

**REED CITY AREA PUBLIC SCHOOLS**

**REED CITY, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2013**



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

CERTIFIED PUBLIC ACCOUNTANTS

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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditor's Report</b>	i-iii
<b>Management's Discussion and Analysis</b>	iv-x
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Financial Statements	9-28
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	29
<b>Combining and Individual Fund Financial Statements</b>	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	30
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	31
<b>Financial Statements of Individual Funds</b>	
Fiduciary Fund Types	
Statement of Fiduciary Net Position	32
Private Purpose Trust Funds	
Statement of Fiduciary Net Position	33
Combining Statement of Revenues, Expenditures and Changes in Fiduciary Net Position	34

REED CITY AREA PUBLIC SCHOOLS  
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ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>PAGES</u>
Agency Funds	
Statement of Fiduciary Net Position	35
Statement of Cash Receipts, Disbursements and Balance	
Norman Elementary School Account	36
Middle School Account	37
High School Account	38-39
Athletic Fundraising Account	40
Beverage Consortia Account	41
<b>Other Supplementary Information</b>	
Schedule of Bonds Payable	
2001 Refunding Bonds	42
2004 School Building and Site Bonds	43
2005 Refunding Bonds	44
2012 Refunding Bonds	45



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www.bcbcpa.com

August 22, 2013

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Reed City Area Public Schools  
Reed City, Michigan

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reed City Area Public Schools, Reed City, Michigan as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reed City Area Public Schools, Reed City, Michigan as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter – Change in Accounting Principle***

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through x and 29 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 Reed City Area Public Schools' basic financial statements. The combining and individual fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2013, on our consideration of Reed City Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reed City Area Public Schools internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

The discussion and analysis of the Reed City Area Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to provide, in layman's terms, a look at the District's performance and past and current position. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

### **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplemental information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

The basic financial statements include two kinds of statements that present different views of the District.

### **District-Wide Financial Statements**

These statements are full accrual basis statements and provide information about the District's *overall* financial status. They are used to help determine whether or not the District is better off or worse off as the result of the year's activities. The Statement of Net Position reports all of the District's assets, deferred outflows of resources, and liabilities, both short-term and long-term, regardless of whether they are "currently available" or not. Capital assets and long-term obligations of the District are reported in this statement. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax base, the quality of the education provided and the condition of the District's buildings.

In the district-wide statements, the District's activities are classified as governmental activities. This includes most of the District's basic services, such as regular and special education, food service, athletics, transportation and administration. Property taxes and state aid finance most of these services.



REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**Fund Financial Statements**

The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, a district's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Revenue Funds for Food Service and Community Services, Debt Service Funds, Capital Project Fund, and Fiduciary Funds.

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

**Financial Analysis of the District as a Whole**

The net position of the District at June 30, 2013, amounted to an overall deficit of (\$949,407). The schedule below shows a condensed breakdown of the net position.

	<u>Governmental Activities</u>	
	2013	2012 (as restated)
<u>June 30.</u>		
<b>Assets</b>		
Current Assets	\$ 3,675,911	\$ 4,221,672
Non Current Assets		
Capital Assets	19,652,015	19,000,132
Less: Accumulated Depreciation	<u>(7,665,912)</u>	<u>(7,268,401)</u>
Total Non Current Assets	<u>11,986,103</u>	<u>11,731,731</u>
<b>Total Assets</b>	<u>15,662,014</u>	<u>15,953,403</u>
<b>Deferred Outflows of Resources</b>		
Deferred Charges on Refunding	<u>535,972</u>	<u>302,624</u>

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>June 30,</u>	Governmental Activities	
	2013	2012 (as restated)
<b>Liabilities</b>		
Current Liabilities	3,997,948	4,253,916
Non Current Liabilities	13,149,445	13,331,067
<b>Total Liabilities</b>	<b>17,147,393</b>	<b>17,584,983</b>
<b>Net Position</b>		
Net Investment (Deficit) in Capital Assets	(1,102,734)	(1,630,351)
Restricted	449,618	454,392
Unrestricted - (Deficit)	(296,291)	(152,997)
<b>Total Net Position (Deficit)</b>	<b>\$ (949,407)</b>	<b>\$ (1,328,956)</b>

Restricted assets represent resources that are subject to external restrictions on how they may be used.

During the fiscal year ended June 30, 2013, the District's net position increased by \$379,549. A few of the more significant factors affecting net position during the year are discussed below:

**1. Depreciation Expense**

The District is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2013, \$397,511 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions and Disposals**

For the fiscal year ended June 30, 2013, \$651,883 in capital assets were acquired and no capital assets were disposed of.

The net effect of the capital asset changes and the current year's depreciation is an increase to net capital assets in the amount of \$254,372 for the fiscal year ended June 30, 2013.

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>June 30,</u>	<u>Governmental Activities</u>	
	2013	2012 (as restated)
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 307,889	\$ 349,973
Operating Grants and Contributions	2,682,220	2,966,478
General Revenues:		
Property Taxes	3,476,390	3,265,662
Investment Earnings	1,584	2,706
State Sources	8,197,383	8,123,889
Other	100,674	51,752
<b>Total Revenues</b>	<u>14,766,140</u>	<u>14,760,460</u>
<b>Expenses</b>		
Instruction	8,232,471	8,471,640
Supporting Services	4,335,159	4,163,375
Community Services	42,500	55,963
Food Service Activities	726,752	729,299
Construction Projects	8,717	443
Interest on Long-Term Debt	601,284	652,211
Other Transactions	42,197	21,235
Unallocated Depreciation	397,511	379,871
<b>Total Expenses</b>	<u>14,386,591</u>	<u>14,474,037</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 379,549</u>	<u>\$ 286,423</u>

The cost of the District's governmental activities for the year was \$14,386,591. State aid, operating grants and contributions provided approximately \$10,879,603, to fund the District's governmental activities. District taxpayers directly financed activities of the District with approximately \$3,476,390 in property taxes. Charges for services provided funds of approximately \$307,889.

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2013	2012	Increase (Decrease)
<b>Major Funds</b>			
General Fund	\$ 332,378	\$ 331,602	\$ 776
<b>Nonmajor Funds</b>			
Food Service	173,101	148,727	24,374
Community Services	6,161	10,861	(4,700)
Capital Projects	1,445	59,753	(58,308)
Other Debt Retirement	0	0	0
2001 Debt Retirement	67,178	57,923	9,255
2004 Debt Retirement	34,376	174,899	(140,523)
2005 Debt Retirement	197,380	171,393	25,987
2012 Debt Retirement	62,256	0	62,256
<b>Total Governmental Funds</b>	<b>\$ 874,275</b>	<b>\$ 955,158</b>	<b>\$ (80,883)</b>

The General Fund balance remained constant.

The Debt Fund balances, of which the entire amount is restricted, changed primarily due to debt principal and interest payments being different than the property tax revenues.

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

During 2012-2013, the District amended the General Fund budget twice, with the Board adopting the final changes in June 2013. The following schedule shows a comparison of the original budget, the final amended budget and the actual totals for the General Fund:

<u>Year Ended June 30, 2013</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Total Revenues</b>	\$ 12,818,610	\$ 13,232,808	\$ 12,719,286
Expenditures:			
Instruction	\$ 8,049,533	\$ 8,538,107	\$ 8,267,227
Supporting Services	4,512,092	5,164,553	4,747,217
Debt Service	0	86,046	52,392
Other Transactions	48,513	55,939	42,197
<b>Total Expenditures</b>	\$ 12,610,138	\$ 13,844,645	\$ 13,109,033

Final budgeted revenues and expenses were higher than originally budgeted due to differences in grant income and expenses and budgeting for installment purchase agreement proceeds and related capital outlay.

Actual revenues were lower than budgeted due to decreases in state revenues and changes to grant income. Actual expenditures were lower than budgeted due to changes in grant expenses.

**Capital Assets and Debt Administration**

*1. Capital Assets*

The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring major equipment necessary for providing educational programs for all students within the District. There was \$651,883 in capital asset additions during the current year.

The District's capital assets at year end are summarized as follows, net of accumulated depreciation:

<u>June 30,</u>	<u>2013</u>	<u>2012</u>
Land	\$ 299,694	\$ 299,694
Buildings	10,621,954	10,907,859
Land Improvements	40,294	46,331
Machinery and Equipment	366,000	302,361
Transportation Equipment	658,161	175,486
	\$ 11,986,103	\$ 11,731,731

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**2. Long-Term Debt**

At June 30, 2013, the District had \$13,926,163 in debt outstanding. This represents a decrease of \$65,729 from the amount outstanding at the close of the prior fiscal year.

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

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

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2013-2014 fiscal year.
- With revenues decreasing and expenses increasing it is hard to maintain an adequate fund balance. It is difficult to set aside unrestricted fund balance for **future capital outlay** needs. Such needs as repairs and maintenance and technology require that the District attempt to maintain fund balance adequate for future anticipated needs.
- Student enrollment numbers are extremely difficult to predict due to community jobs lost.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, parents, students and investors and creditors with a general overview of the District's finances and to show the District's accountability 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 the Business Office, Reed City Area Public Schools, 225 W. Church Ave., Reed City, Michigan 49677.

REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash	\$ 747,081
Investments	842,079
Accounts Receivable	16,679
Taxes Receivable	1,222
Due from Other Governments	1,958,540
Inventories	14,405
Prepaid Expenses	95,905
Total Current Assets	<u>3,675,911</u>

NON CURRENT ASSETS

Capital Assets	19,652,015
Less Accumulated Depreciation	<u>(7,665,912)</u>
Total Non Current Assets	<u>11,986,103</u>

TOTAL ASSETS

15,662,014

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Refunding	<u>535,972</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	32,249
Accrued Expenses	515,504
Accrued Interest Payable	84,673
Salaries Payable	767,508
Note Payable	1,286,857
Due to Other Governments	129,996
Unearned Revenue	69,522
Current Portion of Non Current Liabilities	<u>1,111,639</u>
Total Current Liabilities	<u>3,997,948</u>

NON CURRENT LIABILITIES

Bonds Payable	12,760,000
Deferred Bond Premium - Net	227,869
Employee Early Retirement Obligations	454,266
Compensated Absences	182,009
Capital Lease Payable	107,052
Installment Purchase Agreement Payable	529,888
Less Current Portion of Non Current Liabilities	<u>(1,111,639)</u>
Total Non Current Liabilities	<u>13,149,445</u>

TOTAL LIABILITIES

17,147,393

NET POSITION

Net Investment (Deficit) in Capital Assets	(1,102,734)
Restricted for Debt Service	276,517
Restricted for Food Service	173,101
Unrestricted - (Deficit)	<u>(296,291)</u>
TOTAL NET POSITION - (DEFICIT)	<u>\$ (949,407)</u>

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 8,232,471	\$ 0	\$ 1,985,160	\$ 0	\$ (6,247,311)
Supporting Services	4,335,159	96,200	77,114	0	(4,161,845)
Community Services	42,500	37,800	16,052	0	11,352
Food Service Activities	726,752	173,889	603,894	0	51,031
Construction Projects	8,717	0	0	0	(8,717)
Interest on Long-Term Debt	601,284	0	0	0	(601,284)
Other Transactions	42,197	0	0	0	(42,197)
Unallocated Depreciation	397,511	0	0	0	(397,511)
Total Governmental Activities	<u>\$ 14,386,591</u>	<u>\$ 307,889</u>	<u>\$ 2,682,220</u>	<u>\$ 0</u>	<u>(11,396,482)</u>
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					2,253,524
Property Taxes -Levied for Debt Service					1,222,866
Investment Earnings					1,584
State Sources					8,197,383
Other					100,674
Total General Revenues					<u>11,776,031</u>
Change in Net Position					379,549
<u>NET POSITION</u> - Beginning of Year - (Deficit) - as restated					<u>(1,328,956)</u>
<u>NET POSITION</u> - End of Year - (Deficit)					<u>\$ (949,407)</u>

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



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>GENERAL</u> <u>FUND</u>	<u>NONMAJOR</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 248,778	\$ 498,303	\$ 747,081
Investments	842,079	0	842,079
Accounts Receivable	8,586	8,093	16,679
Taxes Receivable	0	1,222	1,222
Due from Other Governments	1,951,653	6,887	1,958,540
Due from Other Funds	8,145	29,613	37,758
Inventories	5,340	9,065	14,405
Prepaid Expenditures	25,780	70,125	95,905
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,090,361	\$ 623,308	\$ 3,713,669
<hr/>			
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 479	\$ 31,770	\$ 32,249
Accrued Expenses	515,504	0	515,504
Salaries Payable	767,508	0	767,508
Note Payable	1,286,857	0	1,286,857
Due to Other Funds	29,613	8,145	37,758
Due to Other Governments	129,996	0	129,996
Unearned Revenue	28,026	41,496	69,522
	<hr/>	<hr/>	<hr/>
Total Liabilities	2,757,983	81,411	2,839,394
<hr/>			
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	5,340	9,065	14,405
Prepaid Expenditures	25,780	70,125	95,905
Restricted for:			
Debt Service	0	361,190	361,190
Food Service	0	94,036	94,036
Assigned to:			
Community Services	0	6,036	6,036
Future Capital Projects	0	1,445	1,445
Unassigned	301,258	0	301,258
	<hr/>	<hr/>	<hr/>
Total Fund Balances	332,378	541,897	874,275
<hr/>			
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,090,361	\$ 623,308	\$ 3,713,669
<hr/>			

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

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

JUNE 30, 2013

Total Governmental Fund Balances \$ 874,275

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

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

The cost of the capital assets is	\$ 19,652,015	
Accumulated depreciation is	<u>(7,665,912)</u>	11,986,103

Other long-term assets are not available for pay for current period expenditures and, therefore, are deferred in the funds. These assets consist of:

Deferred Loss on Refunding	535,972
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Bonds Payable	(12,760,000)
Bond Premium	(227,869)
Employees Early Retirement	(454,266)
Compensated Absences	(182,009)
Capital Lease Payable	(107,052)
Other Long-Term Debt	(41,979)
Installment Purchase Agreement	(487,909)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	<u>(84,673)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (949,407)</u></u>
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The notes to the financial statements are an integral part of this statement.

REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

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

YEAR ENDED JUNE 30, 2013

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 2,445,240	\$ 1,435,045	\$ 3,880,285
State Sources	9,320,438	54,515	9,374,953
Federal Sources	586,429	557,294	1,143,723
Other Transactions	367,179	0	367,179
Total Revenues	<u>12,719,286</u>	<u>2,046,854</u>	<u>14,766,140</u>
<u>EXPENDITURES</u>			
Instruction	8,267,227	0	8,267,227
Supporting Services	4,747,217	0	4,747,217
Community Services	0	42,500	42,500
Food Service Activities	0	748,248	748,248
Capital Projects	0	104,375	104,375
Debt Service			
Principal	41,468	777,485	818,953
Interest and Other	10,924	579,617	590,541
Other Transactions	42,197	0	42,197
Total Expenditures	<u>13,109,033</u>	<u>2,252,225</u>	<u>15,361,258</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(389,747)</u>	<u>(205,371)</u>	<u>(595,118)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	5,260	145,237	150,497
Transfers Out	(145,237)	(5,260)	(150,497)
Face Value of Debt	530,500	0	530,500
Refunding Bonds Issued	0	3,030,000	3,030,000
Payment to Refunding Bond Escrow Agent	0	(3,257,028)	(3,257,028)
Premium on Refunding Bonds Issued	0	210,763	210,763
Total Other Financing Sources (Uses)	<u>390,523</u>	<u>123,712</u>	<u>514,235</u>
Net Change in Fund Balance	776	(81,659)	(80,883)
<u>FUND BALANCE</u> - Beginning of Year	<u>331,602</u>	<u>623,556</u>	<u>955,158</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 332,378</u>	<u>\$ 541,897</u>	<u>\$ 874,275</u>

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

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

YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances Total Governmental Funds \$ (80,883)

Amounts reported for governmental activities are different because:

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

Capital Outlay	651,883
Depreciation Expense	(397,511)

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	98,550
Accrued Interest Payable - End of Year	(84,673)

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of Long-Term Debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

The net changes in long-term liabilities are:

Installment Purchase Agreement	(530,500)
Issuance of Debt	(3,030,000)
Defeasance of Debt	2,970,000
Bond Premium	(210,763)
Repayment of Debt Principal	818,953
Amortization of Deferred Charges	(24,620)
Bond Deferred Loss on Refunding	287,028

Employees Early Retirement and Accumulated Sick Pay are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Employees Early Retirement - Beginning of Year	372,000
Employees Early Retirement - End of Year	(454,266)
Accumulated Sick Pay - Beginning of Year	176,360
Accumulated Sick Pay - End of Year	(182,009)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 379,549

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2013

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 55,669	\$ 174,776
Notes Receivable (net of allowance for doubtful accounts)	60,091	0
TOTAL ASSETS	115,760	174,776
<u>LIABILITIES</u>		
Due to Groups and Organizations	905	174,776
<u>NET POSITION</u>		
Restricted for Scholarships and Memorials	\$ 114,855	\$ 0

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2013

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Donations	\$ 890
Investment Income (Change in Fair Value of Investments)	(2,118)
Interest and Dividends	<u>1,567</u>
Total Additions	<u>339</u>
<u>DEDUCTIONS</u>	
Transfer to Osceola Community Foundation	41,135
Scholarship Awards	<u>3,100</u>
Total Deductions	<u>44,235</u>
Change in Net Position	(43,896)
<u>NET POSITION</u> - Beginning of Year	<u>158,751</u>
<u>NET POSITION</u> - End of Year	<u>\$ 114,855</u>

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The School District (the "District") is located in Osceola, Lake, Newaygo and Mecosta Counties with its administrative offices located in Reed City, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

**B. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School District does not have any business-type activities or component units.

**C. Basis of Presentation – Government-Wide Financial Statements**

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

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**D. Basis of Presentation – Fund Financial Statements**

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

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Other non-major funds:

The *special revenue (School Service) fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *capital projects fund* accounts for the acquisition of fixed assets or construction of major capital projects.

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.

Additionally, the District reports the following fund type:

*Fiduciary funds* are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

The *private purpose trust funds* are accounted for using the accrual method of accounting. Private purpose funds account for contributions earmarked for scholarships available to qualifying students of the District.



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. Measurement Focus and Basis of Accounting**

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

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

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

The private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

## **F. Budgetary Information**

### ***1. Budgetary Basis of Accounting***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

Prior to May, the various principals, directors and supervisors review operating budgets by program or building for the fiscal year commencing the following July 1, and submit them to the business manager.

This information is used to develop a budget and resolution for the General Fund and Special Revenue Funds. This includes proposed expenditures and the means of financing them and is compiled on a basis consistent with accounting principles generally accepted in the United States of America. In June, the budget resolution is subjected to a public hearing before the full Board and is adopted within seven days after this hearing and before July 1, the first day of the budgeted fiscal year.

Any revisions which increase or decrease expenditures for a program must be approved by the Board. The superintendent is authorized to transfer budgeted amounts between functions within any fund. The final budget reflects all revisions approved by the Board during the year. Unexpended appropriations lapse to the next fiscal year.

The budget is integrated with the accounting system of the District and is used as a management control device during the year.

Budgeted amounts are as originally adopted on June 18, 2012, or as amended by the School Board of Education at various times throughout the year.

***2. Excess of Expenditures Over Appropriations***

There was no excess of expenditures over appropriations as of June 30, 2013.

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

***1. Cash and Investments***

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

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

**2. *Inventory and Prepaid Items***

Inventories are recorded at cost and consist primarily of food, teaching and office supplies. USDA donated commodities are recorded at fair value. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**3. *Capital Assets***

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings	20-50 years
Land Improvements	10-20 years
Machinery and Equipment	5-20 years
Vehicles	8 years

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

**4. *Deferred Outflows/Inflows of Resources***

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

**5. *Net Position Flow Assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**6. *Fund Balance Flow Assumption***

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

**7. *Fund Balance Policies***

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

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

**8. *Use of Estimates***

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**H. Revenues and Expenditures/Expenses**

**1. *State Revenue***

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2013 the foundation allowance was based on pupil membership counts taken in February and October of 2012. For fiscal year ended June 30, 2013, the per pupil foundation allowance was \$6,966 for Reed City Area Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2012 to August 2013. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**2. Federal Revenue**

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

**3. Program Revenues**

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

**4. Property Taxes**

Properties are assessed as of December 31. Taxes are levied and become a lien on December 1. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county delinquent tax rolls. Delinquent real property taxes are purchased by the counties of Mecosta, Newaygo, Osceola and Lake and remitted to the District after settlement.

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

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principal Residence Exemption (PRE)	18.00
General Fund - Non-PRE Commercial PPT	6.00
Debt Service Fund - PRE and Non-PRE	3.91

**5. Compensated Absences**

District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time does not accumulate from year-to-year. Sick leave is accumulated at different rates for various categories of employees. Unused sick leave accumulates from year-to-year to a maximum described in the contract. In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported on the district-wide financial statements.

**6. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

There were no budgetary violations that occurred for the year ended June 30, 2013.

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

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

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2013, the District's bank balance was \$2,382,218 and \$500,901 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The majority of this risk is in the General Fund. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

*Foreign Currency Risk.* The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At June 30, 2013, the District had the following investments:

	Fair Value
MILAF External Investment Pool - MICMS	\$ 95
MILAF External Investment Pool - MILAX	841,984
Total	\$ 842,079

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2013, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 747,081	\$ 0	\$ 230,445	\$ 977,526
Investments	0	842,079	0	842,079
	\$ 747,081	\$ 842,079	\$ 230,445	\$ 1,819,605

**B. Receivables**

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

	General Fund	Nonmajor Funds	Total
Receivables			
Accounts	\$ 8,586	\$ 8,093	\$ 16,679
Taxes Receivable	0	1,222	1,222
Due from Other Governments	1,951,653	6,887	1,958,540
Total Receivables	\$ 1,960,239	\$ 16,202	\$ 1,976,441

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**C. Capital Assets**

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

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Assets Not Being Depreciated:				
Land	\$ 299,694	\$ 0	\$ 0	\$ 299,694
Other Capital Assets:				
Buildings	16,383,432	0	0	16,383,432
Land Improvements	239,206	0	0	239,206
Machinery and Equipment	792,786	117,154	0	909,940
Transportation Equipment	1,285,014	534,729	0	1,819,743
Subtotal	18,700,438	651,883	0	19,352,321
Accumulated Depreciation				
Buildings	5,475,573	285,905	0	5,761,478
Land Improvements	192,875	6,037	0	198,912
Machinery and Equipment	490,425	53,515	0	543,940
Transportation Equipment	1,109,528	52,054	0	1,161,582
Total Accumulated Depreciation	7,268,401	397,511	0	7,665,912
Net Other Capital Assets	11,432,037	254,372	0	11,686,409
Net Capital Assets	\$ 11,731,731	\$ 254,372	\$ 0	\$ 11,986,103

Depreciation for the fiscal year ended June 30, 2013 amounted to \$397,511. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Employee Retirement System**

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Act 136 of 1945 and

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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 Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (800) 381-5111.

Funding Policy. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

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

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement.

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

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

The contribution requirements of plan members and the District are established and may be amended by the MPSERS board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

The School District's contributions to MPSERS are as follows:

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

Fiscal Year Ending June 30,	Contributions to MPSERS
2013	\$ 1,729,986
2012	1,628,038
2011	1,477,892

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

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

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

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

**E. Risk Management**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for all such risks of loss. Settled claims relating to the

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**F. Lease Information**

Capital Leases

The District has entered into certain capital lease agreements under which the related equipment will become the property of the District when all the terms of the lease agreements are met.

<u>Capital Lease Obligation</u>	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2013</u>
Copy Machines and Printers	8.42%	\$ 107,052

Equipment and related accumulated amortization under capital lease are as follows:

Equipment (only individual amounts over \$5,000 are capitalized)	\$ 213,223
Less: accumulated amortization	<u>(60,413)</u>
Net value	<u>\$ 152,810</u>

As of June 30, 2013, capital lease annual requirements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 52,392
2015	52,392
2016	<u>13,098</u>
Total Requirements	117,882
Less interest	<u>(10,830)</u>
Present value of remaining payments	<u>\$ 107,052</u>

Amortization of leased equipment under capital lease is included with depreciation expense.

**G. Long-Term Liabilities**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

	BONDS PAYABLE	EARLY RETIREMENT OBLIGATIONS	INSTALLMENT PURCHASE AGREEMENT	COMPENSATED ABSENCES	TOTAL
Balance, July 1, 2012	\$ 13,382,556	\$ 372,000	\$ 60,976	\$ 176,360	\$ 13,991,892
Additions	3,030,000	170,266	530,500	5,649	3,736,415
Deletions	(3,652,556)	(88,000)	(61,588)	0	(3,802,144)
Balance, June 30, 2013	<u>\$ 12,760,000</u>	<u>\$ 454,266</u>	<u>\$ 529,888</u>	<u>\$ 182,009</u>	<u>\$ 13,926,163</u>
Total due within one year	<u>\$ 735,000</u>	<u>\$ 270,266</u>	<u>\$ 106,373</u>	<u>\$ 0</u>	<u>\$ 1,111,639</u>

The District's liability obligations at June 30, 2013, are comprised of the following issues:

\$3,030,000 2012 Refunding Bonds due in annual installments of \$30,000 to \$710,000 plus interest through May 1, 2020. Interest rates range from 2.0% to 3.0%.	\$ 3,030,000
\$5,100,000 2001 Refunding Bonds due in annual installments of \$400,000 to \$425,000 plus interest through May 1, 2016. Interest rates range from 4.75% to 5.0%.	1,240,000
\$12,560,000 2004 School Building and Site Bonds due in annual installments of \$265,000 plus interest through May 1, 2014. Interest rate at 4.5%.	265,000
\$8,400,000 2005 Refunding Bonds due in annual installments of \$40,000 to \$835,000 plus interest through May 1, 2029. Interest rates range from 4.00% to 4.35%.	8,225,000
Early retirement obligations paid annually without interest per individual contracts.	454,266
\$530,500 installment purchase agreement for the purchase of 6 buses. Due in semi-annual installments of \$46,172 including interest at 1.35% through October 26, 2018.	487,909
\$100,000 installment purchase agreement with Chartwells for the purchase of a Bio-Dome. Monthly payments of weekly amortization between \$1,564 and \$1,954 per month for 60 months through 2016 with no interest.	41,979
Compensated Absences	<u>182,009</u>
Total Long-Term debt	<u>\$ 13,926,163</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Year Ending June 30,	Bonds Payable		Early Retirement Obligation	Installment Purchase Agreements		Amounts Payable
	Principal	Interest		Principal	Interest	
2014	\$ 735,000	\$ 501,447	\$ 270,266	\$ 106,373	\$ 6,297	\$ 1,613,086
2015	770,000	468,322	102,000	108,865	5,132	1,449,187
2016	800,000	436,990	82,000	88,393	3,951	1,407,383
2017	740,000	404,040	0	89,591	2,753	1,233,631
2018	750,000	381,340	0	90,804	1,540	1,222,144
2019-2023	4,035,000	1,512,300	0	45,862	310	5,593,162
2024-2028	4,115,000	696,160	0	0	0	4,811,160
2029	815,000	35,454	0	0	0	850,454
	<u>\$ 12,760,000</u>	<u>\$ 4,436,053</u>	<u>\$ 454,266</u>	<u>\$ 529,888</u>	<u>\$ 19,983</u>	<u>\$ 18,180,207</u>

The annual requirements to amortize the accrued sick leave are uncertain because it is unknown when the employees will use the sick leave.

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

**H. Short-Term Debt**

The District has borrowed on state aid anticipation notes in order to meet its cash flow needs as follows:

	<u>STATE AID NOTES</u>
Balance, July 1, 2012	\$ 1,800,000
Additions	3,000,000
Deletions	<u>(3,513,143)</u>
Balance, June 30, 2013	<u><u>\$ 1,286,857</u></u>

The notes were issued August 20, 2012, one note of \$550,000 carries an interest rate of 0.27% the other note of \$450,000 carries an interest rate of 1.46%. Additionally, the District borrowed \$2,000,000 at 0.40% interest and made payments into a non-refundable escrow account. As such, the remaining balance at June 30, 2013 was \$286,857. The portion paid to escrow is considered defeased and is not shown on the District's financial statements at year end. On August 20, 2013 this amount was repaid, and on August 20, 2013 the District issued new State Aid Notes totaling \$2,170,000 due August 20, 2014.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**I. Interfund Receivables and Payables**

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 8,145	\$ 29,613
2001 Debt Fund	3,199	821
2004 Debt Fund	6,572	381
2005 Debt Fund	0	698
2012 Debt Fund	0	199
Food Service Fund	19,842	6,046
	\$ 37,758	\$ 37,758

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All Interfund balances outstanding at June 30, 2013 are expected to be repaid within one year.

**J. Interfund Transfers**

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 5,260	\$ 145,237
Other Debt Retirement	45,237	0
Capital Projects Fund	100,000	0
Lunch Fund	0	5,260
	\$ 150,497	\$ 150,497

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**K. Defeased Debt**

During 2005, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013, \$7,740,000 of bonds outstanding are considered defeased.



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**L. Defeased Debt**

During 2001, the District defeased certain capital appreciation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013, \$374,528 of bonds outstanding are considered defeased.

**M. Defeased Debt**

On September 6, 2012, the District issued \$3,030,000 in General Obligation Bonds with interest rates of 2.00% to 3.00% to advance refund \$2,970,000 of outstanding 2004 Bonds with interest rates of 4.25% to 5.25%. As a result \$2,970,000 of the 2004 Bonds are considered to be defeased and the liability for those bonds has been removed from the non current liabilities of the District.

The District advance refunded a portion of the 2004 bond issue to reduce its total future debt service payments by \$226,971 and resulted in an economic gain of \$210,601.

**N. Other Information**

**1. Commitments and Contingencies**

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

**2. New GASB Standards**

Effective July 1, 2012, the District adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement 65, "Items Previously Recognized as Assets and Liabilities". These statements establish and clarify new components of the statement of position, "Deferred Inflows of Resources" and "Deferred Outflows of Resources". The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

GASB Statement 65 also states that bond issuance costs should be expensed in the year which they are incurred. As a result, beginning net positions were restated and the remaining unamortized bond issuance costs were written off prior to July 1, 2012. The restatement of the beginning net position is as follows:

	<u>Governmental Activities</u>
Net position as previously stated June 30, 2012	\$ 18,664,521
Adoption of GASB 65	<u>(260,280)</u>
Net position as restated June 30, 2012	<u>\$ 18,404,241</u>

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

**NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS**

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District’s 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 2,534,500	\$ 2,561,341	\$ 2,445,240
State Sources	9,174,985	9,340,630	9,320,438
Federal Sources	735,020	922,468	586,429
Other Transactions	374,105	408,369	367,179
Total Revenues	12,818,610	13,232,808	12,719,286
<u>EXPENDITURES</u>			
Instruction			
Basic Instruction	6,432,082	6,792,983	6,674,880
Added Needs	1,617,451	1,745,124	1,592,347
Supporting Services			
Pupil	356,335	377,990	356,293
Instructional Staff	306,311	336,979	197,981
General Administration	359,937	391,182	375,374
School Administration	884,080	877,054	837,256
Business	234,669	241,127	224,423
Operating and Maintenance	1,083,805	1,121,308	1,046,472
Pupil Transportation	718,003	1,281,138	1,202,716
Central Services	188,292	185,772	172,058
Athletic Activities	380,660	352,003	334,644
Debt Service			
Principal	0	73,921	41,468
Interest	0	12,125	10,924
Other Transactions	48,513	55,939	42,197
Total Expenditures	12,610,138	13,844,645	13,109,033
Excess (Deficiency) of Revenues Over Expenditures	208,472	(611,837)	(389,747)
<u>OTHER FINANCING SOURCES (USES)</u>			
Installment Purchase Agreement	0	530,500	530,500
Transfers Out	(207,915)	(153,152)	(139,977)
Total Other Financing Sources (Uses)	(207,915)	377,348	390,523
Net Change in Fund Balance	557	(234,489)	776
<u>FUND BALANCE</u> - Beginning of Year	449,127	331,602	331,602
<u>FUND BALANCE</u> - End of Year	\$ 449,684	\$ 97,113	\$ 332,378

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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>SPECIAL REVENUE</u>			<u>DEBT RETIREMENT</u>					<u>TOTAL</u>	
	<u>FOOD</u>	<u>COMMUNITY</u>	<u>CAPITAL</u>	<u>OTHER DEBT</u>	<u>2001 DEBT</u>	<u>2004 DEBT</u>	<u>2005 DEBT</u>	<u>2012 DEBT</u>		
	<u>SERVICE</u>	<u>SERVICES</u>	<u>PROJECT</u>	<u>RETIREMENT</u>	<u>RETIREMENT</u>	<u>RETIREMENT</u>	<u>RETIREMENT</u>	<u>RETIREMENT</u>		
<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>		
<u>ASSETS</u>										
Cash	\$ 103,882	\$ 40,680	\$ 1,445	\$ 0	\$ 64,322	\$ 27,963	\$ 197,672	\$ 62,339	\$ 498,303	
Accounts Receivable	7,840	253	0	0	0	0	0	0	8,093	
Taxes Receivable	0	0	0	0	478	222	406	116	1,222	
Due from Other Governments	6,887	0	0	0	0	0	0	0	6,887	
Due from Other Funds	19,842	0	0	0	3,199	6,572	0	0	29,613	
Inventory	9,065	0	0	0	0	0	0	0	9,065	
Prepaid Expenditures	70,000	125	0	0	0	0	0	0	70,125	
<b>TOTAL ASSETS</b>	<b>\$ 217,516</b>	<b>\$ 41,058</b>	<b>\$ 1,445</b>	<b>\$ 0</b>	<b>\$ 67,999</b>	<b>\$ 34,757</b>	<b>\$ 198,078</b>	<b>\$ 62,455</b>	<b>\$ 623,308</b>	
<u>LIABILITIES AND FUND BALANCE</u>										
<u>LIABILITIES</u>										
Accounts Payable	\$ 31,770	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,770	
Due to Other Funds	6,046	0	0	0	821	381	698	199	8,145	
Deferred Revenue	6,599	34,897	0	0	0	0	0	0	41,496	
<b>Total Liabilities</b>	<b>44,415</b>	<b>34,897</b>	<b>0</b>	<b>0</b>	<b>821</b>	<b>381</b>	<b>698</b>	<b>199</b>	<b>81,411</b>	
<u>FUND BALANCE</u>										
Nonspendable:										
Inventory	9,065	0	0	0	0	0	0	0	9,065	
Prepaid Expenditures	70,000	125	0	0	0	0	0	0	70,125	
Restricted:										
Debt Retirement	0	0	0	0	67,178	34,376	197,380	62,256	361,190	
Food Service	94,036	0	0	0	0	0	0	0	94,036	
Assigned:										
Community Services	0	6,036	0	0	0	0	0	0	6,036	
Future Capital Projects	0	0	1,445	0	0	0	0	0	1,445	
<b>Total Fund Balance</b>	<b>173,101</b>	<b>6,161</b>	<b>1,445</b>	<b>0</b>	<b>67,178</b>	<b>34,376</b>	<b>197,380</b>	<b>62,256</b>	<b>541,897</b>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 217,516</b>	<b>\$ 41,058</b>	<b>\$ 1,445</b>	<b>\$ 0</b>	<b>\$ 67,999</b>	<b>\$ 34,757</b>	<b>\$ 198,078</b>	<b>\$ 62,455</b>	<b>\$ 623,308</b>	

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

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

YEAR ENDED JUNE 30, 2013

	<u>SPECIAL REVENUE</u>			<u>DEBT RETIREMENT</u>					<u>TOTAL</u>
	<u>FOOD SERVICE FUND</u>	<u>COMMUNITY SERVICES FUND</u>	<u>CAPITAL PROJECT FUND</u>	<u>OTHER DEBT RETIREMENT FUND</u>	<u>2001 DEBT RETIREMENT FUND</u>	<u>2004 DEBT RETIREMENT FUND</u>	<u>2005 DEBT RETIREMENT FUND</u>	<u>2012 DEBT RETIREMENT FUND</u>	
<u>REVENUES</u>									
Local Sources	\$ 173,988	\$ 37,800	\$ 33	\$ 0	\$ 478,594	\$ 222,195	\$ 406,725	\$ 115,710	\$ 1,435,045
State Sources	46,600	0	0	7,915	0	0	0	0	54,515
Federal Sources	557,294	0	0	0	0	0	0	0	557,294
Total Revenues	777,882	37,800	33	7,915	478,594	222,195	406,725	115,710	2,046,854
<u>EXPENDITURES</u>									
Community Services	0	42,500	0	0	0	0	0	0	42,500
Food Service Activities	748,248	0	0	0	0	0	0	0	748,248
Capital Projects	0	0	104,375	0	0	0	0	0	104,375
Debt Service	0	0	53,966	53,152	469,339	267,718	380,738	132,189	1,357,102
Total Expenditures	748,248	42,500	158,341	53,152	469,339	267,718	380,738	132,189	2,252,225
Excess of Revenues Over (Under) Expenditures	29,634	(4,700)	(158,308)	(45,237)	9,255	(45,523)	25,987	(16,479)	(205,371)
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In (Out)	(5,260)	0	100,000	45,237	0	0	0	0	139,977
Refunding Bonds Issued	0	0	0	0	0	0	0	3,030,000	3,030,000
Payment to Refunding Bond Escrow Agent	0	0	0	0	0	(95,000)	0	(3,162,028)	(3,257,028)
Premium on Refunding Bonds Issued	0	0	0	0	0	0	0	210,763	210,763
Total Other Financing Sources (Uses)	(5,260)	0	100,000	45,237	0	(95,000)	0	78,735	123,712
Net Change in Fund Balance	24,374	(4,700)	(58,308)	0	9,255	(140,523)	25,987	62,256	(81,659)
<u>FUND BALANCE - Beginning of Year</u>	148,727	10,861	59,753	0	57,923	174,899	171,393	0	623,556
<u>FUND BALANCE - End of Year</u>	\$ 173,101	\$ 6,161	\$ 1,445	\$ 0	\$ 67,178	\$ 34,376	\$ 197,380	\$ 62,256	\$ 541,897

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND TYPES

JUNE 30, 2013

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 55,669	\$ 174,776	\$ 230,445
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	60,091	0	60,091
 TOTAL ASSETS	 115,760	 174,776	 290,536
 <u>LIABILITIES</u>			
Due to Groups and Organizations	905	174,776	175,681
 <u>NET POSITION</u>			
Restricted for:			
Scholarships and Memorials	\$ 114,855	\$ 0	\$ 114,855

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2013

	<u>JEWELL</u> <u>SCHOLARSHIP</u>	<u>EMPLOYEE</u> <u>SCHOLARSHIP</u>	<u>WILLIAM M.</u> <u>PORTEOUS II</u> <u>SCHOLARSHIP</u>	<u>MABLE</u> <u>PORTEOUS</u> <u>SCHOLARSHIP</u>	<u>WILLIAM L.</u> <u>PORTEOUS</u> <u>SCHOLARSHIP</u>	<u>TOTAL</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 54,708	\$ 56	\$ 330	\$ 319	\$ 256	\$ 55,669
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	60,091	0	0	0	0	60,091
<b>TOTAL ASSETS</b>	114,799	56	330	319	256	115,760
<u>LIABILITIES</u>						
Due to Groups and Organizations	0	0	330	319	256	905
<u>NET POSITION</u>						
Restricted for:						
Scholarships and Memorials	\$ 114,799	\$ 56	\$ 0	\$ 0	\$ 0	\$ 114,855



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS

YEAR ENDED JUNE 30, 2013

	JEWELL SCHOLARSHIP	EMPLOYEE SCHOLARSHIP	WILLIAM M. PORTEOUS II SCHOLARSHIP	MABLE PORTEOUS SCHOLARSHIP	WILLIAM L. PORTEOUS SCHOLARSHIP	TOTAL
<u>ADDITIONS</u>						
Donations	\$ 0	\$ 890	\$ 0	\$ 0	\$ 0	\$ 890
Investment Income:						
Change in Fair Value of Investments	0	0	(774)	(747)	(597)	(2,118)
Interest and Dividends	1,017	0	201	194	155	1,567
<b>Total Additions</b>	<b>1,017</b>	<b>890</b>	<b>(573)</b>	<b>(553)</b>	<b>(442)</b>	<b>339</b>
<u>DEDUCTIONS</u>						
Transfer to Osceola Community Foundation	0	0	20,962	8,726	11,447	41,135
Scholarship Awards	0	850	0	1,500	750	3,100
<b>Total Deductions</b>	<b>0</b>	<b>850</b>	<b>20,962</b>	<b>10,226</b>	<b>12,197</b>	<b>44,235</b>
<b>Change in Net Position</b>	<b>1,017</b>	<b>40</b>	<b>(21,535)</b>	<b>(10,779)</b>	<b>(12,639)</b>	<b>(43,896)</b>
<u>NET POSITION</u> - Beginning of Year	113,782	16	21,535	10,779	12,639	158,751
<u>NET POSITION</u> - End of Year	\$ 114,799	\$ 56	\$ 0	\$ 0	\$ 0	\$ 114,855

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS

JUNE 30, 2013

	NORMAN ELEMENTARY ACCOUNT	MIDDLE SCHOOL ACCOUNT	HIGH SCHOOL ACCOUNT	ATHLETIC FUNDRAISING ACCOUNT	BEVERAGE CONSORTIA ACCOUNT	TOTAL
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 27,163	\$ 33,367	\$ 34,989	\$ 74,515	\$ 4,742	\$ 174,776
<u>LIABILITIES</u>						
Due to Groups and Organizations	27,163	33,367	34,989	74,515	4,742	174,776
<u>NET POSITION</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - NORMAN ELEMENTARY SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2013

	BALANCE 7/1/2012	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2013
1st Grade	\$ 339	\$ 100	\$ 439	\$ 0
3rd Grade	520	0	0	520
5th Grade	8	0	0	8
Accelerated Reader	38	0	0	38
Activity	2,887	4,098	3,837	3,148
Book Fair	1,079	1,230	2,309	0
Dollar General/Hop Sports MS	0	5,000	0	5,000
Family Fun Night	3,415	4,700	3,054	5,061
Family School Service	314	0	0	314
Fitness Program	70	0	0	70
Flower	0	132	132	0
Fun Fours	30	0	0	30
General Mills Foundation / Jo Knack	1,762	0	908	854
General Mills Foundation	4,894	5,440	4,588	5,746
Interest Fund	133	29	0	162
Library	469	0	461	8
LIFT	12	0	0	12
Meemic Foundation / Guiney	43	0	0	43
Osceola County Foundation Grant	1,662	2,257	1,699	2,220
Pop	1	0	0	1
PTO Fund	242	0	0	242
Safety Patrol	20	0	0	20
Target	0	4,000	2,420	1,580
TransCanada	23	2,000	907	1,116
United Way Grant	1,174	500	704	970
	<u>\$ 19,135</u>	<u>\$ 29,486</u>	<u>\$ 21,458</u>	<u>\$ 27,163</u>

Represented by

Assets

Cash

\$ 19,135

\$ 27,163

Liabilities

Due to Groups and Organizations

\$ 19,135

\$ 27,163

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - MIDDLE SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2013

	BALANCE 7/1/2012	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2013
6th Grade	\$ 1,998	\$ 2,927	\$ 2,740	\$ 2,185
7th Grade	(80)	3,376	3,106	190
8th Grade	5,451	13,041	13,063	5,429
Art Club	340	280	0	620
Band - Resale	3	1,657	1,653	7
Band Sales	15	3,584	3,599	0
Candy Machine	717	818	942	593
Counseling	(158)	246	88	0
Daily Living	348	0	348	0
EGG	248	365	434	179
Grant Money	247	0	247	0
Girls' Basketball	0	181	181	0
Interest	2,243	47	336	1,954
Interest CD	124	0	0	124
Language Arts Books	24	0	0	24
Osceola Foundation	504	500	1,000	4
Pencils	1,097	172	480	789
Pep Club	3,017	0	152	2,865
Pop Fund	2,391	2,146	2,919	1,618
Science Department	924	553	315	1,162
Shop Department	476	1,455	1,336	595
Ski Club	1,171	1,209	1,609	771
Social Studies	0	400	400	0
Student Activity Fund	206	343	327	222
Student Council	8,716	15,772	12,095	12,393
Track	40	80	0	120
Yearbook	598	3,194	2,269	1,523
	<u>\$ 30,660</u>	<u>\$ 52,346</u>	<u>\$ 49,639</u>	<u>\$ 33,367</u>
Represented by				
Assets				
Cash	<u>\$ 30,660</u>			<u>\$ 33,367</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 30,660</u>			<u>\$ 33,367</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - HIGH SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2013

	BALANCE 7/1/2012	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2013
Advance Placement English	\$ 43	\$ 0	\$ 0	\$ 43
Annual (Yearbook)	2,300	21,380	21,614	2,066
Assembly	300	0	0	300
Bailey Scholarship	790	150	700	240
Chicago Trip	862	7,180	7,269	773
Choral Music	21	395	411	5
Class of 1962 Scholarship	2,520	500	1,000	2,020
Class of 2006	1,177	0	0	1,177
Class of 2007	526	0	0	526
Class of 2008	380	0	0	380
Class of 2009	30	0	0	30
Class of 2010	2,303	0	0	2,303
Class of 2011	150	0	0	150
Class of 2012	671	0	671	0
Class of 2013	2,225	753	2,672	306
Class of 2014	2,441	6,068	8,392	117
Class of 2015	235	3,488	1,338	2,385
Class of 2016	0	1,739	1,226	513
Coke Account	1,551	5,504	6,432	623
Coke Scholarship	660	0	0	660
Counseling	1,146	75	0	1,221
Dance Team	0	50	0	50
Drama Club	1,693	0	0	1,693
E.G.G.	0	758	684	74
English/Math	954	0	300	654
Equestrian Team	639	5,436	6,051	24
Fees	131	0	0	131
FIRST Robotic Team	580	7,015	5,709	1,886
Gen Mills Operating Grant	75	0	0	75
Gen Mills P.E. Grant	227	0	158	69
Grant Fund	882	2,230	2,037	1,075
Health Education - Drug Free	1,727	471	130	2,068
High School Flower Fund	16	0	0	16
High School Improvement	1,021	0	0	1,021
Industrial Arts	1,103	3,248	3,186	1,165

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - HIGH SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2013

	BALANCE 7/1/2012	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2013
Interest	772	94	600	266
Leadership	450	1,067	449	1,068
Leadership Scholarship	689	0	200	489
Library Internal	970	28	0	998
Make a Difference	40	0	0	40
National Art	395	688	742	341
National Honor Society	581	5,764	6,229	116
Newspaper	27	0	0	27
Outing Club	86	0	0	86
Pepsi Cola Fund	1,045	775	1,013	807
Quizbowl	306	130	328	108
Rainforest	(28)	0	0	(28)
Recycle	882	322	1,192	12
S.A.D.D.	665	0	289	376
Science	447	1,470	1,327	590
Science Dome	3,155	818	3,117	856
Service	15	0	0	15
Ski Club	352	271	129	494
Spanish Club	69	0	0	69
Student Council	2,381	9,909	10,354	1,936
TI-IN Network	533	0	250	283
Water Quality	286	0	195	91
Weight Room	133	0	130	3
Welding	100	0	0	100
Youth Advisory Committee	7	300	300	7
	<u>\$ 43,737</u>	<u>\$ 88,076</u>	<u>\$ 96,824</u>	<u>\$ 34,989</u>

Represented by

Assets

Cash

\$ 43,737

\$ 34,989

Liabilities

Due to Groups and Organizations

\$ 43,737

\$ 34,989

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - ATHLETIC FUNDRAISING ACCOUNT

YEAR ENDED JUNE 30, 2013

	BALANCE 7/1/2012	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2013
Athletic Director	\$ 10,400	\$ 12,460	\$ 14,719	\$ 8,141
Baseball	2,015	5,047	4,910	2,152
Boys Basketball	434	14,666	12,883	2,217
Boys Soccer	2,634	0	0	2,634
Cheer	1,208	7,478	7,687	999
Cross Country	61	0	0	61
Football	8,900	13,171	17,603	4,468
Girls Basketball	453	7,166	4,824	2,795
Girls Soccer	3,288	420	1,260	2,448
Golf	453	85	518	20
Invitational	6,632	13,110	8,823	10,919
MHSAA Tournament	7,422	22,943	17,428	12,937
School Store	570	0	0	570
Softball	2,411	4,269	4,533	2,147
Track	2,272	6,002	4,213	4,061
Volleyball	270	3,420	3,093	597
Wrestling	4,877	544	1,504	3,917
Annual Golf Outing	13,928	10,693	11,835	12,786
Unclassified	751	78	183	646
	\$ 68,979	\$ 121,552	\$ 116,016	\$ 74,515
Represented by				
Assets				
Cash	\$ 68,979			\$ 74,515
Liabilities				
Due to Groups and Organizations	\$ 68,979			\$ 74,515

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE  
AGENCY FUND - BEVERAGE CONSORTIA ACCOUNT

YEAR ENDED JUNE 30, 2013

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	<u>7/1/2012</u>	<u>(Including Transfers)</u>		<u>6/30/2013</u>
Beverage Consortia	\$ 3,929	\$ 1,901	\$ 1,088	\$ 4,742
Represented by				
Assets				
Cash	<u>\$ 3,929</u>			<u>\$ 4,742</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 3,929</u>			<u>\$ 4,742</u>



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2013

2001 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2001 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of the 1991 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 5,100,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2014	4.750 %	\$ 460,482	\$ 30,241	\$ 30,241	\$ 400,000
2015	4.875 %	456,482	20,741	20,741	415,000
2016	5.000 %	446,250	10,625	10,625	425,000
		<u>\$ 1,363,214</u>	<u>\$ 61,607</u>	<u>\$ 61,607</u>	<u>\$ 1,240,000</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2013

2004 SCHOOL BUILDING AND SITE BONDS

<u>TITLE OF ISSUE</u>	2004 School Building and Site Bonds	
<u>PURPOSE</u>	School building and site improvements	
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year	
<u>AMOUNT OF ISSUE</u>		\$ 12,560,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2014	4.500 %	\$ 425,568	\$ 80,284	\$ 80,284	\$ 265,000

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2013

2005 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2005 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of the 2004 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 8,400,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2014	4.000 %	\$ 378,440	\$ 169,220	\$ 169,220	\$ 40,000
2015	4.000 %	381,840	168,420	168,420	45,000
2016	4.000 %	380,040	167,520	167,520	45,000
2017	4.000 %	383,240	166,620	166,620	50,000
2018	4.000 %	381,240	165,620	165,620	50,000
2019	4.000 %	384,240	164,620	164,620	55,000
2020	4.000 %	852,040	163,520	163,520	525,000
2021	4.000 %	1,126,040	153,020	153,020	820,000
2022	4.000 %	1,108,240	136,620	136,620	835,000
2023	4.000 %	1,069,840	119,920	119,920	830,000
2024	4.050 %	1,026,640	103,320	103,320	820,000
2025	4.100 %	988,430	86,715	86,715	815,000
2026	4.150 %	975,016	70,008	70,008	835,000
2027	4.200 %	930,362	52,681	52,681	825,000
2028	4.300 %	890,712	35,356	35,356	820,000
2029	4.350 %	850,454	17,727	17,727	815,000
		<u>\$ 12,106,814</u>	<u>\$ 1,940,907</u>	<u>\$ 1,940,907</u>	<u>\$ 8,225,000</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2013

2012 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2012 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of a portion of the 2004 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 3,030,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2014	2.000 %	\$ 120,600	\$ 45,300	\$ 45,300	\$ 30,000
2015	3.000 %	400,000	45,000	45,000	310,000
2016	3.000 %	410,700	40,350	40,350	330,000
2017	3.000 %	760,800	35,400	35,400	690,000
2018	3.000 %	750,100	25,050	25,050	700,000
2019	3.000 %	739,100	14,550	14,550	710,000
2020	3.000 %	267,800	3,900	3,900	260,000
		<u>\$ 3,449,100</u>	<u>\$ 209,550</u>	<u>\$ 209,550</u>	<u>\$ 3,030,000</u>



