

**REED CITY AREA PUBLIC SCHOOLS**

**REED CITY, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2012**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-ix
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets	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 Assets	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 Assets	7
Statement of Changes in Fiduciary Net Assets	8
Notes to Financial Statements	9-27
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	28
<b>Combining and Individual Fund Financial Statements</b>	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	30
<b>Financial Statements of Individual Funds</b>	
Fiduciary Fund Types	
Statement of Fiduciary Net Assets	31
Private Purpose Trust Funds	
Statement of Fiduciary Net Assets	32
Combining Statement of Revenues, Expenditures and Changes in Fiduciary Net Assets	33

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REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>PAGES</u>
Agency Funds	
Statement of Fiduciary Net Assets	34
Statement of Cash Receipts, Disbursements and Balance	
Norman Elementary School Account	35
Middle School Account	36
High School Account	37-38
Athletic Fundraising Account	39
Beverage Consortia Account	40
<b>Other Supplementary Information</b>	
Schedule of Bonds Payable	
1998 School Improvement Bonds	41
2001 Refunding Bonds	42
2004 School Building and Site Bonds	43
2005 Refunding Bonds	44

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August 23, 2012

INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Reed City Area Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through ix and 28 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Reed City Area Public Schools, Reed City, Michigan's financial statements as a whole. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary 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 it.

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, 2012

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, 2012. 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 Assets reports all of the District's assets 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 assets and how they have changed. Net assets, 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 assets 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, 2012

**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, Community Services, Debt Service Fund, 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 assets of the District at June 30, 2012, amounted to an overall deficit of (\$1,154,355). The schedule below shows a condensed breakdown of the net assets.

<u>June 30,</u>	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current Assets	\$ 4,221,672	\$ 4,702,244
Non Current Assets		
Deferred Issuance Costs - Net	174,601	184,871
Deferred Loss on Refunding	302,624	320,425
Capital Assets	19,000,132	19,000,132
Less: Accumulated Depreciation	<u>(7,268,401)</u>	<u>(6,888,530)</u>
Total Non Current Assets	<u>12,208,956</u>	<u>12,616,898</u>
<b>Total Assets</b>	<u>\$16,430,628</u>	<u>\$ 17,319,142</u>

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

<u>June 30,</u>	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Liabilities</b>		
Current Liabilities	\$ 4,253,916	\$ 4,449,733
Non Current Liabilities	13,331,067	14,299,917
<b>Total Liabilities</b>	<u>17,584,983</u>	<u>18,749,650</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt - (Deficit)	(1,455,750)	(1,891,891)
Restricted	454,392	427,881
Unrestricted - (Deficit)	(152,997)	33,502
<b>Total Net Assets (Deficit)</b>	<u>(1,154,355)</u>	<u>(1,430,508)</u>
<b>Total Liabilities and Net Assets</b>	<u>\$16,430,628</u>	<u>\$17,319,142</u>

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

During the fiscal year ended June 30, 2012, the District's net assets increased by \$276,153. A few of the more significant factors affecting net assets during the year are discussed below:

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

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, 2012, \$379,871 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions and Disposals**

For the fiscal year ended June 30, 2012, no capital assets were acquired or disposed of.

The net effect of the capital asset changes and the current year's depreciation is a decrease to capital assets in the amount of \$379,871 for the fiscal year ended June 30, 2012.

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

<i>June 30,</i> <b>Revenues</b>	Governmental Activities	
	2012	2011
Program Revenues:		
Charges for Services	\$ 349,973	\$ 379,048
Operating Grants and Contributions	2,966,478	2,829,027
General Revenues:		
Property Taxes	3,265,662	3,262,516
Investment Earnings	2,706	4,120
State Sources	8,123,889	8,415,599
Gain on Sale of Capital Assets	0	31,569
Other	51,752	77,074
<b>Total Revenues</b>	14,760,460	14,998,953
<b>Expenses</b>		
Instruction	8,471,640	8,592,371
Supporting Services	4,163,375	4,516,457
Community Services	55,963	54,268
Food Service Activities	729,299	754,617
Construction Projects	443	0
Interest on Long-Term Debt	662,481	690,968
Other Transactions	21,235	47,014
Unallocated Depreciation	379,871	378,383
<b>Total Expenses</b>	14,484,307	15,034,078
<b>Increase (Decrease) in Net Assets</b>	\$ 276,153	\$ (35,125)

The cost of the District's governmental activities for the year was \$14,484,307. State aid, operating grants and contributions provided approximately \$11,090,367, to fund the District's governmental activities. District taxpayers directly financed activities of the District with approximately \$3,265,662 in property taxes. Charges for services provided funds of approximately \$349,973.

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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:

	2012	2011	Increase (Decrease)
<b>Major Funds</b>			
General Fund	\$ 331,602	\$ 728,547	\$ (396,945)
Debt Fund	404,215	451,176	(46,961)
<b>Nonmajor Funds</b>			
Food Service	148,727	80,896	67,831
Community Services	10,861	7,316	3,545
Capital Projects	59,753	117,305	(57,552)
<b>Total Governmental Funds</b>	<b>\$ 955,158</b>	<b>\$ 1,385,240</b>	<b>\$ (430,082)</b>

The General Fund balance decreased primarily due to a structural deficit embedded in school funding. The District is not able to cut expenditures at the rate in which revenues are being cut.

The Debt Fund balance, of which the entire amount is restricted, decreased primarily due to debt principal and interest payments exceeding property taxes.

The District also received federal operating grants to fund General Fund operations. These funds were primarily derived from Title I and EduJobs grants. Total revenues received by the General Fund from federal sources as of June 30, 2012 were \$858,843, down from \$1,207,002 as of June 30, 2011.

**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, 2012

During 2011-2012, the District amended the General Fund budget twice, with the Board adopting the final changes in June 2012. 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, 2012</u>	Original Budget	Final Budget	Actual
<b>Total Revenues</b>	<u>\$ 12,836,581</u>	<u>\$ 13,203,854</u>	<u>\$ 12,701,544</u>
Expenditures:			
Instruction	\$ 9,128,770	\$ 9,020,341	\$ 8,629,422
Supporting Services	4,125,631	4,599,283	4,197,004
Community Services	16,082	33,552	22,214
Debt Service	52,392	52,392	52,392
Other Transactions	24,915	20,232	20,232
Transfers	252,226	177,226	177,225
<b>Total Expenditures and Other Uses</b>	<u>\$ 13,600,016</u>	<u>\$ 13,903,026</u>	<u>\$ 13,098,489</u>

Final budgeted revenues were higher than originally budgeted due to including athletic transportation changes and receiving final numbers for state and federal revenues. Expenditures for instruction and supporting services were amended once federal and state revenues were finalized.

Actual revenues were significantly lower than budgeted due to decreases in state revenues and not earning the entire allocated federal revenues. The balance of the federal revenues will be recognized in the following school year. Actual expenditures were lower than budgeted due to the fact that the instruction and supporting service expenses were budgeted for expenses through the end of the grant period. These expenses will be incurred during the following school year.

**Capital Asset 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 were no additions during the current year.

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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

<u>June 30,</u>	<u>2012</u>	<u>2011</u>
Land	\$ 299,694	\$ 299,694
Buildings	10,907,859	11,209,249
Land Improvements	46,331	52,368
Machinery and Equipment	302,361	356,171
Transportation Equipment	175,486	194,120
	<u>\$11,731,731</u>	<u>\$12,111,602</u>

**2. Long-Term Debt**

At June 30, 2012, the District had \$13,991,892 in debt outstanding. This represents a decrease of \$1,035,899 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 2012-2013 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, technology, and buses 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. The school district could be looking at significant loss of revenue with little fund equity as a cushion.

**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, 220 W. Lincoln Ave., Suite A, Reed City, Michigan 49677.

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REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 744,350
Restricted Cash	905,370
Investments	536,327
Accounts Receivable	55,371
Due from Other Governments	1,871,606
Inventories	11,883
Prepaid Expenses	96,765
Total Current Assets	<u>4,221,672</u>

NON CURRENT ASSETS

Deferred Issuance Costs - Net	174,601
Deferred Loss on Refunding	302,624
Capital Assets	19,000,132
Less Accumulated Depreciation	<u>(7,268,401)</u>
Total Non Current Assets	<u>12,208,956</u>

TOTAL ASSETS

16,430,628

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	38,110
Accrued Expenses	566,371
Accrued Interest Payable	98,550
Salaries Payable	797,500
Note Payable	1,807,024
Deferred Revenue	57,509
Current Portion of Non Current Liabilities	<u>888,852</u>
Total Current Liabilities	<u>4,253,916</u>

NON CURRENT LIABILITIES

Bonds Payable	13,382,556
Deferred Bond Premium - Net	46,166
Employee Early Retirement Obligations	372,000
Compensated Absences	176,360
Capital Lease Payable	181,861
Other Long-Term Debt	60,976
Less Current Portion of Non Current Liabilities	<u>(888,852)</u>

Total Non Current Liabilities

13,331,067

TOTAL LIABILITIES

17,584,983

NET ASSETS

Invested in Capital Assets Net of Related Debt - (Deficit)	(1,455,750)
Restricted for Debt Service	305,665
Restricted for Food Service	148,727
Unrestricted - (Deficit)	<u>(152,997)</u>
TOTAL NET ASSETS - (DEFICIT)	<u>\$ (1,154,355)</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, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 8,471,640	\$ 0	\$ 2,213,945	\$ 0	\$ (6,257,695)
Supporting Services	4,163,375	120,208	125,772	0	(3,917,395)
Community Services	55,963	37,294	22,214	0	3,545
Food Service Activities	729,299	192,471	604,547	0	67,719
Construction Projects	443	0	0	0	(443)
Interest on Long-Term Debt	662,481	0	0	0	(662,481)
Other Transactions	21,235	0	0	0	(21,235)
Unallocated Depreciation	379,871	0	0	0	(379,871)
Total Governmental Activities	<u>\$ 14,484,307</u>	<u>\$ 349,973</u>	<u>\$ 2,966,478</u>	<u>\$ 0</u>	<u>(11,167,856)</u>
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					2,050,060
Property Taxes -Levied for Debt Service					1,215,602
Investment Earnings					2,706
State Sources					8,123,889
Other					51,752
Total General Revenues					<u>11,444,009</u>
Change in Net Assets					276,153
<u>NET ASSETS</u> - Beginning of Year - (Deficit)					<u>(1,430,508)</u>
<u>NET ASSETS</u> - End of Year - (Deficit)					<u>\$ (1,154,355)</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, 2012

	GENERAL FUND	DEBT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 153,301	\$ 393,042	\$ 198,007	\$ 744,350
Restricted Cash	905,370	0	0	905,370
Investments	536,327	0	0	536,327
Accounts Receivable	52,073	0	3,298	55,371
Due from Other Governments	1,860,627	1,402	9,577	1,871,606
Due from Other Funds	519	9,771	0	10,290
Inventories	5,983	0	5,900	11,883
Prepaid Expenditures	25,740	0	71,025	96,765
<b>TOTAL ASSETS</b>	<b>\$ 3,539,940</b>	<b>\$ 404,215</b>	<b>\$ 287,807</b>	<b>\$ 4,231,962</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 9,107	\$ 0	\$ 29,003	\$ 38,110
Accrued Expenses	566,371	0	0	566,371
Salaries Payable	797,500	0	0	797,500
Note Payable	1,807,024	0	0	1,807,024
Due to Other Funds	9,771	0	519	10,290
Deferred Revenue	18,565	0	38,944	57,509
<b>Total Liabilities</b>	<b>3,208,338</b>	<b>0</b>	<b>68,466</b>	<b>3,276,804</b>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	5,983	0	5,900	11,883
Prepaid Expenditures	25,740	0	71,025	96,765
Restricted for:				
Debt Service	0	404,215	0	404,215
Food Service	0	0	72,827	72,827
Assigned to:				
Subsequent Year Expenditures	557	0	0	557
Community Services	0	0	9,836	9,836
Future Capital Projects	0	0	59,753	59,753
Unassigned	299,322	0	0	299,322
<b>Total Fund Balances</b>	<b>331,602</b>	<b>404,215</b>	<b>219,341</b>	<b>955,158</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,539,940</b>	<b>\$ 404,215</b>	<b>\$ 287,807</b>	<b>\$ 4,231,962</b>

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 ASSETS

JUNE 30, 2012

Total Governmental Fund Balances \$ 955,158

Amounts reported for governmental activities in the Statement of Net Assets  
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	\$ 19,000,132	
Accumulated depreciation is	<u>(7,268,401)</u>	11,731,731

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	302,624
Bond Issuance Costs	174,601

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

Bonds Payable	(13,382,556)
Bond Premium	(46,166)
Employees Early Retirement	(372,000)
Compensated Absences	(176,360)
Capital Lease Payable	(181,861)
Other Long-Term Debt	(60,976)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid	<u>(98,550)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (1,154,355)</u></u>
---------------------------------------	------------------------------

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, 2012

	GENERAL FUND	DEBT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 2,250,881	\$ 1,216,437	\$ 231,952	\$ 3,699,270
State Sources	9,234,988	7,915	47,409	9,290,312
Federal Sources	858,843	0	555,203	1,414,046
Other Transactions	356,832	0	0	356,832
Total Revenues	<u>12,701,544</u>	<u>1,224,352</u>	<u>834,564</u>	<u>14,760,460</u>
<u>EXPENDITURES</u>				
Instruction	8,629,422	0	0	8,629,422
Supporting Services	4,197,004	0	0	4,197,004
Community Services	22,214	0	33,749	55,963
Food Service Activities	0	0	729,299	729,299
Capital Projects	0	0	443	443
Debt Service				
Principal	38,132	822,212	54,070	914,414
Interest	14,260	625,327	3,179	642,766
Other Transactions	20,232	999	0	21,231
Total Expenditures	<u>12,921,264</u>	<u>1,448,538</u>	<u>820,740</u>	<u>15,190,542</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(219,720)</u>	<u>(224,186)</u>	<u>13,824</u>	<u>(430,082)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	177,225	0	177,225
Transfers Out	(177,225)	0	0	(177,225)
Total Other Financing Sources (Uses)	<u>(177,225)</u>	<u>177,225</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>(396,945)</u>	<u>(46,961)</u>	<u>13,824</u>	<u>(430,082)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>728,547</u>	<u>451,176</u>	<u>205,517</u>	<u>1,385,240</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 331,602</u>	<u>\$ 404,215</u>	<u>\$ 219,341</u>	<u>\$ 955,158</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, 2012

Net Change in Fund Balances Total Governmental Funds \$ (430,082)

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.

Depreciation Expense (379,871)

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 104,191  
Accrued Interest Payable - End of Year (98,550)

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 issuance costs, 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:

Repayment of Debt Principal 914,414  
Amortization of Deferred Charges (25,356)

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 558,000  
Employees Early Retirement - End of Year (372,000)  
Accumulated Sick Pay - Beginning of Year 181,767  
Accumulated Sick Pay - End of Year (176,360)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 276,153

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 ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2012

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 63,514	\$ 150,383
Investments	38,726	16,057
Notes Receivable (net of allowance for doubtful accounts)	56,511	0
	<hr/>	<hr/>
TOTAL ASSETS	158,751	166,440
 <u>LIABILITIES</u>		
Due to Groups and Organizations	0	166,440
	<hr/>	<hr/>
 <u>NET ASSETS</u>		
Restricted for Scholarships and Memorials	\$ 158,751	\$ 0
	<hr/> <hr/>	<hr/> <hr/>

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 ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2012

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Donations	\$ 1,985
Investment Income (Change in Fair Value of Investments)	(968)
Interest and Dividends	<u>1,569</u>
Total Additions	2,586
<u>DEDUCTIONS</u>	
Scholarship Awards	<u>1,275</u>
Change in Net Assets	1,311
<u>NET ASSETS - Beginning of Year</u>	<u>157,440</u>
<u>NET ASSETS - End of Year</u>	<u>\$ 158,751</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, 2012

**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**

Reed City Area Public Schools (the "District") is located in Osceola, Lake, Newaygo and Mecosta Counties with its administrative offices located in Reed City, Michigan. The District is governed by the Reed City Area Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 1,529 students (blended count) 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. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services 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. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

In the government-wide statement of net assets, 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 assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

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).

The District does not allocate indirect costs.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **Governmental Funds**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

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.

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**Other Non-Major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service and community service activities in the special revenue funds.

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

*Fiduciary funds* account for assets held by the District in a trustee capacity or as an agent on behalf of others. 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 *private purpose trust funds* are accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District.

The *agency funds* are custodial in nature and do 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 (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

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

**Modified Accrual Method**

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**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, 2012 the foundation allowance was based on pupil membership counts taken in February and October of 2011. For fiscal year ended June 30, 2012, the per pupil foundation allowance was \$6,846 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-principal residence exemption 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 2011 to August 2012. 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 deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Federal Revenue**

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**D. Other Accounting Policies**

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 Government.
- (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. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. 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.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

For the year ended June 30, 2012, 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

4. Inventories and Prepaid Expenditures

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.

5. 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 fixed 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.

6. 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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

statements, only the matured liability for compensated absences is reported. The total liability is reported on the district-wide financial statements.

7. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt 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. The District has opted to apply the provisions of GASB 34 paragraph 146, which allows the amortization of premiums, discounts and bond issuance costs, prospectively for all bonds issued after July 1, 2002.

8. Fund Balance

In the fund financial statements, governmental funds report the following classifications of fund balance:

*Nonspendable* – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

*Restricted* – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

*Committed* – Includes amounts that can only be used for specific purposes determined by a formal action by Board Resolution. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

*Assigned* – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority. The School Board has delegated authority to assign fund balance for a specific purpose to the Superintendent of Schools or his designee.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

*Unassigned* – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

As stated in Note 1B above, restricted resources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board has provided otherwise in its commitment or assignment actions.

9. 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.

10. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants and they are maintained in separate bank accounts.

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

**A. Budgets and Budgetary Accounting**

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

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

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 13, 2011, or as amended by the School Board of Education at various times throughout the year.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments - Credit Risk**

The District's deposits and investments are all on deposit with banks within the State of Michigan and Michigan School District Liquid Asset Fund Plus.

*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, 2012, \$1,441,667 of the government's bank balance of \$2,714,850 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*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. 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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

**Investments**

At June 30, 2012, the District had the following investments:

	Fair Value
MILAF External Investment Pool - MICMS	\$ 82
MILAF External Investment Pool - MILAX	536,245
Certificates of Deposit	16,057
Common Stock	38,726
Total	\$ 591,110

The Michigan Liquid Asset Fund (MILAF) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF is not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2012.

The District's common stock was donated to the District for the establishment of the Bill Porteous II and Mable Porteous Scholarship Funds or was received as a stock dividend paid on donated shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 1,649,720	\$ 0	\$ 213,897	\$ 1,863,617
Restricted Cash				
Investments	0	536,327	54,783	591,110
	\$ 1,649,720	\$ 536,327	\$ 268,680	\$ 2,454,727

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**B. Receivables**

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

	General	Debt Fund	Nonmajor and Other Funds	Total
Receivables				
Accounts	\$ 52,073	\$ 0	\$ 3,298	\$ 55,371
Notes Receivable - Less allowance for doubtful accounts	0	0	66,511	66,511
	0	0	(10,000)	(10,000)
Due from Other Governments	1,860,627	1,402	9,577	1,871,606
<b>Total Receivables</b>	<b>\$ 1,912,700</b>	<b>\$ 1,402</b>	<b>\$ 69,386</b>	<b>\$ 1,983,488</b>

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

Notes receivable consist of student loans made by the Jewell Scholarship Fund.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but have not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grants and Other Amounts Received, But Not Yet Utilized	\$ 0	\$ 57,509

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**C. Capital Assets**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
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	0	0	792,786
Transportation Equipment	1,285,014	0	0	1,285,014
Subtotal	18,700,438	0	0	18,700,438
Accumulated Depreciation				
Buildings	5,174,183	301,390	0	5,475,573
Land Improvements	186,838	6,037	0	192,875
Machinery and Equipment	436,615	53,810	0	490,425
Transportation Equipment	1,090,894	18,634	0	1,109,528
Total Accumulated Depreciation	6,888,530	379,871	0	7,268,401
Net Other Capital Assets	11,811,908	(379,871)	0	11,432,037
Net Capital Assets	\$ 12,111,602	\$ (379,871)	\$ 0	\$ 11,731,731

Depreciation for the fiscal year ended June 30, 2012, amounted to \$379,871. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**D. Long-Term Debt**

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.

The following is a summary of changes in long-term liabilities:

	BONDS PAYABLE	EARLY RETIREMENT OBLIGATIONS	INSTALLMENT PURCHASE AGREEMENT	COMPENSATED ABSENCES	TOTAL
Balance, July 1, 2011	\$ 14,204,768	\$ 558,000	\$ 83,256	\$ 181,767	\$ 15,027,791
Additions	0	0	0	0	0
Deletions	(822,212)	(186,000)	(22,280)	(5,407)	(1,035,899)
Balance, June 30, 2012	<u>\$ 13,382,556</u>	<u>\$ 372,000</u>	<u>\$ 60,976</u>	<u>\$ 176,360</u>	<u>\$ 13,991,892</u>
Total due within one year	<u>\$ 682,556</u>	<u>\$ 186,000</u>	<u>\$ 20,326</u>	<u>\$ 0</u>	<u>\$ 888,882</u>

At June 30, 2012, the Schools' Long-Term Debt consisted of the following:

\$112,725 1998 School Improvement Bonds due in an annual installments of \$7,556 through May 15, 2013, plus interest at 4.76%.	\$ 7,556
\$5,100,000 2001 Refunding Bonds due in annual installments of \$390,000 to \$425,000 plus interest through May 1, 2016. Interest rates range from 4.625% to 5.0%.	1,630,000
\$12,560,000 2004 School Building and Site Bonds due in annual installments of \$245,000 to \$725,000 plus interest through May 1, 2020. Interest rates range from 4.25% to 5.25%.	3,480,000
\$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%.	8,265,000
Early retirement obligations paid annually without interest per individual contracts.	372,000
\$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.	60,976
Compensated Absences	176,360
Total long term debt	<u>\$ 13,991,892</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

<u>Year Ending June 30,</u>	<u>Bonds Payable</u>		<u>Early Retirement</u>	<u>Installment</u>	<u>Amounts</u>
	<u>Principal</u>	<u>Interest</u>	<u>Obligation</u>	<u>Purchase Agreement</u>	
2013	\$ 682,556	\$ 589,899	\$ 186,000	\$ 20,326	\$ 1,478,781
2014	705,000	559,490	166,000	20,326	1,450,816
2015	740,000	526,966	20,000	20,324	1,307,290
2016	775,000	493,034	0	0	1,268,034
2017	725,000	456,640	0	0	1,181,640
2018-2022	3,995,000	1,720,936	0	0	5,715,936
2023-2027	4,125,000	865,288	0	0	4,990,288
2028-2029	1,635,000	106,166	0	0	1,741,166
	<u>\$13,382,556</u>	<u>\$ 5,318,419</u>	<u>\$ 372,000</u>	<u>\$ 60,976</u>	<u>\$ 19,133,951</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.

**E. 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</u> <u>NOTE</u>
Balance - July 1, 2011	\$ 1,800,000
Additions	1,800,000
Deletions	<u>(1,800,000)</u>
Balance June 30, 2012	<u>\$ 1,800,000</u>

The notes were issued August 22, 2011, one note of \$900,000 carries an interest rate of 0.60% the other note of \$900,000 carries an interest rate of 0.311%. The total accrued interest to be paid at maturity is \$8,169, of which \$7,024 was accrued at year end. The District during the year set aside in an escrow account of \$905,370 to repay this note at maturity. On August 20, 2012 this amount was repaid, and on August 20, 2012 the District issued new State Aid Notes totaling \$3,000,000 due August 20, 2013.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**F. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2012, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 519	\$ 9,771
Debt Fund	9,771	0
Community Services Fund	0	100
Food Service Fund	0	419
	<u>\$ 10,290</u>	<u>\$ 10,290</u>

All remaining balances generally resulted 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 year end are expected to be repaid within one year.

Interfund transfers as shown in the individual fund financial statements at June 30, 2012 were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 177,225
Debt Fund	177,225	0
	<u>\$ 177,225</u>	<u>\$ 177,225</u>

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**G. Leases**

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, 2012</u>
Copy Machines and Printers	8.42%	\$ 148,520
Computer Equipment and Software	4.88%	33,341
Total Capital Lease Obligations		<u>\$ 181,861</u>

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>(39,091)</u>
Net value	<u>\$ 174,132</u>

As of June 30, 2012, capital lease annual requirements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 87,361
2014	52,392
2015	52,392
2016	13,098
Total Requirements	<u>205,243</u>
Less interest	<u>(23,382)</u>
Present value of remaining payments	<u>\$ 181,861</u>

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**NOTE 5 - OTHER INFORMATION**

**A. Employee Retirement System**

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

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

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

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2012, were 20.66% of payroll through September 30, 2011, and 24.46% effective October 1, 2011. For employees who first worked on or after July 1, 2010, the rate for the year ended June 30, 2012, was 19.16% for the first quarter

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

and 23.23% for the remainder of the year. 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 for the year ended June 30, 2012, 2011, and 2010 were approximately \$1,599,445, \$1,454,964, and \$1,306,536 respectively, and were equal to the required contribution for those years.

Other Post Employment Benefits Funding Policy. Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The Systems 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. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit that were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account. Effective April 1, 2011 a court order eliminated this requirement. The court order is being appealed by the State of Michigan.

Pension recipients are generally eligible for fully paid Master Health Plan coverage and 90% paid 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.

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

**C. 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, 2012, \$7,740,000 of bonds outstanding are considered defeased.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**D. 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, 2012, \$510,978 of bonds outstanding are considered defeased.

**E. 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.

**F. Subsequent Event**

On August 20, 2012, the District passed a resolution authorizing the advanced refunding of a portion of the 2004 Bond Issue. The resolution authorized Refunding Bonds to be issued in the amount of \$3,030,000. The expected sale date of the refunding bonds is September 6, 2012. The refinancing of this old debt is expected to save taxpayers of the District a substantial amount of money.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 2,287,180	\$ 2,324,430	\$ 2,250,632
State Sources	9,517,824	9,408,575	9,234,988
Federal Sources	657,472	1,123,838	858,843
Other Transactions	374,105	347,011	357,081
Total Revenues	12,836,581	13,203,854	12,701,544
<u>EXPENDITURES</u>			
Instruction			
Basic Instruction	7,494,804	7,219,279	7,012,348
Added Needs	1,633,966	1,801,062	1,617,074
Supporting Services			
Pupil	345,638	394,378	386,749
Instructional Staff	193,182	332,405	193,199
General Administration	380,893	341,992	309,670
School Administration	939,132	979,500	924,364
Business	216,980	208,005	196,054
Operating and Maintenance	1,071,651	953,381	920,514
Pupil Transportation	409,921	787,791	705,244
Central Services	192,027	229,635	219,054
Athletic Activities	376,207	372,196	342,156
Community Services	16,082	33,552	22,214
Debt Service			
Principal	38,132	38,132	38,132
Interest	14,260	14,260	14,260
Other Transactions	24,915	20,232	20,232
Total Expenditures	13,347,790	13,725,800	12,921,264
Excess (Deficiency) of Revenues Over Expenditures	(511,209)	(521,946)	(219,720)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(252,226)	(177,226)	(177,225)
Net Change in Fund Balance	(763,435)	(699,172)	(396,945)
<u>FUND BALANCE</u> - Beginning of Year	908,656	728,547	728,547
<u>FUND BALANCE</u> - End of Year	\$ 145,221	\$ 29,375	\$ 331,602

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>SPECIAL REVENUE</u>			TOTAL
	<u>FOOD SERVICE FUND</u>	<u>COMMUNITY SERVICES FUND</u>	<u>CAPITAL PROJECT FUND</u>	
<u>ASSETS</u>				
Cash	\$ 94,466	\$ 42,224	\$ 61,317	\$ 198,007
Accounts Receivable	3,298	0	0	3,298
Due from Other Governments	9,577	0	0	9,577
Inventory	5,900	0	0	5,900
Prepaid Expenditures	70,000	1,025	0	71,025
<b>TOTAL ASSETS</b>	<b>\$ 183,241</b>	<b>\$ 43,249</b>	<b>\$ 61,317</b>	<b>\$ 287,807</b>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 27,439	\$ 0	\$ 1,564	\$ 29,003
Due to Other Funds	419	100	0	519
Deferred Revenue	6,656	32,288	0	38,944
<b>Total Liabilities</b>	<b>34,514</b>	<b>32,388</b>	<b>1,564</b>	<b>68,466</b>
<u>FUND BALANCE</u>				
Nonspendable:				
Inventory	5,900	0	0	5,900
Prepaid Expenditures	70,000	1,025	0	71,025
Restricted:				
Food Service	72,827	0	0	72,827
Assigned:				
Community Services	0	9,836	0	9,836
Future Capital Projects	0	0	59,753	59,753
<b>Total Fund Balance</b>	<b>148,727</b>	<b>10,861</b>	<b>59,753</b>	<b>219,341</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 183,241</b>	<b>\$ 43,249</b>	<b>\$ 61,317</b>	<b>\$ 287,807</b>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

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

YEAR ENDED JUNE 30, 2012

	<u>SPECIAL REVENUE</u>			TOTAL
	<u>FOOD SERVICE FUND</u>	<u>COMMUNITY SERVICES FUND</u>	<u>CAPITAL PROJECT FUND</u>	
<u>REVENUES</u>				
Local Sources	\$ 194,518	\$ 37,294	\$ 140	\$ 231,952
State Sources	47,409	0	0	47,409
Federal Sources	555,203	0	0	555,203
Total Revenues	<u>797,130</u>	<u>37,294</u>	<u>140</u>	<u>834,564</u>
<u>EXPENDITURES</u>				
Community Services	0	33,749	0	33,749
Food Service Activities	729,299	0	0	729,299
Capital Projects	0	0	443	443
Debt Service	0	0	57,249	57,249
Total Expenditures	<u>729,299</u>	<u>33,749</u>	<u>57,692</u>	<u>820,740</u>
Net Change in Fund Balance	67,831	3,545	(57,552)	13,824
<u>FUND BALANCE</u> - Beginning of Year	<u>80,896</u>	<u>7,316</u>	<u>117,305</u>	<u>205,517</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 148,727</u>	<u>\$ 10,861</u>	<u>\$ 59,753</u>	<u>\$ 219,341</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

FIDUCIARY FUND TYPES  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 63,514	\$ 150,383	\$ 213,897
Investments	38,726	16,057	54,783
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	56,511	0	56,511
	<hr/>		
TOTAL ASSETS	158,751	166,440	325,191
 <u>LIABILITIES</u>			
Due to Groups and Organizations	0	166,440	166,440
	<hr/>		
 <u>NET ASSETS</u>			
Restricted for:			
Scholarships and Memorials	\$ 158,751	\$ 0	\$ 158,751
	<hr/> <hr/>		

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	<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	\$ 57,271	\$ 16	\$ 7,391	\$ (2,878)	\$ 1,714	\$ 63,514
Investments	0	0	14,144	13,657	10,925	38,726
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	56,511	0	0	0	0	56,511
<b>TOTAL ASSETS</b>	<b>113,782</b>	<b>16</b>	<b>21,535</b>	<b>10,779</b>	<b>12,639</b>	<b>158,751</b>
<u>LIABILITIES</u>						
	0	0	0	0	0	0
<u>NET ASSETS</u>						
Restricted for:						
Scholarships and Memorials	\$ 113,782	\$ 16	\$ 21,535	\$ 10,779	\$ 12,639	\$ 158,751

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

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

YEAR ENDED JUNE 30, 2012

	JEWELL SCHOLARSHIP	EMPLOYEE SCHOLARSHIP	WILLIAM M. PORTEOUS II SCHOLARSHIP	MABLE PORTEOUS SCHOLARSHIP	WILLIAM L. PORTEOUS SCHOLARSHIP	TOTAL
<u>ADDITIONS</u>						
Donations	\$ 0	\$ 1,285	\$ 0	\$ 700	\$ 0	\$ 1,985
Investment Income:						
Change in Fair Value of Investments	0	0	(354)	(341)	(273)	(968)
Interest and Dividends	780	0	288	278	223	1,569
Total Additions	780	1,285	(66)	637	(50)	2,586
<u>DEDUCTIONS</u>						
Scholarship Awards	0	1,275	0	0	0	1,275
Change in Net Assets	780	10	(66)	637	(50)	1,311
<u>NET ASSETS - Beginning of Year</u>	113,002	6	21,601	10,142	12,689	157,440
<u>NET ASSETS - End of Year</u>	\$ 113,782	\$ 16	\$ 21,535	\$ 10,779	\$ 12,639	\$ 158,751

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

AGENCY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	NORMAN ELEMENTARY ACCOUNT	MIDDLE SCHOOL ACCOUNT	HIGH SCHOOL ACCOUNT	ATHLETIC FUNDRAISING ACCOUNT	BEVERAGE CONSORTIA ACCOUNT	TOTAL
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 19,135	\$ 30,660	\$ 27,680	\$ 68,979	\$ 3,929	\$ 150,383
Investments	0	0	16,057	0	0	16,057
TOTAL ASSETS	19,135	30,660	43,737	68,979	3,929	166,440
<u>LIABILITIES</u>						
Due to Groups and Organizations	19,135	30,660	43,737	68,979	3,929	166,440
<u>NET ASSETS</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

AGENCY FUND - NORMAN ELEMENTARY SCHOOL ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2012

	BALANCE 7/1/2011	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2012
1st Grade	\$ 396	\$ 100	\$ 157	\$ 339
3rd Grade	320	350	150	520
5th Grade	8	0	0	8
Accelerated Reader	38	0	0	38
Activity	1,824	3,849	2,786	2,887
Book Fair	1,079	968	968	1,079
Family Fun Night	3,472	8,260	8,317	3,415
Family School Service	314	0	0	314
Fitness Program	70	0	0	70
Flower	101	25	126	0
Fun Fours	30	0	0	30
General Mills Foundation / Jo Knack	0	5,000	3,238	1,762
General Mills Foundation	4,423	5,000	4,529	4,894
Interest Fund	100	33	0	133
Kindergarten	13	0	13	0
Library	361	122	14	469
LIFT	12	0	0	12
Meemic Foundation / Guiney	0	2,000	1,957	43
Nutrition Grant	51	0	51	0
Osceola County Foundation Grant	307	2,357	1,002	1,662
Pop	1	0	0	1
PTO Fund	242	0	0	242
Safety Patrol	20	0	0	20
Target	0	2,000	2,000	0
TransCanada	0	2,000	1,977	23
United Way Grant	657	922	405	1,174
	<u>\$ 13,839</u>	<u>\$ 32,986</u>	<u>\$ 27,690</u>	<u>\$ 19,135</u>

Represented By

Assets

Cash

\$ 13,839

\$ 19,135

Liabilities

Due to Groups and Organizations

\$ 13,839

\$ 19,135

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

AGENCY FUND - MIDDLE SCHOOL ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2012

	BALANCE 7/1/2011	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2012
6th Grade	\$ 1,796	\$ 2,783	\$ 2,581	\$ 1,998
7th Grade	271	2,348	2,699	(80)
8th Grade	3,581	19,243	17,373	5,451
Art Club	0	383	43	340
Band - Resale	368	852	1,217	3
Band Sales	79	582	646	15
Candy Machine	470	1,038	791	717
Counseling	313	0	471	(158)
Daily Living	348	0	0	348
EGG	544	310	606	248
Grant Money	247	0	0	247
Interest	2,540	76	373	2,243
Interest CD	124	0	0	124
Language Arts Books	24	0	0	24
Osceola Foundation	0	980	476	504
Pencils	1,125	110	138	1,097
Pep Club	3,090	323	396	3,017
Pop Club	2,678	1,510	1,797	2,391
Science Department	897	447	420	924
Shop Department	701	1,317	1,542	476
Ski Club	1,409	2,852	3,090	1,171
S.T.A.N.D.	593	482	869	206
Student Council	3,654	15,532	10,470	8,716
Track	0	40	0	40
Yearbook	997	2,233	2,632	598
	<u>\$ 25,849</u>	<u>\$ 53,441</u>	<u>\$ 48,630</u>	<u>\$ 30,660</u>
Represented by				
Assets				
Cash	<u>\$ 25,849</u>			<u>\$ 30,660</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 25,849</u>			<u>\$ 30,660</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

AGENCY FUND - HIGH SCHOOL ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2012

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/1/2011	(Including Transfers)		6/30/2012
Advance Placement English	\$ 43	\$ 0	\$ 0	\$ 43
Annual (Yearbook)	2,605	20,185	20,490	2,300
Assembly	300	0	0	300
Bailey Scholarship	840	300	350	790
Chicago Trip	862	0	0	862
Choral Music	0	384	363	21
Class of 1962 Scholarship	1,880	1,440	800	2,520
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	2,338	0	35	2,303
Class of 2011	362	0	212	150
Class of 2012	1,101	2,892	3,322	671
Class of 2013	2,719	2,964	3,458	2,225
Class of 2014	51	3,132	742	2,441
Class of 2015	0	235	0	235
Coke Account	1,004	3,627	3,080	1,551
Coke Scholarship	660	0	0	660
Counseling	1,130	250	234	1,146
Drama Club	1,703	0	10	1,693
English/Math	654	300	0	954
Equestrian Team	761	2,032	2,154	639
Fees	131	0	0	131
FIRST Robotic Team	308	6,770	6,498	580
Gen Mills Operating Grant	75	0	0	75
Gen Mills P.E. Grant	227	0	0	227
Grant Fund	582	300	0	882
GRBS Scholarship	800	800	1,600	0
Health Education - Drug Free	1,248	1,544	1,065	1,727
High School Flower Fund	16	0	0	16
High School Improvement	1,021	0	0	1,021
Industrial Arts	1,065	3,511	3,473	1,103
Interest	1,589	120	937	772
Leadership	445	573	568	450

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

AGENCY FUND - HIGH SCHOOL ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2012

	BALANCE 7/1/2011	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2012
Leadership Scholarship	3,649	40	3,000	689
Library Internal	843	137	10	970
Make a Difference	40	0	0	40
National Art	2,299	724	2,628	395
National Honor Society	815	3,612	3,846	581
Newspaper	27	0	0	27
Outing Club	86	0	0	86
Pepsi Cola Fund	1,041	506	502	1,045
Quizbowl	476	0	170	306
Rainforest	(28)	0	0	(28)
Recycle	631	251	0	882
S.A.D.D.	665	0	0	665
Science	198	1,856	1,607	447
Science Dome	0	5,105	1,950	3,155
Service	15	0	0	15
Ski Club	120	277	45	352
Spanish Club	69	0	0	69
Student Council	2,502	5,904	6,025	2,381
TI-IN Network	533	0	0	533
Water Quality	1,000	0	714	286
Weight Room	133	0	0	133
Welding	100	0	0	100
Youth Advisory Committee	8	300	301	7
	<u>\$ 43,855</u>	<u>\$ 70,071</u>	<u>\$ 70,189</u>	<u>\$ 43,737</u>

Represented by

Assets

Cash	\$ 14,228	\$ 27,680
Investments	16,000	16,057

Total Assets	<u>\$ 30,228</u>	<u>\$ 43,737</u>
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Liabilities

Due to Groups and Organizations	<u>\$ 43,855</u>	<u>\$ 43,737</u>
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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

AGENCY FUND - ATHLETIC FUNDRAISING ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2012

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/1/2011	(Including Transfers)		6/30/2012
Athletic Director	\$ 8,621	\$ 16,848	\$ 15,069	\$ 10,400
Baseball	1,772	9,795	9,552	2,015
Boys Basketball	149	2,864	2,579	434
Boys Soccer	3,519	100	985	2,634
Cheer	1,918	8,568	9,278	1,208
Cross Country	600	0	539	61
Football	10,254	14,454	15,808	8,900
Girls Basketball	1,253	4,709	5,509	453
Girls Soccer	2,188	1,100	0	3,288
Golf	820	0	367	453
Invitational	5,318	9,668	8,354	6,632
MHSAA Tournament	0	28,705	21,283	7,422
School Store	570	0	0	570
Softball	723	13,070	11,382	2,411
Track	1,433	4,236	3,397	2,272
Volleyball	280	3,081	3,091	270
Wrestling	5,993	558	1,674	4,877
Annual Golf Outing	13,187	11,459	10,718	13,928
Unclassified	605	146	0	751
	<u>\$ 59,203</u>	<u>\$ 129,361</u>	<u>\$ 119,585</u>	<u>\$ 68,979</u>
Represented by				
Assets				
Cash	<u>\$ 59,203</u>			<u>\$ 68,979</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 59,203</u>			<u>\$ 68,979</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

AGENCY FUND - BEVERAGE CONSORTIA ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

YEAR ENDED JUNE 30, 2012

	<u>BALANCE</u> 7/1/2011	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/2012
Beverage Consortia	\$ 3,753	\$ 3,869	\$ 3,693	\$ 3,929
Represented by				
Assets				
Cash	<u>\$ 3,753</u>			<u>\$ 3,929</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 3,753</u>			<u>\$ 3,929</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2012

1998 SCHOOL IMPROVEMENT BONDS

<u>TITLE OF ISSUE</u>	1998 School Improvement Bonds		
<u>PURPOSE</u>	School improvements		
<u>INTEREST PAYABLE</u>	May 15, of each year		
<u>AMOUNT OF ISSUE</u>		\$	112,725
	<u>REQUIREMENTS</u>		
<u>DUE DATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013	\$ 7,915	\$ 359	\$ 7,556

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2012

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>	
2013	4.625 %	\$ 468,518	\$ 39,259	\$ 39,259	\$ 390,000
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>\$ 1,831,732</u>	<u>\$ 100,866</u>	<u>\$ 100,866</u>	<u>\$ 1,630,000</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2012

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>	
2013	4.250 %	\$ 415,982	\$ 85,491	\$ 85,491	\$ 245,000
2014	4.500 %	425,568	80,284	80,284	265,000
2015	4.250 %	428,644	74,322	74,322	280,000
2016	4.375 %	441,744	68,372	68,372	305,000
2017	5.250 %	798,400	61,700	61,700	675,000
2018	5.250 %	787,962	43,981	43,981	700,000
2019	5.000 %	776,212	25,606	25,606	725,000
2020	5.250 %	299,962	7,481	7,481	285,000
		<u>\$ 4,374,474</u>	<u>\$ 447,237</u>	<u>\$ 447,237</u>	<u>\$ 3,480,000</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2012

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>	
2013	4.000 %	\$ 380,040	\$ 170,020	\$ 170,020	\$ 40,000
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
		\$ 12,486,854	\$ 2,110,927	\$ 2,110,927	\$ 8,265,000



