statements.

Employee Contracts (MEA affiliates)

As of the report date, all organized labor groups are under contract for the 2014-15 year with settled contracts. The certified staff contract (teachers and professional instructional support) was ratified on August 27, 2014 and expires August 15, 2016. The contract with the maintenance/food service/transportation group was ratified on August 11, 2014 and expires June 30, 2016. The contract with the secretarial/para-professional group expires June 30, 2015.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show how the District accounts for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jason Helsen, Director of Finance, Reeths-Puffer Schools, 991 W. Giles Road, Muskegon, Michigan 49445, telephone number (231) 719-3110.

Reeths-Puffer Schools

STATEMENT OF NET POSITION

June 30, 2014

		Governmental activities
ASSETS		
Current assets		
Cash and cash equivalents	$	5,946,089
Receivables		138,835
Due from other governmental units		6,782,009
Inventories		11,021
Prepaid items		49,969
Total current assets		12,927,923
Noncurrent assets		
Capital assets, net		
Nondepreciable		934,170
Depreciable		54,767,907
Total noncurrent assets		55,702,077
Total assets		68,630,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding		487,053
Total assets and deferred outflows of resources		69,117,053
LIABILITIES		
Current liabilities		
State aid loans		4,800,000
Accounts payable and accrued liabilities		3,804,274
Due to other governmental units		783,741
Unearned revenue		19,418
Bonds and other obligations, due within one year		5,261,146
Total current liabilities		14,668,579
Noncurrent liabilities		
Bonds and other obligations, less amounts due within one year		84,228,694
Total liabilities		98,897,273
NET POSITION		
Net investment in capital assets		(7,334,766)
Restricted for food services		325,991
Unrestricted		(22,771,445)
Total net position	**$**	**(29,780,220)**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

Functions/Programs	**Expenses**	**Program Revenue** **Charges for services**	**Program Revenue** **Operating grants and contributions**	**Net (Expense) Revenue and Changes in Net Position** **Governmental activities**
Governmental activities				
Instruction	$ 24,181,513	$ -	$ 4,536,351	$ (19,645,162)
Support services	12,320,667	73,878	3,004,817	(9,241,972)
Community services	34,757	-	35,137	380
Food services	1,341,406	384,717	963,074	6,385
Athletics	816,805	132,883	-	(683,922)
Interest on long-term debt	3,863,485	-	77,966	(3,785,519)
Unallocated depreciation	40,887	-	-	(40,887)
Total governmental activities	**$ 42,599,520**	**$ 591,478**	**$ 8,617,345**	(33,390,697)
General revenues				
Property taxes				7,940,154
Grants and contributions not restricted to specific programs				23,759,009
Investment earnings				10,970
Miscellaneous				121,080
Total general revenues				31,831,213
Change in net position				(1,559,484)
Net position at beginning of year				(28,220,736)
Net position at end of year				**$ (29,780,220)**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
BALANCE SHEET
Governmental Funds
June 30, 2014

	General Fund	Build America Bond Fund	Other governmental funds	Total governmental funds
ASSETS				
Cash and cash equivalents	$ 5,150,322	$ -	$ 795,767	$ 5,946,089
Receivables	138,835	-	-	138,835
Due from other governmental units	6,781,046	-	963	6,782,009
Due from other funds	112,820	-	376,438	489,258
Inventories	-	-	11,021	11,021
Prepaid items	49,969	-	-	49,969
Total assets	**$ 12,232,992**	**$ -**	**$ 1,184,189**	**$ 13,417,181**
LIABILITIES				
State aid loans	$ 4,800,000	$ -	$ -	$ 4,800,000
Accounts payable	194,057	-	91	194,148
Accrued liabilities	3,305,126	-	-	3,305,126
Due to other governmental units	783,741	-	-	783,741
Due to other funds	376,438	-	112,820	489,258
Unearned revenue	-	-	19,418	19,418
Total liabilities	9,459,362	-	132,329	9,591,691
FUND BALANCES				
Nonspendable				
Inventories	-	-	11,021	11,021
Prepaid items	49,969	-	-	49,969
Restricted				
Capital projects	-	-	470,341	470,341
Debt service	-	-	260,775	260,775
Food services	-	-	314,970	314,970
Unassigned	2,723,661	-	(5,247)	2,718,414
Total fund balances	2,773,630	-	1,051,860	3,825,490
Total liabilities and fund balances	**$ 12,232,992**	**$ -**	**$ 1,184,189**	**$ 13,417,181**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

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

June 30, 2014

Total fund balances—governmental funds		$ 3,825,490
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.		
Cost of capital assets	$ 79,777,049	
Accumulated depreciation	(24,074,972)	55,702,077
Deferred charges on refunding are not capitalized and amortized in the governmental funds.		
Deferred charges on refunding	820,466	
Accumulated amortization	(333,413)	487,053
Accrued interest in governmental activities is not reported in the governmental funds.		(305,000)
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		(89,489,840)
Net position of governmental activities		**$ (29,780,220)**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Governmental Funds

For the year ended June 30, 2014

	General Fund	Build America Bond Fund	Other governmental funds	Total governmental funds
REVENUES				
Local sources				
Property taxes	$ 2,952,523	$ -	$ 4,987,631	$ 7,940,154
Investment earnings	6,897	32	4,041	10,970
Fees and charges	206,761	-	384,717	591,478
Other	1,955,657	-	24,166	1,979,823
Total local sources	5,121,838	32	5,400,555	10,522,425
State sources	27,332,455	-	56,105	27,388,560
Federal sources	2,133,930	-	984,935	3,118,865
Total revenues	34,588,223	32	6,441,595	41,029,850
EXPENDITURES				
Current				
Instruction	22,421,463	-	-	22,421,463
Support services	12,453,122	-	-	12,453,122
Community services	34,757	-	-	34,757
Food services	-	-	1,338,035	1,338,035
Debt service				
Principal	-	-	3,491,991	3,491,991
Interest and other charges	-	-	3,657,177	3,657,177
Capital projects	-	224,436	9,469	233,905
Total expenditures	34,909,342	224,436	8,496,672	43,630,450
Excess (deficiency) of revenues over (under) expenditures	(321,119)	(224,404)	(2,055,077)	(2,600,600)
OTHER FINANCING SOURCES (USES)				
Other transactions	7,061	-	3,125	10,186
Transfers in	74,000	-	126,834	200,834
Transfers out	(73,186)	-	(127,648)	(200,834)
Loan proceeds	-	-	2,184,385	2,184,385
Total other financing sources (uses)	7,875	-	2,186,696	2,194,571
Net change in fund balances	(313,244)	(224,404)	131,619	(406,029)
Fund balances at beginning of year	3,086,874	224,404	920,241	4,231,519
Fund balances at end of year	**$ 2,773,630**	**$ -**	**$ 1,051,860**	**$ 3,825,490**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

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

For the year ended June 30, 2014

Net change in fund balances—total governmental funds		$ (406,029)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.		
Depreciation expense	$ (2,223,067)	
Capital outlay	121,624	(2,101,443)
Governmental funds report outlays for deferred charges on refunding as expenditures; in the Statement of Activities these costs are amortized over the bond period.		(43,661)
Debt proceeds are other financing sources in the governmental funds, but debt proceeds and accrued interest added to principal increase long-term debt in the Statement of Net Position.		(4,120,067)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.		5,244,026
Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.		21,000
Compensated absences and post-employment benefits reported in the Statement of Activities do not require the use of current financial resources. They are reported as expenditures when financial resources are used in the governmental funds.		(153,310)
Change in net position of governmental activities		**$ (1,559,484)**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Fiduciary Funds

June 30, 2014

	Agency funds
ASSETS	
Cash and cash equivalents	$ 449,733
Receivables	6,610
	$ 456,343
LIABILITIES	
Accounts payable	$ 100,541
Deposits held for others	355,802
	$ 456,343

The accompanying notes are an integral part of this statement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School District is considered to be financially accountable for other organizations, those organizations should be included as component units in the School District's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

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

The School District reports the following major governmental funds:

> The General Fund is the government's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
>
> The Build America Bond Fund accounts for the use of the proceeds from the 2010 School Building and Site Bonds. The bonds were approved for issuance in February 2010 and may be used for the remodeling, equipping and furnishing of school buildings and athletic facilities and the purchase of new technology and school buses.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

Additionally, the School District reports the following fund types:

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

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

The capital projects funds account for the financial resources to be used for the acquisition of fixed assets or construction of major capital projects.

The agency fund is custodial in nature and used to account for assets held by the School District as an agent for another organization or individual.

During the course of operations the School District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement obligations and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the current fiscal year, the foundation allowance was based on pupil membership counts taken in October and February.

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

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

All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

Cash and Investments

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the School District are reported at fair value (generally based on quoted market prices). 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 School District intends to hold the investment until maturity.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Cash and Investments—Continued
State statutes authorize the School 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 School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

Inventories and Prepaid Items
All inventories are valued at cost using the first-in/first-out method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

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

Capital Assets
Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

As the School District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment, of the School District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Years
Buildings and improvements	20-50
Land improvements	20
Buses and other vehicles	10
Furniture and equipment	10-20

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Long-term Obligations
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources
In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

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.

Net Position Flow Assumption
Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the computation of net investment in capital assets, School Bond Loan Fund and School Loan Revolving Fund debt is not considered to be capital related debt.

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

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

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

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

Revenues and Expenditures/Expenses

Program Revenues
Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes
Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

Compensated Absences
The liability for compensated absences reported in the government-wide statement consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees, and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Early Retirement Obligations
For government-wide financial statements, the liability for early retirement obligations is reported when legally enforceable. For fund financial statements, the liability for early retirement obligations is reported either 1) on the due date when there is a specified due date or 2) on the retirement date if it is before year end, when there is not a specified legally enforceable due date.

NOTE B—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting
Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Director of Finance is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2014.

Excess of Expenditures Over Appropriations
For the year ended June 30, 2014, expenditures in the General Fund exceeded appropriations in added needs by $76,500 and pupil transportation services by $43,510. The overexpenditures were funded by less than anticipated amounts in other expenditure functions.

NOTE B—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY—Continued

Fund Deficits

As of June 30, 2014, the 2006 Refunding Debt Service Fund had a deficit of $5,247. The deficit will be eliminated through future transfers.

School Bond Construction Compliance

The Build America Bond Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351(a) of the State of Michigan's School Code.

Following is a summary of the revenue and expenditures in the Build America Bond Fund from the inception of the fund through June 30, 2014:

	Build America Bond Fund
Revenue and bond proceeds	$ 6,999,691
Expenditures	6,999,691

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk

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

Credit risk

State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk

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

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2014, $6,509,781 of the School District's bank balance of $7,009,781 was exposed to custodial credit risk because it was uninsured; however, the School District had collateralized securities held by the pledging financial institution's trust department or agent in the School District's name with a market value of $4,083,008.

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - investments
The School District does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk
The School District is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	$ 474,150	$ -	$ -	$ 474,150
Land improvements	460,020	-	-	460,020
Total capital assets, not being depreciated	934,170	-	-	934,170
Capital assets, being depreciated:				
Land improvements	60,148	-	-	60,148
Buildings and improvements	73,148,692	39,927	-	73,188,619
Furniture and equipment	2,867,007	-	-	2,867,007
Vehicles	2,645,408	81,697	-	2,727,105
Total capital assets, being depreciated	78,721,255	121,624	-	78,842,879
Less accumulated depreciation:				
Land improvements	14,137	3,007	-	17,144
Buildings and improvements	19,081,688	1,801,341	-	20,883,029
Furniture and equipment	779,245	280,311	-	1,059,556
Vehicles	1,976,835	138,408	-	2,115,243
Total accumulated depreciation	21,851,905	2,223,067	-	24,074,972
Total capital assets, being depreciated, net	56,869,350	(2,101,443)	-	54,767,907
Capital assets, net	**$ 57,803,520**	**$ (2,101,443)**	**$ -**	**$ 55,702,077**

Depreciation
Depreciation expense has been charged to functions as follows:

Instruction	$ 1,631,725
Support services	468,051
Food services	3,371
Athletics	79,033
Unallocated	40,887
	$ 2,223,067

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014 is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Other governmental funds	$ 112,820
Other governmental funds	General Fund	376,438
		$ 489,258

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers
The General Fund transferred $73,186 to the Building and Site Fund to help fund future improvements. The Food Service Fund transferred $74,000 to the General Fund to cover allowable indirect costs.

NOTE F—SHORT-TERM DEBT

The School District issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. The short-term debt activity for the year ended June 30, 2014 follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
State aid anticipation note				
2012/2013 1.4% due August 2013	$ 3,500,000	$ -	$ 3,500,000	$ -
2013/2014 .84% due August 2014	-	4,800,000	-	4,800,000
	$ 3,500,000	**$ 4,800,000**	**$ 3,500,000**	**$ 4,800,000**

NOTE G—LONG-TERM OBLIGATIONS

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

NOTE G—LONG-TERM OBLIGATIONS—Continued

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

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due within one year
Governmental activities					
Bonds	$ 66,960,367	$ 1,156,636	$ 5,190,000	$ 62,927,003	$ 5,151,646
Premium	685,705	-	56,619	629,086	-
Discount	(34,786)	-	(2,593)	(32,193)	-
Other obligations	21,327,826	2,963,431	-	24,291,257	-
Compensated absences and post-employment benefits	911,377	407,839	241,529	1,077,687	-
Early retirement obligations	610,000	102,000	115,000	597,000	109,500
	$ 90,460,489	**$ 4,629,906**	**$ 5,600,555**	**$ 89,489,840**	**$ 5,261,146**

In the previous schedule, the additions for bonds represent $1,156,636 of accrued interest added to principal on capital appreciation bonds. The additions for other obligations represent new School Loan Revolving Fund proceeds of $2,184,385 as well as $507,056 of accrued interest added to principal on the School Bond Loan Fund and $271,990 of accrued interest added to principal on the School Loan Revolving Fund.

General obligation bonds and other obligations consist of the following:

	Interest Rate	Date of Maturity	Balance
Governmental activities			
General obligation bonds			
1992 School Building and Site Capital Appreciation Bond	6.8-6.85%	May 2022	$ 13,744,002
1992 Refunding Capital Appreciation Bond	6.8%	May 2017	1,863,001
2005 Refunding General Obligation Bond	4-4.375%	May 2026	1,980,000
2006 Refunding General Obligation Bond	4-4.2%	May 2027	5,170,000
2007 Refunding General Obligation Bond	4-5%	May 2025	22,170,000
2010 School Building and Site Qualified School Construction	2.25%	May 2025	14,000,000
2010 School Building and Site Build America Bonds	5.9-6.1%	May 2029	4,000,000
			$ 62,927,003
Other obligations			
School Bond Loan Fund	3.52%	May 2033	$ 14,903,674
School Loan Revolving Fund	3.52%	May 2033	2,359,471
School Loan Revolving Fund	3.52%	May 2033	7,028,112
			$ 24,291,257

NOTE G—LONG-TERM OBLIGATIONS—Continued

General obligation bonds—Continued

The annual requirements of principal and interest to amortize the bonded debt and early retirement obligations outstanding as of June 30, 2014 follow:

Year ending June 30,	Principal	Interest	Total
2015	$ 5,261,146	$ 2,005,469	$ 7,266,615
2016	5,218,366	2,035,987	7,254,353
2017	5,183,349	2,067,866	7,251,215
2018	5,135,096	2,105,207	7,240,303
2019	5,063,335	2,154,243	7,217,578
2020-2024	24,127,711	8,534,230	32,661,941
2025-2029	13,535,000	1,509,724	15,044,724
	$ 63,524,003	**$ 20,412,726**	**$ 83,936,729**

NOTE H—EMPLOYEE BENEFITS

Employee Retirement System

Plan description
The School District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to or calling:

Office of Retirement Services
Michigan Public School Employees Retirement System
P.O. Box 30171
Lansing Michigan 48909-7671
1-800-381-5111

Funding policy-defined benefit plan
Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired between January 1, 1990 and June 30, 2008 and returning members who did not work between January 1, 1987 and December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first $5,000; 3.6 percent of $5,001 through $15,000; 4.3 percent of all wages over $15,000. Members first hired July 1, 2008 or later, including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3 percent of the first $5,000, 3.6 percent of $5,001 through $15,000; 6.4 percent of all wages over $15,000.

NOTE H—EMPLOYEE BENEFITS—Continued

Employee Retirement System—Continued

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

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

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits. The rates for the year ended June 30, 2014 ranged from 22.56 percent to 29.35 percent of payroll. The contribution requirements of plan members and the School District are established and may be amended by the MPSERS Board of Trustees. The School District contributions to MPSERS for the years ended June 30, 2014, 2013 and 2012 were approximately $5,395,000, $4,828,000, and $4,476,000 respectively, and were equal to the required contribution for those years. Employee contributions to the MIP were approximately $1,271,000 for the year ended June 30, 2014.

Funding policy-defined contribution plan
Public Act 75 of 2010 established the Pension Plus Plan which provides all individuals hired on or after July 1, 2010, with a combined Defined Benefit and Defined Contribution benefit structure. Any member of MPSERS who became a member of MPSERS on or after July 1, 2010 is a Pension Plus member.

Employees under the Pension Plus Plan are automatically enrolled in the defined contribution component of the plan with a default employee contribution rate of 2 percent of the employee’s pay. Employees may increase their personal contribution up to the annual IRS limit or can elect out of contributing. The School District is required to match 50 percent of the employee contribution up to 1 percent of the employee’s pay. For the year ended June 30, 2014, School District and employee contributions were approximately $38,500 and $35,700, respectively.

The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

NOTE H—EMPLOYEE BENEFITS—Continued

Other Post-employment Benefits

Benefit provisions of the post-employment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80 percent beginning January 1, 2013; 90 percent 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 contribute 3 percent of their compensation to offset employer contributions for health care benefits of current retirees.

Other Information

Supplemental payments
The 2014 contribution to MPSERS above includes state aid received by the School District for the sole purpose of making supplemental payments to MPSERS. The School District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2014.

Pending litigation against MPSERS
Three cases have been consolidated and are pending in the Michigan Supreme Court (MSC). Plaintiffs are contesting the 3 percent contribution required by Public Act 75 of 2010 to be made by members of the Michigan Public School Employees' Retirement System. Plaintiffs allege a violation of Defendants' contractual obligations and impairment of their contracts as prohibited under both the Michigan and U.S. Constitutions. The trial court ruled in Plaintiffs' favor and entered a preliminary injunction requiring that the Plaintiffs' contributions not be used and be placed in an interest bearing account. The trial court ruling was affirmed by the Michigan Court of Appeals and an application for leave to the MSC remains pending.

NOTE I—POST-EMPLOYMENT HEALTH CARE PLAN

Plan Description
Pursuant to employment contracts, certain employees electing early retirement are eligible to receive post-retirement health and life insurance benefits through the Reeths-Puffer Schools Post-Retirement Medical Plan (Plan). Benefits terminate the month the person attains eligibility for full social security benefits, or dies, whichever occurs first; however, no more than ten (10) years of payments will be made.

NOTE I—POST-EMPLOYMENT HEALTH CARE PLAN—Continued

Funding Policy

Retirees are not required to contribute to the Plan. The School District funds the Plan on a pay-as-you-go basis. The annual cost of these benefits per retiree ranged from approximately $300 to $3,700, provided to approximately 110 participants.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation to the Plan.

Annual required contribution	$	340,780
Interest on net OPEB obligation		29,776
Adjustment to annual required contribution		(43,048)
Annual OPEB cost (expense)		327,508
Contributions made		169,209
Increase in net OPEB obligation		158,299
Net OPEB obligation - beginning of year		744,386
Net OPEB obligation - end of year	**$**	**902,685**

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2014 is as follows:

Year ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
06/30/12	$	301,685	60.1	$	595,118
06/30/13		321,125	53.5		744,386
06/30/14		327,508	51.7		902,685

The funded status of the Plan as of July 1, 2013, was as follows:

Market value of plan assets	$	-
Actuarial accrued liability (AAL)		2,391,459
Unfunded actuarial accrued liability	**$**	**2,391,459**
Funded ratio (actuarial value of plan assets/AAL)		0 %

NOTE I—POST-EMPLOYMENT HEALTH CARE PLAN—Continued

Annual OPEB Cost and Net OPEB Obligation—Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of Plan members not contributing to the Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The required contribution was determined as part of the July 1, 2014 actuarial valuation using the Projected Unit Credit (level dollar) actuarial cost method. The actuarial assumptions included (a) 4 percent discount rate, (b) an annual healthcare trend rate of 5 percent initially, reduced by decrements to an ultimate rate of .75 percent after 5 years. Both rates assume include a 5 percent inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar on an open basis. The remaining amortization period at June 30, 2014 is 30 years.

NOTE J—COMMITMENTS AND CONTINGENCIES

Operating Leases

The School District has lease agreements expiring at various dates through June 2018. Expense for the year ended June 30, 2014 was approximately $189,000. The following is a schedule of future minimum rental payments required under operating leases for School District office equipment.

Year ending June 30,	Amount
2015	$ 189,409
2016	189,409
2017	96,102
2018	2,794
	$ 477,714

Grant Programs

The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE K—OTHER INFORMATION

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2014 or any of the prior three years.

NOTE L—SUBSEQUENT EVENT

In August 2014, the School District received the proceeds of a $4,800,000 State of Michigan (State) school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity in August 2015 and bears interest at the rate of .7 percent per annum. The School District pledged for payment of the notes payable, the amount of State school aid to be received plus the full faith, credit, and resources of the School District.

NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement 68—*Accounting and Financial Reporting for Pensions* was issued by the GASB in June 2012 and will be effective for the School District's 2015 fiscal year. The statement requires governments that participate in defined benefit pension plans to report in their Statement of Net Position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Cost-sharing employers will be required to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The net pension liability recorded in the Statement of Net Position on July 1, 2014 will be very significant.

REQUIRED SUPPLEMENTARY INFORMATION

Reeths-Puffer Schools

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

General Fund

For the year ended June 30, 2014

	Budgeted amounts			Variance with final budget- positive
	Original	**Final**	**Actual**	**(negative)**
REVENUES				
Local revenue				
Local sources	$ 3,372,000	$ 3,360,500	$ 3,252,909	$ (107,591)
Received from other districts	1,838,000	1,709,000	1,868,929	159,929
State sources	26,701,000	27,197,000	27,332,455	135,455
Federal sources	2,020,923	2,281,324	2,133,930	(147,394)
Incoming transfers and other transactions	140,000	225,000	81,061	(143,939)
Total revenues	34,071,923	34,772,824	34,669,284	(103,540)
EXPENDITURES				
Instruction				
Basic programs	17,395,806	17,348,535	17,250,630	97,905
Added needs	4,355,187	4,777,386	4,853,886	(76,500)
Adult education	-	300,000	316,947	(16,947)
Support services				
Pupil	2,809,874	2,742,031	2,712,694	29,337
Instructional staff	1,321,723	1,228,261	1,154,768	73,493
General administration	429,817	439,164	425,923	13,241
School administration	2,256,186	2,284,701	2,271,646	13,055
Business	532,060	503,573	476,034	27,539
Operations and maintenance	2,512,376	2,601,087	2,617,284	(16,197)
Pupil transportation services	1,359,583	1,350,532	1,394,042	(43,510)
Central	707,141	720,228	662,963	57,265
Athletics	702,008	719,602	737,768	(18,166)
Community services	39,279	31,385	34,757	(3,372)
Outgoing transfers and other transactions	73,186	73,186	73,186	-
Total expenditures	34,494,226	35,119,671	34,982,528	137,143
Excess (deficiency) of revenues over (under) expenditures	**$ (422,303)**	**$ (346,847)**	(313,244)	**$ 33,603**
Fund balance at beginning of year			3,086,874	
Fund balance at end of year			**$ 2,773,630**	

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

OTHER SUPPLEMENTAL INFORMATION

Reeths-Puffer Schools
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2014

	Total other governmental funds	Food Service	Debt Service	Building & Site
ASSETS				
Cash and cash equivalents	$ 795,767	$ 432,548	$ 269,316	$ 93,903
Due from other governmental units	963	963	-	-
Due from other funds	376,438	-	-	376,438
Inventories	11,021	11,021	-	-
Total assets	**$ 1,184,189**	**$ 444,532**	**$ 269,316**	**$ 470,341**
LIABILITIES				
Liabilities				
Accounts payable	$ 91	$ 91	$ -	$ -
Due to other funds	112,820	99,032	13,788	-
Unearned revenue	19,418	19,418	-	-
Total liabilities	132,329	118,541	13,788	-
FUND BALANCES				
Nonspendable for inventories	11,021	11,021	-	-
Restricted				
Capital projects	470,341	-	-	470,341
Debt service	260,775	-	260,775	-
Food service	314,970	314,970	-	-
Unassigned	(5,247)	-	(5,247)	-
Total fund balances	1,051,860	325,991	255,528	470,341
Total liabilities and fund balances	**$ 1,184,189**	**$ 444,532**	**$ 269,316**	**$ 470,341**

Reeths-Puffer Schools
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended June 30, 2014

	Total other governmental funds	Food Service	Debt Service	Building & Site
REVENUES				
Local sources				
Property taxes	$ 4,987,631	$ -	$ 4,987,631	$ -
Investment earnings	4,041	805	3,011	225
Fees and charges	384,717	384,717	-	-
Other	24,166	24,166	-	-
Total local sources	5,400,555	409,688	4,990,642	225
State sources	56,105	56,105	-	-
Federal sources	984,935	906,969	77,966	-
Total revenues	6,441,595	1,372,762	5,068,608	225
EXPENDITURES				
Food service	1,338,035	1,338,035	-	-
Debt service				
Principal	3,491,991	-	3,491,991	-
Interest and other charges	3,657,177	-	3,657,177	-
Capital projects	9,469	-	-	9,469
Total expenditures	8,496,672	1,338,035	7,149,168	9,469
Excess (deficiency) of revenues over (under) expenditures	(2,055,077)	34,727	(2,080,560)	(9,244)
OTHER FINANCING SOURCES (USES)				
Other transactions	3,125	-	-	3,125
Transfers in	126,834	-	53,648	73,186
Transfers out	(127,648)	(74,000)	(53,648)	-
Loan proceeds	2,184,385	-	2,184,385	-
Total other financing sources (uses)	2,186,696	(74,000)	2,184,385	76,311
Net change in fund balances	131,619	(39,273)	103,825	67,067
Fund balances at beginning of year	920,241	365,264	151,703	403,274
Fund balances at end of year	**$ 1,051,860**	**$ 325,991**	**$ 255,528**	**$ 470,341**

Reeths-Puffer Schools

COMBINING BALANCE SHEET

Other Debt Service Funds

June 30, 2014

	Total Other Debt Service Funds	1992 Refunding	1992 Debt	1990 Debt	2005 Refunding	2006 Refunding	2010-A Qualified School Construction Bonds Debt	2010-B Build America Bonds Debt	2007 Refunding	2002 Debt
ASSETS										
Cash and cash equivalents	$ 269,316	$ 34,797	$ 59,681	$ -	$ 9,221	$ 5,091	$ 53,306	$ 1,216	$ 106,004	$ -
LIABILITIES										
Due to other funds	$ 13,788	$ -	$ -	$ -	$ 300	$ 10,338	$ 2,947	$ 53	$ 150	$ -
FUND BALANCES (DEFICITS)	255,528	34,797	59,681	-	8,921	(5,247)	50,359	1,163	105,854	-
Total liabilities and fund balances (deficits)	**$ 269,316**	**$ 34,797**	**$ 59,681**	**$ -**	**$ 9,221**	**$ 5,091**	**$ 53,306**	**$ 1,216**	**$ 106,004**	**$ -**

Reeths-Puffer Schools
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
Other Debt Service Funds
For the year ended June 30, 2014

	Total Other Debt Service Funds	1992 Refunding	1992 Debt	1990 Debt	2005 Refunding	2006 Refunding	2010-A Qualified School Construction Bonds Debt	2010-B Build America Bonds Debt	2007 Refunding	2002 Debt
REVENUES										
Local sources										
Property taxes	$ 4,987,631	$ 643,565	$ 1,108,362	$ -	$ 184,941	$ 71,293	$ 989,183	$ 17,877	$ 1,972,410	$ -
Investment earnings	3,011	421	757	(23)	65	46	505	94	1,146	-
Total local sources	4,990,642	643,986	1,109,119	(23)	185,006	71,339	989,688	17,971	1,973,556	-
Federal sources	77,966	-	-	-	-	-	77,966	-	-	-
Total revenues	5,068,608	643,986	1,109,119	(23)	185,006	71,339	1,067,654	17,971	1,973,556	-
EXPENDITURES										
Debt service										
Principal	3,491,991	185,336	326,655	-	190,000	-	1,000,000	-	1,790,000	-
Interest and other charges	3,657,177	614,664	1,083,345	-	89,936	215,000	337,500	242,000	1,074,732	-
Total expenditures	7,149,168	800,000	1,410,000	-	279,936	215,000	1,337,500	242,000	2,864,732	-
Excess (deficiency) of revenues over (under) expenditures	(2,080,560)	(156,014)	(300,881)	(23)	(94,930)	(143,661)	(269,846)	(224,029)	(891,176)	-
OTHER FINANCING SOURCES (USES)										
Transfers in	53,648	-	21,613	-	-	22,064	-	-	-	9,971
Transfers out	(53,648)	-	-	(43,677)	-	(9,971)	-	-	-	-
Loan proceeds	2,184,385	150,116	278,660	-	233,448	123,214	315,002	205,527	878,418	-
Total other financing sources (uses)	2,184,385	150,116	300,273	(43,677)	233,448	135,307	315,002	205,527	878,418	9,971
Net change in fund balances	103,825	(5,898)	(608)	(43,700)	138,518	(8,354)	45,156	(18,502)	(12,758)	9,971
Fund balances (deficits) at beginning of year	151,703	40,695	60,289	43,700	(129,597)	3,107	5,203	19,665	118,612	(9,971)
Fund balances (deficits) at end of year	**$ 255,528**	**$ 34,797**	**$ 59,681**	**$ -**	**$ 8,921**	**$ (5,247)**	**$ 50,359**	**$ 1,163**	**$ 105,854**	**$ -**

Reeths-Puffer Schools
CONTENTS OF THE STATISTICAL SECTION

This part of the Reeths-Puffer 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.

Contents	**Pages**

Sources: This is the first time Reeths-Puffer Schools has completed a Comprehensive Annual Financial Report (CAFR). Certain information presented in these schedules is derived from previous years' audit reports and the corresponding statistical sections. Sources of data pulled from local, state, and federal sources have been noted by schedule.

Reeths-Puffer Schools
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net Position by Component										
Governmental Activities										
Net investment in capital assets	$ (7,334,766)	$ (9,052,648)	$ (9,899,733)	$ (10,812,829)	$ (12,017,682)	$ (12,754,706)	$ (13,722,689)	$ (14,527,582)	$ (15,872,134)	$ (25,278,564)
Restricted for:										
Food services	325,991	355,166	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	894,191	1,056,524	958,541	752,739	184,159	487,169
Capital projects	-	-	-	-	-	-	-	-	-	105,231
Unrestricted	(22,771,445)	(19,523,254)	(15,676,941)	(11,641,407)	(11,077,260)	(10,310,735)	(9,687,265)	(9,150,588)	(8,248,222)	547,841
Total Governmental Net Position	$ (29,780,220)	$ (28,220,736)	$ (25,576,674)	$ (22,454,236)	$ (22,200,751)	$ (22,008,917)	$ (22,451,413)	$ (22,925,431)	$ (23,936,197)	$ (24,138,323)

Source: District audited financial statements.

Reeths-Puffer Schools
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental Activities										
Instruction	$ 24,181,513	$ 22,968,670	$ 23,032,735	$ 22,873,918	$ 23,291,126	$ 23,144,537	$ 22,605,530	$ 21,104,919	$ 20,048,837	$ 21,739,439
Support Services	12,320,667	12,150,567	13,517,984	13,206,390	12,789,934	12,780,190	13,027,303	12,817,105	12,886,432	12,644,772
Community Services	34,757	156,811	373,689	387,533	320,000	28,568	24,855	41,761	86,230	91,028
Food Services	1,341,406	1,357,069	1,335,695	1,242,266	1,305,144	1,256,482	1,260,488	1,125,776	1,180,925	1,201,043
Athletics	816,805	665,547	698,173	651,156	818,345	876,673	845,585	753,139	744,492	698,258
Interest on long-term debt	3,863,485	4,014,075	4,106,619	4,188,920	3,972,458	4,059,962	4,058,254	4,142,323	4,403,356	4,059,480
Unallocated depreciation and amortization	40,887	120,878	109,468	74,866	60,501	55,110	55,107	1,368,306	1,331,175	1,583,266
Total Expenses	42,599,520	41,433,617	43,174,363	42,625,049	42,557,508	42,201,522	41,877,122	41,353,329	40,681,447	42,017,286
Program Revenues										
Governmental Activities										
Charge for services:										
Instruction	-	-	-	-	-	-	1,385	2,500	12,808	-
Support services	73,878	76,986	71,153	62,121	73,320	106,221	105,825	106,961	116,562	-
Community services	-	133,617	150,531	162,341	98,466	-	-	15,000	29,500	-
Food services	384,717	383,486	411,163	457,911	558,342	555,255	555,131	595,589	622,493	655,929
Athletics	132,883	126,433	123,226	132,492	157,333	160,392	168,055	172,881	156,512	132,830
Operating grants and contributions	8,617,345	8,171,746	8,000,200	9,180,738	9,740,926	7,147,206	5,265,308	5,462,459	4,980,535	5,382,183
Total Program Revenues	9,208,823	8,892,268	8,756,273	9,995,603	10,628,387	7,969,074	6,095,704	6,355,390	5,918,410	6,170,942
Net Expenses	(33,390,697)	(32,541,349)	(34,418,090)	(32,629,446)	(31,929,121)	(34,232,448)	(35,781,418)	(34,997,939)	(34,763,037)	(35,846,344)
General Revenues										
Governmental Activities										
Property Taxes	7,940,154	8,093,732	8,364,053	9,280,309	9,473,774	9,096,143	9,067,139	8,340,700	7,848,556	7,278,028
Grants and contributions not restricted to specific programs	23,759,009	22,513,544	22,677,225	23,041,136	22,173,698	25,483,831	26,904,535	27,427,034	26,940,273	26,622,874
Unrestricted investment earnings	10,970	23,548	31,448	61,944	74,781	49,975	185,157	198,224	166,175	85,500
Gain on sale of assets	-	7,088	-	-	-	-	-	-	-	367,383
Special item - refund of prior year taxes	-	-	-	(125,273)	-	-	-	-	-	-
Miscellaneous	121,080	160,584	222,926	117,847	15,034	44,995	98,606	42,747	10,159	143,346
Total General Revenues	31,831,213	30,798,496	31,295,652	32,375,963	31,737,287	34,674,944	36,255,437	36,008,705	34,965,163	34,497,131
Change in Net Position	(1,559,484)	(1,742,853)	(3,122,438)	(253,485)	(191,834)	442,496	474,019	1,010,766	202,126	(1,349,213)
Net Position, Beginning	(28,220,736)	(26,477,883)	(22,454,235)	(22,200,750)	(22,008,916)	(22,451,412)	(22,925,431)	(23,936,197)	(24,138,323)	(22,789,110)
Net Position, Ending	$ (29,780,220)	$ (28,220,736)	$ (25,576,673)	$ (22,454,235)	$ (22,200,750)	$ (22,008,916)	$ (22,451,412)	$ (22,925,431)	$ (23,936,197)	$ (24,138,323)

Source: District audited financial statements.
Note: Beginning net position for 2012-13 has been restated to reflect financial statement changes due to GASB statement 65.

Reeths-Puffer Schools
FUND BALANCES—GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable (Reserved)	$ 49,969	$ 64,468	$ 55,607	$ 297,783	$ 58,947	$ 60,605	$ 63,849	$ 98,206	$ 59,729	$ 176,073
Assigned (Designated)	-	422,303	1,073,706	1,843,000	-	-	-	-	-	250,000
Unassigned (Unreserved, Undesignated)	2,723,661	2,600,103	2,553,152	2,841,743	4,210,132	3,910,450	3,423,174	3,216,120	2,260,350	1,513,924
Total General Fund	2,773,630	3,086,874	3,682,465	4,982,526	4,269,079	3,971,055	3,487,023	3,314,326	2,320,079	1,939,997
All Other Governmental Funds										
Nonspendable (Reserved), Reported in Special Revenue Funds	11,021	10,098	13,900	21,664	27,658	40,335	40,227	36,995	20,174	20,174
Restricted (Reserved/Unreserved), Reported in:										
Capital Projects funds	470,341	627,678	1,092,112	6,739,084	19,685,068	287,055	408,577	6,411	451,171	500,875
Debt Service funds	260,775	151,703	-	211,090	1,417,191	1,311,024	1,388,542	1,667,244	664,306	487,169
Special Revenue funds	314,970	355,166	442,397	440,026	299,766	191,486	158,703	164,565	90,457	101,618
Unassigned (Unreserved, Undesignated)	(5,247)	-	(458,310)	-	-	-	-	-	-	-
Total All Other Governmental Funds	1,051,860	1,144,645	1,090,099	7,411,864	21,429,683	1,829,900	1,996,049	1,875,215	1,226,108	1,109,836
Total All Governmental Funds	$ 3,825,490	$ 4,231,519	$ 4,772,564	$ 12,394,390	$ 25,698,762	$ 5,800,955	$ 5,483,072	$ 5,189,541	$ 3,546,187	$ 3,049,833

Source: District audited financial statements.
Note: Fund balances prior to 2011-12 have been restated to comply with GASB Statement No. 54 for comparative purposes. Past labels used are listed in parentheses.

Reeths-Puffer Schools
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Local Sources										
Property taxes	$ 7,940,154	$ 8,093,732	$ 8,485,214	$ 9,280,309	$ 9,473,774	$ 9,096,143	$ 9,067,139	$ 8,340,700	$ 7,848,556	$ 7,278,028
Investment Earnings	10,970	23,548	31,448	61,944	74,781	49,975	185,157	198,224	166,175	85,500
Food sales and athletic admissions	591,478	720,522	756,073	814,865	691,230	827,474	837,486	891,459	913,166	780,826
Transfers from Other Districts and Other	1,979,823	1,830,045	1,927,245	1,801,097	189,499	99,890	97,743	58,290	64,832	151,279
State Sources	27,388,560	26,038,672	25,371,217	25,805,249	24,724,099	25,798,112	27,205,867	27,726,542	27,330,663	27,044,399
Federal Sources	3,118,865	2,961,018	3,204,933	5,007,955	5,125,073	4,626,731	2,645,311	2,943,791	2,813,864	3,012,448
Total Revenues	41,029,850	39,667,537	39,776,130	42,771,419	40,278,456	40,498,325	40,038,703	40,159,006	39,137,256	38,352,480
Expenditures										
Instruction										
Basic Programs	17,250,630	17,011,007	17,365,931	17,415,743	17,264,948	17,409,250	17,305,341	16,813,904	15,905,375	16,422,168
Added Needs	4,853,886	4,414,630	4,621,279	4,591,662	4,739,008	4,593,208	4,339,088	4,416,213	4,054,545	4,003,222
Adult Education	316,947	-	-	-	-	-	-	-	-	-
Support Services										
Pupil Support	2,712,694	2,759,550	2,856,188	2,840,294	2,966,849	2,964,100	2,884,261	2,874,260	2,664,730	2,540,146
Instructional Support	1,154,768	1,212,234	1,260,846	1,223,635	1,224,380	1,216,897	1,228,123	1,371,203	1,516,648	1,448,740
General Administration	425,923	448,258	414,827	396,192	463,298	491,648	455,579	445,147	440,002	434,585
School Administration	2,271,646	2,293,638	2,099,857	1,969,945	1,984,949	2,042,318	2,035,452	1,978,288	1,942,188	1,974,801
Business Services	476,034	430,020	482,296	547,172	510,431	642,233	774,635	708,930	1,006,766	749,975
Operations and Maintenance	2,617,284	2,426,036	2,385,779	2,434,584	2,368,435	2,633,015	2,808,148	2,886,744	3,355,782	3,246,810
Pupil Transportation	1,394,042	1,315,586	1,193,361	1,320,416	1,333,268	1,579,592	1,620,304	1,632,238	1,890,472	1,552,531
Central	662,963	612,155	687,594	679,529	746,832	696,662	745,741	657,824	20,022	639,328
Other Support	-	-	-	-	-	1,251	355	14,647	430,136	17,535
Athletics	737,768	678,629	706,126	655,539	738,355	796,683	765,595	753,139	744,492	698,258
Community services	34,757	156,811	373,689	387,533	320,000	28,568	24,855	41,761	86,230	91,028
Food Services	1,338,035	1,352,790	1,330,507	1,237,771	1,252,726	1,254,064	1,263,849	1,180,709	1,220,925	1,201,043
Debt service										
Principal	3,491,991	3,562,030	5,003,593	5,005,395	3,654,721	3,062,609	2,709,082	2,731,867	2,475,958	2,379,747
Interest and Other Charges	3,657,177	3,663,965	2,244,653	2,628,547	1,980,959	2,593,311	2,638,768	2,445,261	3,133,382	3,358,674
Bond Issuance Costs	-	-	-	-	243,819	-	-	431,563	-	-
Capital Projects	233,905	565,351	5,817,776	13,193,919	2,453,702	192,093	395,627	168,843	138,136	801,125
Total Expenditures	43,630,450	42,902,690	48,844,302	56,527,876	44,246,680	42,197,502	41,994,803	41,552,541	41,025,789	41,559,716
Excess (Deficiency) of Revenues over (under) Expenditures	(2,600,600)	(3,235,153)	(9,068,172)	(13,756,457)	(3,968,224)	(1,699,177)	(1,956,100)	(1,393,535)	(1,888,533)	(3,207,236)
Other Financing Sources (Uses)										
Transfers from other governmental units	10,186	83,080	440,548	31,541	2,006,393	2,183,612	2,311,304	2,247,703	1,964,533	2,334,593
Transfers to other governmental units	-	(20,376)	(283,028)	(183,619)	(120,362)	(166,551)	(178,059)	(260,041)	(590,150)	(964,153)
Loan Proceeds	2,184,385	2,631,404	1,288,826	604,165	-	-	116,386	617,664	-	641,575
Operating Transfers from other funds	200,834	241,717	164,807	238,716	786,866	675,000	925,000	795,000	824,887	1,752,140
Operating Transfers to other funds	(200,834)	(241,717)	(164,807)	(238,716)	(786,866)	(675,000)	(925,000)	(795,000)	(824,887)	(1,752,140)
Payments to refund bond escrow agent and discounts on debt issuance or refunding	-	-	-	-	-	-	-	(37,432,184)	-	(12,408,041)
Proceeds from issuance of bonds and refunding bonds, premium proceeds of refunding	-	-	-	-	21,980,000	-	-	37,863,747	1,010,504	12,577,975
Total Other Financing Sources (Uses)	2,194,571	2,694,108	1,446,346	452,087	23,866,031	2,017,061	2,249,631	3,036,889	2,384,887	2,181,949
Net Change in Fund Balance	$ (406,029)	$ (541,045)	$ (7,621,826)	$ (13,304,370)	$ 19,897,807	$ 317,884	$ 293,531	$ 1,643,354	$ 496,354	$ (1,025,287)
Debt Service as a Percentage of Non-capital Expenditures	16.5%	17.1%	16.8%	17.6%	14.1%	13.5%	12.9%	13.6%	13.7%	14.1%

Source: District audited financial statements.

Reeths-Puffer Schools

TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(rate per $1,000 of assessed value)

				Taxable Value					Direct Tax Rate		
Tax Year	**Fiscal Year**	**Estimated Market Value**	**State Equalized Value**	**Non-Homestead Property**	**Homestead Property**	**Commercial Personal Property**	**Industrial Personal Property**	**Total**	**Operating**	**Debt**	**Total**
2004	2004-2005	$ 1,313,819,800	$ 656,909,900	$ 160,408,107	$ 365,984,337	$ -	$ -	$ 526,392,444	18.00	8.37	26.37
2005	2005-2006	1,391,647,000	695,823,500	174,466,456	384,608,266	-	-	559,074,722	18.00	8.37	26.37
2006	2006-2007	1,465,357,000	732,678,500	183,504,591	410,472,924	-	-	593,977,515	18.00	8.37	26.37
2007	2007-2008	1,561,433,760	780,716,880	205,933,309	434,471,461	-	-	640,404,770	18.00	8.37	26.37
2008	2008-2009	1,559,975,000	779,987,500	191,493,807	442,237,592	15,707,400	7,037,400	656,476,199	18.00	8.37	26.37
2009	2009-2010	1,555,204,200	777,602,100	203,354,401	449,536,629	16,276,100	6,758,700	675,925,830	18.00	8.37	26.37
2010	2010-2011	1,529,909,200	764,954,600	204,096,132	437,057,746	15,991,700	15,358,500	672,504,078	18.00	8.37	26.37
2011	2011-2012	1,457,631,400	728,815,700	203,719,579	426,127,332	15,017,434	15,466,200	660,330,545	18.00	8.37	26.37
2012	2012-2013	1,379,976,800	689,988,400	162,361,562	410,029,355	16,014,400	16,390,800	604,796,117	18.00	8.37	26.37
2013	2013-2014	1,276,364,300	638,182,150	158,351,000	407,609,000	15,379,100	16,296,300	597,635,400	18.00	8.37	26.37

Source: Michigan Department of Education Taxable Value Management System. Values assessed as of June 30 of the corresponding fiscal year are presented as of the date retrieved from the website and may potentially be adjusted by the taxing authorities.

Reeths-Puffer Schools

PROPERTY TAX RATES—DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

(rate per $1,000 of assessed value)

		Direct Tax Rates			Overlapping Rates					
Tax Year	**Fiscal Year**	**Operating**	**Debt**	**Total**	**Cedar Creek Township**	**Dalton Township**	**Fruitland Township**	**Laketon Township**	**Muskegon Township**	**City of Muskegon**
2004	2004-2005	18.00	8.37	26.37	0.9583	2.7090	2.9870	3.5614	6.7054	11.0768
2005	2005-2006	18.00	8.37	26.37	0.9411	2.6883	2.9870	3.5261	6.8534	11.0755
2006	2006-2007	18.00	8.37	26.37	0.9319	2.2323	2.9801	2.8994	6.7889	11.0732
2007	2007-2008	18.00	8.37	26.37	0.9253	2.2284	2.9044	2.8976	6.7889	11.0685
2008	2008-2009	18.00	8.37	26.37	0.9253	2.2284	2.9044	2.8976	6.7889	11.0682
2009	2009-2010	18.00	8.37	26.37	0.9253	2.2284	2.9904	2.8976	6.7889	11.1680
2010	2010-2011	18.00	8.37	26.37	0.9253	2.2284	2.9904	2.8976	7.7624	12.0680
2011	2011-2012	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0749
2012	2012-2013	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0749
2013	2013-2014	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0865

Source: Muskegon County Equalization Department, Annual Certified Tax Rate Apportionment Report.

Reeths-Puffer Schools

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Year Ended June 30,		**2014**			**2005**		
Taxpayer	**Product/service**	**Taxable Value**	**Rank**	**Percentage of Total Taxable Value**	**Taxable Value**	**Rank**	**Percentage of Total Taxable Value**
Consumers Energy	Utility	$ 37,359,630	1	6.24%	$ 70,621,024	1	13.42%
Bayer Cropscience	Chemical Plant	12,362,784	2	2.06%	14,381,484	2	2.73%
Cedar Fair	Amusement Park	9,779,104	3	1.63%	7,968,611	3	1.51%
DTE Gas Company	Utility	5,632,884	4	0.94%			
Meijer, Inc.	Retail	4,614,500	5	0.77%	4,349,859	5	0.83%
Nugent Sand Co. Inc.	Sand mining	3,894,198	6	0.65%	5,824,690	4	1.11%
Michigan Electric Transmission Co.	Production	2,062,300	7	0.34%			
Westech	Machine shop	1,985,900	8	0.33%			
Land Management LLC	Rental real estate	1,824,807	9	0.30%	1,784,411	7	0.34%
B Park Meadows LLC	Mobile home park	1,643,100	10	0.27%			
Comcast of Muskegon	Cable TV				1,248,200	9	0.24%
DTE Energy	Utility				3,462,659	6	0.66%
Bolema Lumber & Supply	Rental real estate				1,315,592	8	0.25%
Lakeshore Properties (Northside LLC)	Development				806,952	10	0.15%
Total Principal taxpayers		81,159,207		13.53%	111,763,482		21.24%
Balance of valuations		517,909,693		86.47%	414,628,962		78.76%
Total Taxable Valuation		$ 599,068,900		100.00%	$ 526,392,444		100.00%

Source: Muskegon County Equalization Department.

Reeths-Puffer Schools
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy: Amount	Collected Within the Fiscal Year of the Levy: Percent of levy	Collections (Refunds) in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percent of levy
2004	2004-2005	$ 7,278,028	$ 7,278,028	100.00%	$ (147,973)	$ 7,130,055	97.97%
2005	2005-2006	7,848,556	7,848,556	100.00%	(41,312)	7,807,244	99.47%
2006	2006-2007	8,274,674	8,340,700	100.80%	(35,451)	8,305,249	100.37%
2007	2007-2008	9,096,143	9,067,139	99.68%	(20,174)	9,046,965	99.46%
2008	2008-2009	9,035,839	9,068,653	100.36%	(30,975)	9,037,678	100.02%
2009	2009-2010	9,428,709	9,464,850	100.38%	(29,317)	9,435,533	100.07%
2010	2010-2011	9,273,273	9,263,318	99.89%	(71,665)	9,191,653	99.12%
2011	2011-2012	8,485,214	8,474,234	99.87%	(55,687)	8,418,548	99.21%
2012	2012-2013	8,080,744	8,083,830	100.04%	(36,941)	8,046,889	99.58%
2013	2013-2014	7,944,813	7,940,154	99.94%	-	7,940,154	99.94%

Source: Reeths-Puffer Schools District records.

Reeths-Puffer Schools

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Tax Year	Fiscal Year	General obligation bonds	School Loan Revenue Refunding Bonds	School Bond Loan Fund/School Loan Revolving Fund	Capital Lease Obligations	Total Outstanding Debt	Total Taxable Value	Outstanding Debt as a % of Taxable Value	Estimated Population (1)	Outstanding Debt Per Capita	Taxable Value Per Capita
2004	2004-2005	$ 66,149,948	$ 435,270	$ 9,923,068	$ -	$ 76,508,286	$ 526,392,444	14.44%	20,991	$ 3,622	$ 25,077
2005	2005-2006	64,191,094	402,472	11,363,428	127,256	76,084,250	559,074,722	13.49%	20,921	3,605	26,723
2006	2006-2007	63,130,996	402,472	12,543,054	102,719	76,179,241	593,977,515	12.54%	20,953	3,556	28,348
2007	2007-2008	61,283,381	402,472	13,179,592	117,658	74,983,103	640,404,770	11.49%	20,854	3,529	30,709
2008	2008-2009	59,180,427	364,555	13,816,640	69,507	73,431,129	656,476,199	10.99%	20,849	3,459	31,487
2009	2009-2010	78,531,848	324,834	14,599,357	44,734	93,500,773	675,925,830	13.62%	20,852	4,416	32,415
2010	2010-2011	74,817,443	89,259	15,890,777	18,063	90,815,542	672,504,078	13.47%	21,490	4,216	31,294
2011	2011-2012	70,987,012	45,667	17,936,062	-	88,968,741	660,330,545	13.47%	21,373	4,163	30,896
2012	2012-2013	67,611,286	-	21,327,826	-	88,939,112	604,796,117	14.68%	21,234	4,181	28,482
2013	2013-2014	62,927,003	-	24,291,256	-	87,218,259	597,635,400	14.55%	21,234	4,095	28,145

Sources: Reeths-Puffer Schools financial records and audited financial statements.

(1) Census figure for 2013-14 not yet released. The 2012-13 population figure was used as estimate.

Reeths-Puffer Schools
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Tax Year	Fiscal Year	General Obligation Bonds (1)	Debt Service Funds Available	Net Debt Outstanding	Total Taxable Value	Outstanding Debt as a % of Taxable Value	Estimated Population (2)	Outstanding Debt Per Capita	Taxable Value Per Capita
2004	2004-2005	$ 66,149,948	$ 487,169	$ 65,662,779	$ 526,392,444	12.47%	20,991	$ 3,128	$ 25,077
2005	2005-2006	64,191,094	664,306	63,526,788	559,074,722	11.36%	20,921	3,037	26,723
2006	2006-2007	63,130,996	1,667,244	61,463,752	593,977,515	10.35%	20,953	2,933	28,348
2007	2007-2008	61,283,381	1,388,542	59,894,839	640,404,770	9.35%	20,854	2,872	30,709
2008	2008-2009	59,180,427	1,311,024	57,869,403	656,476,199	8.82%	20,849	2,776	31,487
2009	2009-2010	78,531,848	1,417,191	77,114,657	675,925,830	11.41%	20,852	3,698	32,415
2010	2010-2011	74,817,443	211,090	74,606,353	672,504,078	11.09%	21,490	3,472	31,294
2011	2011-2012	70,987,012	-	70,987,012	660,330,545	10.75%	21,373	3,321	30,896
2012	2012-2013	67,611,286	151,703	67,459,583	604,796,117	11.15%	21,234	3,177	28,482
2013	2013-2014	62,927,003	260,775	62,666,228	597,635,400	10.49%	21,234	2,951	28,145

Sources and notes:
(1) Presented net of discounts and premiums
(2) Census figure for 2013-14 not yet released. The 2012-13 population figure was used as estimate.

Reeths-Puffer Schools
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2014

Governmental Unit	**Debt Outstanding**	**Estimated Percentage Applicable**	**Estimated Share of Direct and Overlapping Debt**
		(1)	
Cedar Creek Township	$ -	8.60%	$ -
Dalton Township	6,068,591	84.91%	5,152,841
Fruitland Township	3,478,350	19.64%	683,148
Laketon Township	8,564,172	100.00%	8,564,172
Muskegon Township	19,432,887	34.95%	6,791,794
City of Muskegon	14,813,328	5.69%	842,878
Muskegon County	62,155,000	14.05%	8,732,778
Muskegon Area ISD	-	14.04%	-
Muskegon Community College	6,675,000	14.05%	937,838
Subtotal, overlapping debt			31,705,449
District Direct Debt			62,927,003
Total Direct and Overlapping Debt			$ 94,632,452

Source: Municipal Advisory Council of Michigan.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the county. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the School District. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account; however, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

Reeths-Puffer Schools
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Legal Debt Margin Calculation For Fiscal Year 2013-14:

State Equalized Valuation (SEV), July 1, 2013	$	638,182,150
Statutory Debt Limit (15% of SEV)		95,727,323
Debt applicable to Debt Limit		62,927,003
Legal Debt Margin	$	32,800,320

Tax Year	Fiscal Year	State Equalized Value (SEV)	Statutory Debt Limit (15% of SEV)	Debt Applicable to Debt Limit	Legal Debt Margin	Debt as a Percentage of Debt Limit
2004	2004-2005	$ 656,909,900	$ 98,536,485	$ 66,149,948	$ 32,386,537	67.13%
2005	2005-2006	695,823,500	104,373,525	64,191,094	40,182,431	61.50%
2006	2006-2007	732,678,500	109,901,775	63,130,996	46,770,779	57.44%
2007	2007-2008	780,716,880	117,107,532	61,283,381	55,824,151	52.33%
2008	2008-2009	779,987,500	116,998,125	59,180,427	57,817,698	50.58%
2009	2009-2010	777,602,100	116,640,315	78,531,848	38,108,467	67.33%
2010	2010-2011	764,954,600	114,743,190	74,817,443	39,925,747	65.20%
2011	2011-2012	728,815,700	109,322,355	70,987,012	38,335,343	64.93%
2012	2012-2013	689,988,400	103,498,260	67,611,286	35,886,974	65.33%
2013	2013-2014	638,182,150	95,727,323	62,927,003	32,800,320	65.74%

Source: Muskegon County, Annual Equalization report.

As of June 30, 2014, the School District has a School Bond Loan Fund balance of $14,903,674 and a School Loan Revolving Fund balance of $9,387,583, for a total balance of $24,291,257.

The Bonds are fully qualified as of the date of delivery pursuant to Act 108 of the Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason, the School District will be or is unable to pay the principal and interest on the Bonds when due, the School District shall borrow, and the State of Michigan (State) shall lend to it from the School Bond Loan Fund or School Loan Revolving Fund established by the State, an amount sufficient to enable the School District to make payment. Article IX, Section 16 of the Michigan Constitution, as implemented by Act 112 of the Public Acts of Michigan, 1961, as amended, authorizes the State, without approval of its electors, to borrow from time to time such amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefore, for the purpose of making loans to school districts as provided amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefore, for the purpose of making loans to school districts as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing.

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report (CAFR) prepared by the State's Department of Management and Budget are available upon request from the Department of Management and Budget, Office of Financial Management, P.O. Box 30026, Lansing, Michigan 48909, telephone (517) 373-1011. The State has agreed to file its CAFR with the Nationally Recognized Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities Exchange Commission) annually, so long as any bonds qualified for participation in the School Bond Loan Fund remain outstanding.

Reeths-Puffer Schools

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Estimated Population (1)	Unemployment Rate: Muskegon County (2)	Unemployment Rate: State of Michigan (3)	Inflation Rate (4)	Personal Income (5): Total	Personal Income (5): Per Capita
2004	20,991	7.7%	7.1%	3.3%	$ 4,408,115	$ 25,514
2005	20,921	6.9%	6.8%	3.4%	4,474,596	25,774
2006	20,953	6.8%	6.9%	2.5%	4,627,783	26,641
2007	20,854	7.1%	7.1%	4.1%	4,765,807	27,431
2008	20,849	8.5%	8.3%	0.1%	4,898,789	28,233
2009	20,852	14.5%	13.5%	2.7%	4,705,478	27,984
2010	21,490	13.5%	12.7%	1.5%	5,006,786	29,114
2011	21,373	10.2%	10.4%	3.0%	5,234,139	30,785
2012	21,234	8.8%	9.1%	1.7%	5,392,301	31,685
2013	21,234	8.1%	8.4%	1.5%	N/A	N/A

Sources and notes:

(1) US Census Bureau School District estimates, http://www.census.gov/did/www/saipe/data/schools/data/index.html

(2) State of Michigan Department of Technology, Management and Budget (DTMB).

(3) State of Michigan Department of Technology, Management and Budget (DTMB).

(4) U.S. Department of Labor, Bureau of Labor Statistics. National CPI measured December to December.

(5) U.S. Department of Commerce information for Muskegon County. Total income shown in thousands of dollars.

Reeths-Puffer Schools

PRINCIPAL EMPLOYERS IN MUSKEGON COUNTY

Current Year and Nine Years Ago

Employer	2014 (1) Employees	2014 (1) Rank	2014 (1) Percentage of Total Employment	2005 (2) Employees	2005 (2) Rank	2005 (2) Percentage of Total Employment
Mercy Health	3,657	1	4.5%			
Mercy General Health Partners (3)				2,100	2	2.34%
Hackley Hospital (3)				1,600	3	1.78%
Howmet Corp.	2,060	2	2.5%	2,500	1	2.78%
County of Muskegon	1,028	3	1.3%	1,150	4	1.28%
Muskegon Public Schools	941	4	1.2%	1,110	5	1.24%
Meijer Inc.	866	5	1.1%	1,100	6	1.22%
ADAC Automotive	750	6	0.9%			
G.E. Aviation	644	7	0.8%			
Port City Group	600	8	0.7%			
Diversified Machine	425	9	0.5%			
Knoll Inc.	403	10	0.5%	460	10	0.51%
Hayes Lemmerz International				550	7	0.61%
ADAC Plastics				500	8	0.56%
Johnson Technology, Inc.				475	9	0.53%
Total Pricipal Employees	11,374		13.9%	11,545		12.85%
Total Employment Base	81,820			89,744		

Sources and notes:

1) Muskegon Area First, Muskegon Area full-time employees, updated October 2013.

2) Muskegon County CAFR, FYE 9/30/2005.

3) In 2005 the second largest employer was Mercy General Health Partners with 2,100 employees and the third largest was Hackley Hospital with 1,600. These two organizations have since merged to become Mercy Health.

Reeths-Puffer Schools
DISTRICT EMPLOYEES BY TYPE
Last Ten Fiscal Years

	Total Employees as of June 30,									
Employee Category	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Administrators	24	24	24	23	24	24	23	22	22	22
Admin. Office Personnel/Technology	6	6	6	7	7	8	9	10	10	10
Teachers	230	238	240	244	246	252	261	251	255	257
Secretarial/Clerical	26	26	25	24	26	31	28	27	35	35
Aides/Paraprofessionals	52	53	56	57	51	64	44	50	62	62
Maintenance/Custodial	6	6	6	6	6	6	7	7	7	30
Transportation	4	4	4	4	35	32	39	36	31	31
Food Service	29	28	28	30	30	31	30	29	31	31
Total	377	385	389	395	425	448	441	432	453	478

Source: District payroll records.

Reeths-Puffer Schools
SCHOOL ENROLLMENT
Year ended June 30, 2014

Historical enrollment for the School District is as follows:

School year	Enrollment	School year	Enrollment
2013/14	3,874	2008/09	4,061
2012/13	3,870	2007/08	4,129
2011/12	3,843	2006/07	4,205
2010/11	4,017	2005/06	4,239
2009/10	3,963	2004/05	4,271

Enrollment by grades—2013-14 is as follows:

Kindergarten	314	Seventh	326
First	285	Eighth	306
Second	268	Ninth	326
Third	294	Tenth	288
Fourth	256	Eleventh	305
Fifth	276	Twelfth	297
Sixth	285	Special Ed.	48
		TOTAL	**3,874**

Source: District fall student count records.

Reeths-Puffer Schools
OPERATING STATISTICS
Last Ten Fiscal Years

Fiscal Year	Enrollment	Percentage Change	Operating Expenditures	Percentage Change	Cost Per Pupil	Percentage Change	Percentage of Students Receiving Free or Reduced Price Meals
2004-2005	4,271	-2.00%	$ 33,120,869	0.55%	$ 7,754.83	2.60%	32.80%
2005-2006	4,239	-0.75	33,312,896	0.58	7,859	1.34	33.31
2006-2007	4,205	-0.80	33,841,159	1.59	8,048	2.41	34.70
2007-2008	4,129	-1.81	34,221,882	1.13	8,288	2.99	32.30
2008-2009	4,061	-1.65	34,298,742	0.22	8,446	1.90	35.73
2009-2010	3,963	-2.41	33,922,398	-1.10	8,560	1.35	46.15
2010-2011	4,017	1.36	34,469,732	1.61	8,581	0.25	45.90
2011-2012	3,843	-4.33	34,447,773	-0.06	8,964	4.46	49.43
2012-2013	3,870	0.70	33,758,554	-2.00	8,723	-2.68	44.34
2013-2014	3,874	0.10	34,909,342	3.41	9,011	3.30	46.19

Source: District enrollment and financial records. Free and reduced rates retrieved from CEPI.
CEPI link: (http://www.michigan.gov/cepi/0,1607,7-113-21423_30451_36965---,00.html)

Reeths-Puffer Schools

STATE AID SUMMARY—FUNDS FROM STATE SOURCES
(INCLUDING CATEGORICALS)

Last Ten Fiscal Years

Year ended June 30		Amount
2014	$	27,352,472
2013		25,983,244
2012		25,141,272
2011		25,746,844
2010		24,631,590
2009		25,739,541
2008		27,142,549
2007		27,130,423
2006		27,282,700
2005		26,872,808

Source: State of Michigan August State Aid Status Report

Reeths-Puffer Schools
PENSION FUND
Last Ten Fiscal Years

The School District will pay a base rate equal to a percent of its employees' wages to the Michigan Public School Employees Retirement System (MPSERS) which is administered by the State of Michigan. The following were the applicable contribution rates required by law for the periods:

October 1, 2013 - September 30, 2014	29.35 - 31.52	%
February 1, 2013—September 30, 2013	25.92 - 28.56	
October 1, 2012—January 31, 2013	25.13 - 26.20	
October 1, 2011—September 30, 2012	24.46	
November 1, 2010—September 30, 2011	20.66	
October 1, 2010—October 31, 2010	19.41	
October 1, 2009—September 30, 2010	16.94	
October 1, 2008—September 30, 2009	16.54	
October 1, 2007—September 30, 2008	16.72	
October 1, 2006—September 30, 2007	17.74	
October 1, 2005—September 30, 2006	16.34	
October 1, 2004—September 30, 2005	14.87	

These contributions are required by law. The School District's contributions for the past ten years are shown below. The School District does not have an unfunded accrued liability under MPSERS.

Year ending June 30	**Paid to pension funds**
2014	$ 5,433,868
2013	4,841,396
2012	4,527,762
2011	3,800,496
2010	3,396,422
2009	3,345,330
2008	3,280,456
2007	3,405,602
2006	3,172,209
2005	2,956,860

Effective January 1, 1987, members of MPSERS may irrevocably elect to contribute a percentage of their gross wages on a tax deferred basis to a member investment plan (MIP) which qualifies them for additional benefits. All employees hired after January 1, 1990 will contribute to the plan at a graduated rate of their gross wages. If a member leaves MPSERS service before a retirement benefit has vested, the member's accumulated contributions to MIP, plus interest, if any, are refundable.

Reeths-Puffer Schools
SCHOOL BUILDING INFORMATION

Site	Grade Configuration	Acreage	Date Originally Constructed	Additions and Renovations	Square feet
Pennsylvania Elementary	Pre-K - K	5.8	1962	1996, 2004	10,602
Central Elementary	K-4	27	1951	1990, 2004, 2005, 2011	55,361
McMillan Elementary	K-4	10	1955	1969, 2004, 2005	43,000
Reeths-Puffer Elementary	K-4	15	1948	1960, 1996, 2004, 2011	66,000
Twin Lake Elementary	K-4	12.6	1953	1972, 1991, 1996, 2004, 2005, 2011	39,691
Reeths-Puffer Intermediate	5-6	21	1954	1957, 1996, 2004, 2005	95,000
Reeths-Puffer Middle	7-8	52	1945	1971, 1998, 2004, 2005, 2010	131,000
Reeths-Puffer High School	9-12	61.5	1994	1998	288,000
Duck Creek Learning Center Alternative Ed	9-12	5	1956	1958, 1961, 2004	12,371
Educational Services Building	N/A	2	1962	1970, 1978, 2004	10,602
Transportation	N/A	5.2	2004		8,075
River Road Property 2475 S. River Rd., Muskegon Township	N/A	56			
Gun Club Property Duff Rd., Dalton Township	N/A	160			
Staple Road Property Staple Rd., Dalton Township	N/A	40			
Buel Playground Russell Rd., Muskegon Township	N/A	2			

Source: District records.