

REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

Baird, Cotter and Bishop, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-ix
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3-4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Fiduciary Funds	
Statement of Fiduciary Net Assets	9
Statement of Changes in Fiduciary Net Assets	10
Notes to Financial Statements	11-27
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	28
Combining and Individual Fund Financial Statements	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	30
Financial Statements of Individual Funds	
Fiduciary Fund Types	
Statement of Fiduciary Net Assets	31
Private Purpose Trust Funds	
Statement of Fiduciary Net Assets	32-33
Combining Statement of Revenues, Expenditures and Changes in Fiduciary Net Assets	34-35

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGES</u>
Agency Funds	
Statement of Fiduciary Net Assets	36-37
Statement of Cash Receipts, Disbursements and Balance	
Norman Elementary School Account	38
Middle School Account	39
High School Account	40-41
Athletic Fundraising Account	42
Beverage Consortia Account	43
Other Supplementary Information	
Schedule of Bonds Payable	
1998 School Improvement Bonds	44
2001 Refunding Bonds	45
2001 Energy Conservation Improvement Bonds	46
2004 School Building and Site Bonds	47
2005 Refunding Bonds	48

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

August 26, 2011

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, 2011, 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, 2011, 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 26, 2011, 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, 2011

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, 2011. 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, 2011

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, 2011, amounted to an overall deficit of (\$1,430,508). The schedule below shows a condensed breakdown of the net assets.

<u>June 30,</u>	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets		
Current Assets	\$ 4,702,244	\$ 3,639,694
Non Current Assets		
Deferred Issuance Costs - Net	184,871	195,141
Deferred Loss on Refunding	320,425	338,226
Capital Assets	19,000,132	19,101,150
Less: Accumulated Depreciation	(6,888,530)	(6,995,778)
 Total Non Current Assets	 12,616,898	 12,638,739
 Total Assets	 \$17,319,142	 \$ 16,278,433

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

<i>June 30,</i>	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Liabilities		
Current Liabilities	\$ 4,449,733	\$ 2,723,968
Non Current Liabilities	14,299,917	14,949,848
Total Liabilities	<u>18,749,650</u>	<u>17,673,816</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt - (Deficit)	(1,891,891)	(2,382,857)
Restricted	427,881	372,439
Unrestricted	33,502	615,035
Total Net Assets (Deficit)	<u>(1,430,508)</u>	<u>(1,395,383)</u>
Total Liabilities and Net Assets	<u>\$17,319,142</u>	<u>\$16,278,433</u>

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

During the fiscal year ended June 30, 2011, the District's net assets decreased by \$35,125. 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, 2011, \$378,383 was recorded for depreciation expense.

2. Capital Outlay Acquisitions and Disposals

For the fiscal year ended June 30, 2011, \$423,694 of expenditures for a bio-dome, roof, bus, and copy machines and printers were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above. The District also disposed of an administrative building, copiers and printers, and buses, which resulted in a net gain on sale of capital assets of \$31,569.

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The net effect of the capital asset changes and the current year's depreciation is an increase to capital assets in the amount of \$6,230 for the fiscal year ended June 30, 2011.

<i>June 30,</i>	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 379,048	\$ 379,693
Operating Grants and Contributions	2,829,027	3,131,131
General Revenues:		
Property Taxes	3,262,516	3,351,959
Investment Earnings	4,120	5,693
State Sources	8,415,599	8,603,980
Gain on Sale of Capital Assets	31,569	0
Other	77,074	162,437
Total Revenues	<u>14,998,953</u>	<u>15,634,893</u>
Expenses		
Instruction	8,592,371	9,580,551
Supporting Services	4,516,457	4,609,220
Community Services	54,268	99,617
Food Service Activities	754,617	727,337
Interest on Long-Term Debt	690,968	720,778
Other Transactions	47,014	41,936
Unallocated Depreciation	378,383	368,848
Total Expenses	<u>15,034,078</u>	<u>16,148,287</u>
Increase (Decrease) in Net Assets	<u>\$ (35,125)</u>	<u>\$ (513,394)</u>

The Statement of Activities presented later in the district-wide financial statements, provides greater detail on the District's annual activity. The cost of the District's governmental activities for the year was \$15,034,078. State aid, operating grants and contributions provided approximately \$11,244,626, to fund the District's governmental activities. District taxpayers directly financed activities of the District with approximately \$3,262,516 in property taxes. Charges for services provided funds of approximately \$379,048.

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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:

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Major Funds			
General Fund	\$ 728,547	\$ 1,294,829	\$ (566,282)
Debt Fund	451,176	482,124	(30,948)
Nonmajor Funds			
Food Service	80,896	72,098	8,798
Community Services	7,316	9,729	(2,413)
Capital Projects	<u>117,305</u>	<u>129,516</u>	<u>(12,211)</u>
Total Governmental Funds	<u>\$ 1,385,240</u>	<u>\$ 1,988,296</u>	<u>\$ (603,056)</u>

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 Title XIV grants in 2010. Total revenues received by the General Fund from federal sources as of June 30, 2011 were \$1,207,002, down from \$1,248,833 as of June 30, 2010.

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. These revisions are made in order to deal with unexpected changes in revenues and expenditures.

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

During 2010-2011, the District amended the General Fund budget twice, with the Board adopting the final changes in June 2011. 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, 2011</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 13,209,038	\$ 13,998,027	\$ 12,916,750
Expenditures:			
Instruction	\$ 8,506,768	\$ 9,094,155	\$ 8,819,513
Supporting Services	4,706,241	4,928,754	4,521,509
Community Services	24,443	28,685	19,003
Debt Service	0	0	39,294
Other Transactions	24,916	42,853	42,863
Transfers	261,988	254,073	254,073
Total Expenditures and Other Uses	\$ 13,524,356	\$ 14,348,520	\$ 13,696,255

Final budgeted revenues were higher than originally budgeted due to including athletic activities 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. Debt Service expenditures were more than budgeted due to a capital lease entered into during the 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 was an addition during the year for the Norman Elementary roof.

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

<u>June 30,</u>	<u>2011</u>	<u>2010</u>
Land	\$ 299,694	\$ 299,694
Buildings	11,209,249	11,319,105
Land Improvements	52,368	59,156
Machinery and Equipment	356,171	204,293
Transportation Equipment	194,120	223,124
	<u>\$12,111,602</u>	<u>\$12,105,372</u>

2. Long-Term Debt

At June 30, 2011, the District had \$15,027,791 in debt outstanding. This represents a decrease of \$833,346 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 2011-2012 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.
- The District is faced with a large increase to its mandatory retirement contribution as determined by the State. This increase is a significant cost to the District.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 2,546,925
Investments	122,706
Accounts Receivable	5,677
Due from Other Governments	1,945,673
Inventories	10,720
Prepaid Expenses	70,543
Total Current Assets	<u>4,702,244</u>

NON CURRENT ASSETS

Deferred Issuance Costs - Net	184,871
Deferred Loss on Refunding	320,425
Capital Assets	19,000,132
Less Accumulated Depreciation	<u>(6,888,530)</u>
Total Non Current Assets	<u>12,616,898</u>
TOTAL ASSETS	<u>17,319,142</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	45,687
Accrued Expenses	585,405
Accrued Interest Payable	104,191
Salaries Payable	791,737
Note Payable	1,812,560
Deferred Revenue	81,615
Current Portion of Non Current Liabilities	<u>1,028,538</u>
Total Current Liabilities	<u>4,449,733</u>

NON CURRENT LIABILITIES

Bonds Payable	14,204,768
Deferred Bond Premium - Net	48,881
Employee Early Retirement Obligations	558,000
Compensated Absences	181,767
Capital Lease Payable	251,783
Other Long-Term Debt	83,256
Less Current Portion of Non Current Liabilities	<u>(1,028,538)</u>
Total Non Current Liabilities	<u>14,299,917</u>
Total Liabilities	<u>18,749,650</u>

NET ASSETS

Invested in Capital Assets Net of Related Debt - (Deficit)	(1,891,891)
Restricted for Debt Service	346,985
Restricted for Food Service	80,896
Unrestricted	33,502
TOTAL NET ASSETS - (DEFICIT)	<u>\$ (1,430,508)</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

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	\$ 8,592,371	\$ 0	\$ 2,176,402	\$ 0	\$ (6,415,969)
Supporting Services	4,516,457	145,676	85,268	0	(4,285,513)
Community Services	54,268	32,852	4,605	0	(16,811)
Food Service Activities	754,617	200,520	562,752	0	8,655
Interest on Long-Term Debt	690,968	0	0	0	(690,968)
Other Transactions	47,014	0	0	0	(47,014)
Unallocated Depreciation	378,383	0	0	0	(378,383)
Total Governmental Activities	<u>\$ 15,034,078</u>	<u>\$ 379,048</u>	<u>\$ 2,829,027</u>	<u>\$ 0</u>	<u>(11,826,003)</u>
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					2,032,338
Property Taxes -Levied for Debt Service					1,230,178
Investment Earnings					4,120
State Sources					8,415,599
Gain on Sale of Capital Assets					31,569
Other					77,074
Total General Revenues					<u>11,790,878</u>
Change in Net Assets					(35,125)
<u>NET ASSETS</u> - Beginning of Year - (Deficit)					<u>(1,395,383)</u>
<u>NET ASSETS</u> - End of Year - (Deficit)					<u>\$ (1,430,508)</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, 2011

	<u>GENERAL FUND</u>	<u>DEBT FUND</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,899,417	\$ 451,176
Investments	122,706	0
Accounts Receivable	2,203	0
Due from Other Governments	1,935,035	0
Due from Other Funds	3,067	0
Inventories	4,843	0
Prepaid Expenditures	0	0
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 3,967,271</u>	<u>\$ 451,176</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 0
Accrued Expenses	585,405	0
Salaries Payable	791,737	0
Note Payable	1,812,560	0
Due to Other Funds	0	0
Deferred Revenue	49,022	0
	<hr/>	<hr/>
Total Liabilities	<u>3,238,724</u>	<u>0</u>
<u>FUND BALANCES</u>		
Nonspendable:		
Inventory	4,843	0
Prepaid Expenditures	0	0
Restricted for:		
Debt Service	0	451,176
Food Service	0	0
Assigned to:		
Subsequent Year Expenditures	723,704	0
Community Services	0	0
Future Capital Projects	0	0
	<hr/>	<hr/>
Total Fund Balances	<u>728,547</u>	<u>451,176</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,967,271</u>	<u>\$ 451,176</u>

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

NONMAJOR GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS	
\$	196,332	\$	2,546,925
	0		122,706
	3,474		5,677
	10,638		1,945,673
	0		3,067
	5,877		10,720
	70,543		70,543
<hr/>			
\$	286,864	\$	4,705,311
<hr/>			
\$	45,687	\$	45,687
	0		585,405
	0		791,737
	0		1,812,560
	3,067		3,067
	32,593		81,615
<hr/>			
	81,347		3,320,071
<hr/>			
	5,877		10,720
	70,543		70,543
	0		451,176
	5,019		5,019
	0		723,704
	6,773		6,773
	117,305		117,305
<hr/>			
	205,517		1,385,240
<hr/>			
\$	286,864	\$	4,705,311
<hr/>			

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

THIS PAGE INTENTIONALLY LEFT BLANK

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

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

JUNE 30, 2011

Total Governmental Fund Balances	\$ 1,385,240
Amounts reported for governmental activities in the statement of net different because:	
Capital assets used in governmental activities are not financial resources are not reported in the funds	
The cost of the capital assets is	\$ 19,000,132
Accumulated depreciation is	<u>(6,888,530)</u>
	12,111,602
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	320,425
Bond Issuance Costs	184,871
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds Payable	(14,204,768)
Bond Premium	(48,881)
Employees Early Retirement	(558,000)
Compensated Absences	(181,767)
Capital Lease Payable	(251,783)
Other Long-Term Debt	(83,256)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	<u>(104,191)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,430,508)</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, 2011

	<u>GENERAL</u> <u>FUND</u>	<u>DEBT</u> <u>FUND</u>
<u>REVENUES</u>		
Local Sources	\$ 2,241,128	\$ 1,231,483
State Sources	9,066,963	7,916
Federal Sources	1,207,002	0
Other Transactions	401,657	0
Total Revenues	12,916,750	1,239,399
<u>EXPENDITURES</u>		
Instruction	8,819,513	0
Supporting Services	4,521,509	0
Community Services	19,003	0
Food Service Activities	0	0
Capital Projects	0	0
Debt Service		
Principal	26,572	786,885
Interest	12,722	658,384
Other Transactions	42,863	4,151
Total Expenditures	13,442,182	1,449,420
Excess (Deficiency) of Revenues Over (Under) Expenditures	(525,432)	(210,021)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	0	179,073
Transfers Out	(254,073)	0
Loan Proceeds	213,223	0
Sale of Capital Assets	0	0
Total Other Financing Sources (Uses)	(40,850)	179,073
Net Change in Fund Balance	(566,282)	(30,948)
<u>FUND BALANCE</u> - Beginning of Year	1,294,829	482,124
<u>FUND BALANCE</u> - End of Year	\$ 728,547	\$ 451,176

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 248,483	\$ 3,721,094
22,235	9,097,114
540,517	1,747,519
0	401,657
<u>811,235</u>	<u>14,967,384</u>
0	8,819,513
0	4,521,509
35,265	54,268
754,617	754,617
321,217	321,217
51,712	865,169
0	671,106
0	47,014
<u>1,162,811</u>	<u>16,054,413</u>
<u>(351,576)</u>	<u>(1,087,029)</u>
75,000	254,073
0	(254,073)
200,100	413,323
70,650	70,650
<u>345,750</u>	<u>483,973</u>
(5,826)	(603,056)
<u>211,343</u>	<u>1,988,296</u>
<u>\$ 205,517</u>	<u>\$ 1,385,240</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, 2011

Net Change in Fund Balances Total Governmental Funds \$ (603,056)

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	423,694
Depreciation Expense	(378,383)
Cost of Capital Assets Sold or Disposed of	(39,081)

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	109,685
Accrued Interest Payable - End of Year	(104,191)

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	865,169
Issuance of Debt	(413,323)
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	694,000
Employees Early Retirement - End of Year	(558,000)
Accumulated Sick Pay - Beginning of Year	175,484
Accumulated Sick Pay - End of Year	<u>(181,767)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (35,125)

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, 2011

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 66,771	\$ 130,499
Investments	39,695	16,000
Notes Receivable (net of allowance for doubtful accounts)	<u>50,974</u>	<u>0</u>
 TOTAL ASSETS	 157,440	 146,499
 <u>LIABILITIES</u>		
Due to Groups and Organizations	<u>0</u>	<u>146,499</u>
 <u>NET ASSETS</u>		
Restricted for Scholarships and Memorials	<u>\$ 157,440</u>	<u>\$ 0</u>

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, 2011

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Donations	\$ 5,266
Investment Income (Change in Fair Value of Investments)	6,172
Interest and Dividends	<u>1,196</u>
 Total Additions	 12,634
 <u>DEDUCTIONS</u>	
Scholarship Awards	<u>1,495</u>
 Change in Net Assets	 11,139
 <u>NET ASSETS - Beginning of Year</u>	 <u>146,301</u>
 <u>NET ASSETS - End of Year</u>	 <u>\$ 157,440</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, 2011

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 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 1,515 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, 2011

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.

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, athletic, and community service activities in the special revenue funds.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 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.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011 the foundation allowance was based on pupil membership counts taken in February and September of 2010. For fiscal year ended June 30, 2011, the per pupil foundation allowance was \$7,316 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 2010 to August 2011. 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.

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.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

- (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.

For the year ended June 30, 2011, 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 and cafeteria, 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.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 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.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

8. Fund Balance

Beginning with fiscal year 2011, the School District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

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.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 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 21, 2010, or as amended by the School Board of Education at various times throughout the year.

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations occurred in the following funds:

General Fund Supporting Services – General Administration expenditures of \$348,644 exceeded appropriations by \$6,410.

General Fund Supporting Services – School Administration expenditures of \$941,510 exceeded appropriations by \$1,854.

General Fund Debt Service – expenditures of \$39,294 exceeded appropriations by \$39,294.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

General Fund Other Transactions – expenditures of \$42,863 exceeded appropriations by \$10.

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, 2011, \$1,913,155 of the government's bank balance of \$3,180,754 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 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, 2011, the District had the following investments:

	<u>Fair Value</u>
MILAF External Investment Pool - MICMS	\$ 20,027
MILAF External Investment Pool - MILAX	100,679
Certificates of Deposit	18,000
Common Stock	<u>39,695</u>
Total	<u>\$ 178,401</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011.

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	\$ 2,546,925	\$ 0	\$ 197,270	\$ 2,744,195
Investments	0	122,706	55,695	178,401
	\$ 2,546,925	\$ 122,706	\$ 252,965	\$ 2,922,596

B. Receivables

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

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 2,203	\$ 3,474	\$ 5,677
Notes Receivable	0	60,974	60,974
Less allowance for doubtful accounts	0	(10,000)	(10,000)
Due from Other Governments	1,935,035	10,638	1,945,673
Total Receivables	\$ 1,937,238	\$ 65,086	\$ 2,002,324

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants and Other Amounts Received, But Not Yet Utilized	\$ 0	\$ 81,615

C. Capital Assets

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Assets Not Being Depreciated:				
Land	\$ 299,694	\$ 0	\$ 0	\$ 299,694
Other Capital Assets:				
Buildings	16,315,761	197,671	130,000	16,383,432
Land Improvements	239,206	0	0	239,206
Machinery and Equipment	735,892	213,223	156,329	792,786
Transportation Equipment	1,510,597	12,800	238,383	1,285,014
Subtotal	18,801,456	423,694	524,712	18,700,438
Accumulated Depreciation				
Buildings	4,996,656	294,527	117,000	5,174,183
Land Improvements	180,050	6,788	0	186,838
Machinery and Equipment	531,599	59,102	154,086	436,615
Transportation Equipment	1,287,473	17,966	214,545	1,090,894
Total Accumulated Depreciation	6,995,778	378,383	485,631	6,888,530
Net Other Capital Assets	11,805,678	45,311	39,081	11,811,908
Net Capital Assets	\$ 12,105,372	\$ 45,311	\$ 39,081	\$ 12,111,602

Depreciation for the fiscal year ended June 30, 2011, amounted to \$378,383. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2010	\$ 14,991,653	\$ 694,000	\$ 0	\$ 175,484	\$ 15,861,137
Additions	0	80,000	100,000	6,283	186,283
Deletions	(786,885)	(216,000)	(16,744)	0	(1,019,629)
Balance, June 30, 2011	<u>\$ 14,204,768</u>	<u>\$ 558,000</u>	<u>\$ 83,256</u>	<u>\$ 181,767</u>	<u>\$ 15,027,791</u>
Total due within one year	<u>\$ 822,212</u>	<u>\$ 186,000</u>	<u>\$ 20,326</u>	<u>\$ 0</u>	<u>\$ 1,028,538</u>

At June 30, 2011, the Schools' Long-Term Debt consisted of the following:

\$112,725 1998 School Improvement Bonds due in annual installments of \$7,212 to \$7,556 through May 15, 2013, plus interest at 4.76%.	\$ 14,768
\$5,100,000 2001 Refunding Bonds due in annual installments of \$375,000 to \$425,000 plus interest through May 1, 2016. Interest rates range from 4.5% to 5.0%.	2,005,000
\$1,425,000 2001 Energy Conservation Improvement Bonds due in annual installments of \$170,000 plus interest through May 1, 2012. Interest rate of 4.25%	170,000
\$12,560,000 2004 School Building and Site Bonds due in annual installments of \$230,000 to \$725,000 plus interest through May 1, 2020. Interest rates range from 4.125% to 5.25%.	3,710,000
\$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 3.750% to 4.35%.	8,305,000
Early retirement obligations paid annually without interest per individual contracts.	558,000
\$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.	83,256
Compensated Absences	<u>181,767</u>
Total long term debt	<u><u>\$ 15,027,791</u></u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

<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>	
2012	\$ 822,212	\$ 625,331	\$ 186,000	\$ 20,326	\$ 1,653,869
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	20,326	1,307,292
2016	775,000	493,034	0	1,952	1,269,986
2017-2021	3,885,000	1,904,336	0	0	5,789,336
2022-2026	4,135,000	1,033,166	0	0	5,168,166
2027-2029	2,460,000	211,528	0	0	2,671,528
	<u>\$14,204,768</u>	<u>\$ 5,943,750</u>	<u>\$ 558,000</u>	<u>\$ 83,256</u>	<u>\$ 20,789,774</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 a state aid anticipation note in order to meet its cash flow needs as follows:

	<u>STATE AID</u>
	<u>NOTE</u>
Balance - July 1, 2010	\$ 0
Additions	1,800,000
Deletions	<u>0</u>
Balance June 30, 2011	<u>\$ 1,800,000</u>

The note was issued August 20, 2010, and carries an interest rate of 0.80%. The accrued interest to be paid at maturity is \$14,360, of which \$12,560 was accrued at year end. The District during the year set aside in an escrow account of \$1,814,360 to repay this note at maturity. On August 19, 2011 this amount was repaid, and on August 22, 2011 the District issued two new State Aid Notes totaling \$1,800,000 due August 20, 2012.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

F. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2011, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 3,067	\$ 0
School Service Fund - Food Service	0	3,067
	\$ 3,067	\$ 3,067

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 June 30, 2010, are expected to be repaid within one year.

Interfund transfers as shown in the individual fund financial statements at June 30, 2011 were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 254,073
Capital Project Fund	75,000	0
Debt Fund	179,073	0
	\$ 254,073	\$ 254,073

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.

G. Leases

Operating Leases

The District is committed under various operating leases for office equipment. During the year, the leases were cancelled and replaced with a capital lease for copy machines and printers. For the year ended June 30, 2011, the rental expense amounted to \$8,691. There are no future minimum lease payments.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011</u>
Copy Machines and Printers	8.42%	\$ 186,652
Computer Equipment and Software	4.88%	65,131
 Total Capital Lease Obligations		 <u>\$ 251,783</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>(17,769)</u>
Net value	<u>\$ 195,454</u>

As of June 30, 2011, capital lease annual amortization are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 87,361
2013	87,361
2014	52,392
2015	52,392
2016	<u>13,098</u>
Total Requirements	292,604
Less interest	<u>(40,821)</u>
Present value of remaining payments	<u>\$ 251,783</u>

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

NOTE 5 - OTHER INFORMATION

A. Employee Retirement System

Plan Description. The District contributed 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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1945 and operates 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 MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30036, Lansing, Michigan 48909, or by calling (517) 322-5103.

Funding Policy – Basic Plan members make no contributions. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. 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.

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. Market 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.

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 employees who first worked before July 1, 2010, the rate for the year ended June 30, 2011, was 16.94% for the first quarter, 19.41% for the month of October, and 20.66% for the remainder of the year. For employees who first worked on or after July 1, 2010, the rate for the year ended June 30, 2011, was 15.44% for the first quarter, 17.91% for the month of October, and 19.16% 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, 2011, 2010, and 2009 were \$1,454,964, \$1,306,536, and \$1,292,139 respectively, and were equal to the required contribution for those years.

Other Post Employment Benefits Funding Policy

Retirees have the option of health, dental and vision coverage, which is funded on a cash basis by the employers. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011, \$7,740,000 of bonds outstanding are considered defeased.

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, 2011, \$662,148 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. New GASB Standard

Effective July 1, 2010 the District adopted GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement also clarifies existing governmental fund type definitions. Accordingly the components of fund balance in the prior year have been restated using the new definitions in order to be consistent with the current year's presentation.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 2,304,380	\$ 2,328,747	\$ 2,241,128
State Sources	9,163,854	9,642,765	9,066,963
Federal Sources	1,323,767	1,619,975	1,207,002
Other Transactions	417,037	406,540	401,657
Total Revenues	<u>13,209,038</u>	<u>13,998,027</u>	<u>12,916,750</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Instruction	6,735,710	7,194,911	7,145,795
Added Needs	1,771,058	1,899,244	1,673,718
Supporting Services			
Pupil	308,057	353,686	334,389
Instructional Staff	158,406	364,596	274,873
General Administration	372,450	342,234	348,644
School Administration	885,710	939,656	941,510
Business	258,729	292,470	267,861
Operating and Maintenance	1,085,665	1,060,448	992,357
Pupil Transportation	1,143,843	1,046,319	837,817
Central Services	191,381	172,168	171,265
Athletic Activities	302,000	357,177	352,793
Community Services	24,443	28,685	19,003
Debt Service	0	0	39,294
Other Transactions	24,916	42,853	42,863
Total Expenditures	<u>13,262,368</u>	<u>14,094,447</u>	<u>13,442,182</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(53,330)</u>	<u>(96,420)</u>	<u>(525,432)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Loan Proceeds	0	0	213,223
Transfers Out	(261,988)	(254,073)	(254,073)
Total Other Financing Sources (Uses)	<u>(261,988)</u>	<u>(254,073)</u>	<u>(40,850)</u>
Net Change in Fund Balance	(315,318)	(350,493)	(566,282)
<u>FUND BALANCE</u> - Beginning of Year	<u>1,595,414</u>	<u>1,259,149</u>	<u>1,294,829</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,280,096</u>	<u>\$ 908,656</u>	<u>\$ 728,547</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2011

	<u>SPECIAL REVENUE</u>			TOTAL
	<u>FOOD SERVICE FUND</u>	<u>COMMUNITY SERVICES FUND</u>	<u>CAPITAL PROJECT FUND</u>	
<u>ASSETS</u>				
Cash	\$ 37,456	\$ 33,151	\$ 125,725	\$ 196,332
Accounts Receivable	3,474	0	0	3,474
Due from Other Governments	10,638	0	0	10,638
Inventory	5,877	0	0	5,877
Prepaid Expenditures	70,000	543	0	70,543
TOTAL ASSETS	\$ 127,445	\$ 33,694	\$ 125,725	\$ 286,864
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 37,267	\$ 0	\$ 8,420	\$ 45,687
Due to Other Funds	3,067	0	0	3,067
Deferred Revenue	6,215	26,378	0	32,593
Total Liabilities	46,549	26,378	8,420	81,347
<u>FUND BALANCE</u>				
Nonspendable:				
Inventory	5,877	0	0	5,877
Prepaid Expenditures	70,000	543	0	70,543
Restricted:				
Food Service	5,019	0	0	5,019
Assigned:				
Community Services	0	6,773	0	6,773
Future Capital Projects	0	0	117,305	117,305
Total Fund Balance	80,896	7,316	117,305	205,517
TOTAL LIABILITIES AND FUND BALANCE	\$ 127,445	\$ 33,694	\$ 125,725	\$ 286,864

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, 2011

	<u>SPECIAL REVENUE</u>			TOTAL
	<u>FOOD</u>	<u>COMMUNITY</u>	<u>CAPITAL</u>	
	<u>SERVICE</u>	<u>SERVICES</u>	<u>PROJECT</u>	
	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	
<u>REVENUES</u>				
Local Sources	\$ 200,663	\$ 32,852	\$ 14,968	\$ 248,483
State Sources	22,235	0	0	22,235
Federal Sources	540,517	0	0	540,517
Total Revenues	763,415	32,852	14,968	811,235
<u>EXPENDITURES</u>				
Community Services	0	35,265	0	35,265
Food Service Activities	754,617	0	0	754,617
Athletic Activities	0	0	0	0
Capital Projects	0	0	321,217	321,217
Debt Service	0	0	51,712	51,712
Total Expenditures	754,617	35,265	372,929	1,162,811
Excess of Revenues Over (Under) Expenditures	8,798	(2,413)	(357,961)	(351,576)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	0	0	75,000	75,000
Loan Proceeds	0	0	200,100	200,100
Sale of Fixed Assets	0	0	70,650	70,650
Total Other Financing Sources (Uses)	0	0	345,750	345,750
Net Change in Fund Balance	8,798	(2,413)	(12,211)	(5,826)
<u>FUND BALANCE</u> - Beginning of Year	72,098	9,729	129,516	211,343
<u>FUND BALANCE</u> - End of Year	\$ 80,896	\$ 7,316	\$ 117,305	\$ 205,517

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

FIDUCIARY FUND TYPES
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 66,771	\$ 130,499	\$ 197,270
Investments	39,695	16,000	55,695
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	50,974	0	50,974
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	157,440	146,499	303,939
 <u>LIABILITIES</u>			
Due to Groups and Organizations	0	146,499	146,499
	<hr/>	<hr/>	<hr/>
 <u>NET ASSETS</u>			
Restricted for:			
Scholarships and Memorials	\$ 157,440	\$ 0	\$ 157,440
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	<u>JEWELL</u> <u>SCHOLARSHIP</u>	<u>EMPLOYEE</u> <u>SCHOLARSHIP</u>	<u>WILLIAM M.</u> <u>PORTEOUS II</u> <u>SCHOLARSHIP</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 62,028	\$ 6	\$ 7,103
Investments	0	0	14,498
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	50,974	0	0
TOTAL ASSETS	113,002	6	21,601
<u>LIABILITIES</u>			
	0	0	0
<u>NET ASSETS</u>			
Restricted for:			
Scholarships and Memorials	\$ 113,002	\$ 6	\$ 21,601

MABLE PORTEOUS SCHOLARSHIP	WILLIAM L. PORTEOUS SCHOLARSHIP	TOTAL
\$ (3,857)	\$ 1,491	\$ 66,771
13,999	11,198	39,695
0	0	50,974
10,142	12,689	157,440
0	0	0
<u>\$ 10,142</u>	<u>\$ 12,689</u>	<u>\$ 157,440</u>

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, 2011

	<u>JEWELL</u> <u>SCHOLARSHIP</u>	<u>EMPLOYEE</u> <u>SCHOLARSHIP</u>	<u>WILLIAM M.</u> <u>PORTEOUS II</u> <u>SCHOLARSHIP</u>
<u>ADDITIONS</u>			
Donations	\$ 0	\$ 1,071	\$ 0
Investment Income:			
Change in Fair Value of Investments	0	0	2,254
Interest and Dividends	952	1	90
Total Additions	952	1,072	2,344
<u>DEDUCTIONS</u>			
Scholarship Awards	0	1,495	0
Change in Net Assets	952	(423)	2,344
<u>NET ASSETS</u> - Beginning of Year	112,050	429	19,257
<u>NET ASSETS</u> - End of Year	\$ 113,002	\$ 6	\$ 21,601

MABLE PORTEOUS SCHOLARSHIP	WILLIAM L. PORTEOUS SCHOLARSHIP	TOTAL
\$ 1,100	\$ 3,095	\$ 5,266
2,177	1,741	6,172
85	68	1,196
3,362	4,904	12,634
0	0	1,495
3,362	4,904	11,139
6,780	7,785	146,301
\$ 10,142	\$ 12,689	\$ 157,440

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

AGENCY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	<u>NORMAN ELEMENTARY ACCOUNT</u>	<u>MIDDLE SCHOOL ACCOUNT</u>	<u>HIGH SCHOOL ACCOUNT</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 13,839	\$ 25,849	\$ 27,855
Investments	0	0	16,000
TOTAL ASSETS	13,839	25,849	43,855
<u>LIABILITIES</u>			
Due to Groups and Organizations	13,839	25,849	43,855
<u>NET ASSETS</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

ATHLETIC FUNDRAISING ACCOUNT	BEVERAGE CONSORTIA ACCOUNT	TOTAL
\$ 59,203	\$ 3,753	\$ 130,499
0	0	16,000
59,203	3,753	146,499
59,203	3,753	146,499
\$ 0	\$ 0	\$ 0

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, 2011

	BALANCE 7/1/2010	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2011
1st Grade	\$ 547	\$ 0	\$ 151	\$ 396
2nd Grade	141	0	141	0
3rd Grade	336	0	16	320
4th Grade	258	0	258	0
5th Grade	8	0	0	8
Accelerated Reader	38	0	0	38
Activity	3,357	6,706	8,239	1,824
Book Fair	1,843	3,412	4,176	1,079
Dollar General Literacy Foundation	0	2,000	2,000	0
Family Fun Night	1,434	8,122	6,084	3,472
Family School Service	314	0	0	314
Fitness Program	0	2,290	2,220	70
Flower	186	0	85	101
Fun Fours	30	0	0	30
General Mills Foundation	0	5,000	577	4,423
Interest Fund	45	55	0	100
Kindergarten	13	0	0	13
Library	457	123	219	361
LIFT	176	0	164	12
Nutrition Grant	3,003	0	2,952	51
Osceola County Foundation Grant	1,805	863	2,361	307
Pop	1	0	0	1
PTO Fund	242	0	0	242
Safety Patrol	82	0	62	20
Target	0	2,000	2,000	0
TransCanada	0	3,000	3,000	0
United Way Grant	1,098	0	441	657
	<u>\$ 15,414</u>	<u>\$ 33,571</u>	<u>\$ 35,146</u>	<u>\$ 13,839</u>

Represented By

Assets

Cash

\$ 15,414

\$ 13,839

Liabilities

Due to Groups and Organizations

\$ 15,414

\$ 13,839

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

AGENCY FUND - MIDDLE SCHOOL ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2011

	BALANCE 7/1/2010	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2011
6th Grade	\$ 1,492	\$ 2,727	\$ 2,423	\$ 1,796
7th Grade	490	3,485	3,704	271
8th Grade	3,823	17,655	17,897	3,581
Band - Resale	400	1,479	1,511	368
Band Sales	1,013	81	1,015	79
Candy Machine	400	1,203	1,133	470
Counseling	652	40	379	313
Daily Living	87	5,012	4,751	348
EGG	568	1,015	1,039	544
Grant Money	472	0	225	247
Interest	3,731	81	1,272	2,540
Interest CD	124	0	0	124
Language Arts Books	24	0	0	24
Pencils	1,033	92	0	1,125
Pep Club	3,150	325	385	3,090
Pop Club	1,825	2,446	1,593	2,678
Science Department	662	636	401	897
Shop Department	345	1,841	1,485	701
Ski Club	711	4,210	3,512	1,409
S.T.A.N.D.	693	0	100	593
Student Council	2,253	10,292	8,891	3,654
Yearbook	643	2,660	2,306	997
	<u>\$ 24,591</u>	<u>\$ 55,280</u>	<u>\$ 54,022</u>	<u>\$ 25,849</u>
Represented by				
Assets				
Cash	<u>\$ 24,591</u>			<u>\$ 25,849</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 24,591</u>			<u>\$ 25,849</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, 2011

	BALANCE 7/1/2010	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2011
Advance Placement English	\$ 43	\$ 0	\$ 0	\$ 43
Annual (Yearbook)	2,976	23,477	23,848	2,605
Assembly	300	0	0	300
Bailey Scholarship	1,340	250	750	840
Chicago Trip	674	8,268	8,080	862
Choral Music	98	178	276	0
Class of 1962 Scholarship	945	935	0	1,880
Class of 2006	1,227	0	50	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	0	2,338
Class of 2011	957	0	595	362
Class of 2012	2,447	3,895	5,241	1,101
Class of 2013	555	2,400	236	2,719
Class of 2014	0	255	204	51
Coke Account	45	3,274	2,315	1,004
Coke Scholarship	660	0	0	660
Counseling	1,128	699	697	1,130
Drama Club	1,703	0	0	1,703
English/Math	654	0	0	654
Equestrian Team	315	5,767	5,321	761
Fees	0	131	0	131
FIRST Robotic Team	0	1,350	1,042	308
Gen Mills Operating Grant	3,750	0	3,675	75
Gen Mills P.E. Grant	8,000	128	7,901	227
Grant Fund	582	0	0	582
GRBS Scholarship	300	800	300	800
Health Education - Drug Free	2,037	475	1,264	1,248
High School Flower Fund	16	0	0	16
High School Improvement	1,062	0	41	1,021
Industrial Arts	1,164	3,779	3,878	1,065
Interest	2,641	960	2,012	1,589
Leadership	1,002	254	811	445

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

AGENCY FUND - HIGH SCHOOL ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2011

	BALANCE 7/1/2010	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2011
Leadership Scholarship	4,960	189	1,500	3,649
Library Internal	783	60	0	843
Make a Difference	40	0	0	40
National Art	2,298	945	944	2,299
National Honor Society	792	3,946	3,923	815
Newspaper	27	0	0	27
Outing Club	437	0	351	86
Pepsi Cola Fund	854	418	231	1,041
Quizbowl	348	465	337	476
Rainforest	(28)	0	0	(28)
Recycle	866	324	559	631
S.A.D.D.	665	0	0	665
Science	1,142	684	1,628	198
Service	15	0	0	15
Ski Club	12	479	371	120
Spanish Club	69	0	0	69
Student Council	3,533	4,372	5,403	2,502
TI-IN Network	533	0	0	533
Water Quality	0	1,000	0	1,000
Weight Room	133	0	0	133
Welding	100	0	0	100
Youth Advisory Committee	8	0	0	8
	<u>\$ 57,482</u>	<u>\$ 70,157</u>	<u>\$ 83,784</u>	<u>\$ 43,855</u>
Represented by				
Assets				
Cash	\$ 41,482			\$ 27,855
Investments	16,000			16,000
	<u>\$ 57,482</u>			<u>\$ 43,855</u>
Liabilities				
Due to Groups and Organizations	\$ 57,482			\$ 43,855

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

AGENCY FUND - ATHLETIC FUNDRAISING ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2011

	BALANCE	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	BALANCE
	7/1/2010	(Including Transfers)		6/30/2011
Athletic Director	\$ 9,921	\$ 3,902	\$ 5,202	\$ 8,621
Baseball	2,549	5,682	6,459	1,772
Boys Basketball	1,131	460	1,442	149
Boys Soccer	2,241	1,278	0	3,519
Cheer	1,720	11,793	11,595	1,918
Cross Country	600	0	0	600
Football	8,754	15,212	13,712	10,254
Girls Basketball	131	3,424	2,302	1,253
Girls Soccer	1,407	1,695	914	2,188
Golf	3,249	240	2,669	820
Invitational	0	10,510	5,192	5,318
School Store	570	0	0	570
Softball	1,414	7,171	7,862	723
Track	2,171	4,803	5,541	1,433
Volleyball	236	1,623	1,579	280
Wrestling	9,998	4,361	8,366	5,993
Annual Golf Outing	3,173	15,434	5,420	13,187
Unclassified	555	190	140	605
	<u>\$ 49,820</u>	<u>\$ 87,778</u>	<u>\$ 78,395</u>	<u>\$ 59,203</u>
Represented by				
Assets				
Cash	<u>\$ 49,820</u>			<u>\$ 59,203</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 49,820</u>			<u>\$ 59,203</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, 2011

	BALANCE 7/1/2010	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2011
Beverage Consortia	\$ 8,773	\$ 446	\$ 5,466	\$ 3,753
Represented by				
Assets				
Cash	<u>\$ 8,773</u>			<u>\$ 3,753</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 8,773</u>			<u>\$ 3,753</u>

THIS PAGE INTENTIONALLY LEFT BLANK

REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2011

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>
2012	\$ 7,915	\$ 703	\$ 7,212
2013	7,915	359	7,556
	<u>\$ 15,830</u>	<u>\$ 1,062</u>	<u>\$ 14,768</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2011

2001 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2001 Refund 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>	
2012	4.500 %	\$ 470,394	\$ 47,697	\$ 47,697	\$ 375,000
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>\$ 2,302,126</u>	<u>\$ 148,563</u>	<u>\$ 148,563</u>	<u>\$ 2,005,000</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2011

2001 ENERGY CONSERVATION IMPROVEMENT BONDS

<u>TITLE OF ISSUE</u>	2001 Energy Conservation Improvement Bonds
<u>PURPOSE</u>	Energy conservation improvements
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 1,425,000

<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>	
2012	4.25 %	\$ 177,226	\$ 3,613	\$ 3,613	\$ 170,000

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

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>	
2012	4.125 %	\$ 410,468	\$ 90,234	\$ 90,234	\$ 230,000
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>\$ 4,784,942</u>	<u>\$ 537,471</u>	<u>\$ 537,471</u>	<u>\$ 3,710,000</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

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>	
2012	3.750 %	\$ 381,540	\$ 170,770	\$ 170,770	\$ 40,000
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
		<u>\$ 12,868,394</u>	<u>\$ 2,281,697</u>	<u>\$ 2,281,697</u>	<u>\$ 8,305,000</u>

