

**REED CITY AREA PUBLIC SCHOOLS**

**REED CITY, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2010**

*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, 2010

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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

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

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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July 27, 2010

### 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, 2010, 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, 2010, 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 July 27, 2010, 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 27 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 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, 2010

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, 2010. 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, 2010

**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, Athletic Activities, 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, 2010, amounted to an overall deficit of (\$1,395,383). The schedule below shows a condensed breakdown of the net assets.

<i>June 30,</i>	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current Assets	\$ 3,639,694	\$ 4,097,883
Non Current Assets	12,638,739	12,970,293
<b>Total Assets</b>	<u>\$16,278,433</u>	<u>\$ 17,068,176</u>



REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

<i>June 30,</i>	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<b>Liabilities</b>		
Current Liabilities	\$ 2,723,968	\$ 2,660,262
Non Current Liabilities	14,949,848	15,289,906
<b>Total Liabilities</b>	<u>17,673,816</u>	<u>17,950,168</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt - (Deficit)	(2,382,857)	(3,306,145)
Restricted	372,439	367,576
Unrestricted	615,035	2,056,580
<b>Total Net Assets (Deficit)</b>	<u>(1,395,383)</u>	<u>(881,989)</u>
<b>Total Liabilities and Net Assets</b>	<u>\$16,278,433</u>	<u>\$ 17,068,179</u>

A significant portion of the District's net assets reflects investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The net assets of the District decreased by \$513,394 during the 2010 fiscal year. The schedule below shows the breakdown of this change.

<i>June 30,</i>	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 379,693	\$ 415,131
Operating Grants and Contributions	3,131,131	3,255,559
General Revenues:		
Property Taxes	3,351,959	3,245,967
Investment Earnings	5,693	34,195
State Sources	8,603,980	9,397,891
Other	162,437	118,123
<b>Total Revenues</b>	<u>15,634,893</u>	<u>16,466,866</u>

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

<i>June 30,</i>	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<b>Expenses</b>		
Instruction	9,580,551	9,089,480
Support Services	4,259,705	4,549,159
Community Services	99,617	135,430
Food Services	727,337	636,258
Athletics	349,515	382,757
Construction Projects (individual amounts below capitalization threshold)	0	54,064
Interest on Long-Term Debt	720,778	730,881
Other Transactions	41,936	33,597
Unallocated Depreciation	368,848	375,272
<b>Total Expenses</b>	<u>16,148,287</u>	<u>15,986,898</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (513,394)</u>	<u>\$ 479,968</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 \$16,148,287. State aid, operating grants and contributions provided approximately \$11,735,111, to fund the District's governmental activities. District taxpayers directly financed activities of the District with approximately \$3,351,959 in property taxes. Charges for services provided funds of approximately \$379,693.

**Financial Analysis of the District's Funds**

The stable financial performance of the District as a whole is reflected in its governmental funds as well. The District's governmental fund equity decreased by \$495,866 during 2010. The largest expenditures contributing to the decrease in governmental fund equity is instruction and support services.

The General Fund, which is the chief operating fund of the District, ended the year with fund equity of \$1,259,150. Michigan school funding utilizes a combination of property taxes on non-homestead property and state aid to achieve preset per pupil funding levels, or a foundation allowance, determined by the State.

An analysis of tax revenues and state aid to fund General Fund operations for each of the past five years is as follows:

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

Year Ended June 30,	Non-Homestead Tax Revenue	% Increase (Decrease) From Prior Year	State Aid	% Increase (Decrease) From Prior Year
2010	\$ 2,102,136	5 %	\$ 8,481,698	(10) %
2009	2,000,196	(16)	9,389,242	(3)
2008	2,394,648	6	9,699,459	(6)
2007	2,255,191	1	10,268,985	(11)
2006	2,225,380	1	11,581,020	5

As shown in the table below, student enrollment dropped each year over the same timeframe based on fall counts.

Year Ended June 30,	Previous September Count Enrollment	Decrease
2010	1,560	126
2009	1,686	26
2008	1,712	55
2007	1,767	96
2006	1,863	22

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 in 2010 were \$1,248,833, down from \$1,255,098 in 2009.

**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.

During 2010, the District amended the General Fund budget twice, with the Board adopting the final changes in June 2010. The following schedule shows a comparison of the original budget, the final amended budget and the actual totals for the General Fund:

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

<u>Year Ended June 30, 2010</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Total Revenues</b>	\$ 13,962,426	\$ 14,851,388	\$ 13,477,737
Expenditures:			
Instruction	\$ 9,582,991	\$ 9,963,242	\$ 9,250,378
Supporting Services	5,064,628	4,539,436	4,098,928
Community Services	82,681	82,681	80,504
Other Transactions	138,179	47,828	40,982
Transfers	482,552	557,553	529,709
<b>Total Expenditures and Other Uses</b>	\$ 15,351,031	\$ 15,190,740	\$ 14,000,501

**Capital Asset and Debt Administration**

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.

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

<u>June 30,</u>	<u>2010</u>	<u>2009</u>
Land	\$ 299,694	\$ 299,694
Buildings	11,319,105	11,552,976
Land Improvements	59,157	66,694
Machinery and Equipment	204,294	247,336
Vehicles	223,122	242,155
	<u>\$12,105,372</u>	<u>\$12,408,855</u>

**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:

- The American Recovery and Reinvestment Act (ARRA) provided much needed budget stabilization for the recently completed fiscal year. Unfortunately, the remaining ARRA budget stabilization funding is expected to be essentially used up.

REED CITY AREA PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

- State aid revenues are based on enrollment which has been decreasing each year. It is unknown how much enrollment will continue to decrease.
- Health insurance rates continue to rise. This is an issue that must be addressed in order to provide decent health care for our employees, yet maintain the integrity and viability for our school system now and into the future.
- 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 2010-2011 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 busses 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.
- The school districts within the Mecosta-Osceola Intermediate School District are beginning to discuss the feasibility of an ISD wide enhancement millage proposal which, if passed, could help local school districts within the ISD, including RCAPS.
- In an effort to save taxpayers of the school district money, RCAPS is exploring the possibility of refunding (refinancing) some bonds the District has currently outstanding. This would only be done if, because of lower interest rates, the taxpayers of the District would experience a savings over the life of the bonds.

**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, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 799,659
Investments	795,919
Accounts Receivable	5,974
Due from Other Governments	2,022,503
Inventories	15,576
Prepaid Expenditures	63
Total Current Assets	<u>3,639,694</u>

NON CURRENT ASSETS

Deferred Issuance Costs - Net	195,141
Deferred Loss on Refunding	338,226
Capital Assets	19,101,150
Less Accumulated Depreciation	<u>(6,995,778)</u>
Total Non Current Assets	<u>12,638,739</u>

TOTAL ASSETS

\$ 16,278,433

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 46,240
Accrued Expenses	686,905
Accrued Interest Payable	109,685
Salaries Payable	843,805
Deferred Revenue	74,448
Current Portion of Non Current Liabilities	<u>962,885</u>
Total Current Liabilities	<u>2,723,968</u>

NON CURRENT LIABILITIES

Bonds Payable	14,991,653
Deferred Bond Premium - Net	51,596
Employee Early Retirement Obligations	694,000
Compensated Absences	175,484
Less Current Portion of Non Current Liabilities	<u>(962,885)</u>
Total Non Current Liabilities	<u>14,949,848</u>

Total Liabilities

17,673,816

NET ASSETS

Invested in Capital Assets Net of Related Debt - (Deficit)	(2,382,857)
Restricted for Debt Service	372,439
Unrestricted	615,035
Total Net Assets - (Deficit)	<u>(1,395,383)</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 16,278,433

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

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REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL
		CHARGES FOR	OPERATING	CAPITAL	ACTIVITIES
		SERVICES	GRANTS	GRANTS	NET (EXPENSE)
					REVENUE AND
					CHANGES IN
					NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 9,580,551	\$ 71,119	\$ 2,521,980	\$ 0	\$ (6,987,452)
Supporting Services	4,259,705	3,900	64,300	0	(4,191,505)
Community Services	99,617	21,289	0	0	(78,328)
Food Service Activities	727,337	216,739	544,851	0	34,253
Athletic Activities	349,515	66,646	0	0	(282,869)
Interest on Long-Term Debt	720,778	0	0	0	(720,778)
Other Transactions	41,936	0	0	0	(41,936)
Unallocated Depreciation	368,848	0	0	0	(368,848)
Total Governmental Activities	<u>\$ 16,148,287</u>	<u>\$ 379,693</u>	<u>\$ 3,131,131</u>	<u>\$ 0</u>	<u>(12,637,463)</u>
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					2,102,136
Property Taxes -Levied for Debt Service					1,249,823
Investment Earnings					5,693
State Sources					8,603,980
Other					162,437
Total General Revenues					<u>12,124,069</u>
Change in Net Assets					(513,394)
<u>NET ASSETS</u> - Beginning of Year - (Deficit)					<u>(881,989)</u>
<u>NET ASSETS</u> - End of Year - (Deficit)					<u>\$ (1,395,383)</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, 2010

	GENERAL FUND	DEBT FUND
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 86,840	\$ 479,433
Investments	795,919	0
Accounts Receivable	552	0
Due from Other Governments	2,017,856	0
Due from Other Funds	18,953	2,691
Inventories	5,458	0
Prepaid Expenditures	0	0
<b>TOTAL ASSETS</b>	<b>\$ 2,925,578</b>	<b>\$ 482,124</b>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,626	\$ 0
Accrued Expenses	686,905	0
Salaries Payable	843,805	0
Due to Other Funds	81,083	0
Deferred Revenue	52,009	0
<b>Total Liabilities</b>	<b>1,666,428</b>	<b>0</b>
<u>FUND BALANCE</u>		
Reserved for Inventory	5,458	0
Reserved for Prepaid Expenditures	0	0
Reserved for Debt Service	0	482,124
Unreserved, Undesignated, Reported in:		
General Fund	1,087,192	0
Unreserved, Designated, Reported in:		
General Fund - Early Retirement Obligation	166,500	0
Special Revenue Funds - Food Service, Athletic Activities and Community Services	0	0
Capital Projects Fund - Future Capital Projects	0	0
<b>Total Fund Balances</b>	<b>1,259,150</b>	<b>482,124</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,925,578</b>	<b>\$ 482,124</b>

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

NONMAJOR GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS	
\$	233,386	\$	799,659
	0		795,919
	5,422		5,974
	4,647		2,022,503
	78,392		100,036
	10,118		15,576
	63		63
<hr/>		<hr/>	
\$	332,028	\$	3,739,730

\$	43,614	\$	46,240
	0		686,905
	0		843,805
	18,953		100,036
	22,439		74,448
<hr/>		<hr/>	
	85,006		1,751,434

	10,118		15,576
	63		63
	0		482,124
	0		1,087,192
	0		166,500
	107,325		107,325
	129,516		129,516
<hr/>		<hr/>	
	247,022		1,988,296
<hr/>		<hr/>	
\$	332,028	\$	3,739,730

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

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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

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

JUNE 30, 2010

Total Governmental Fund Balances		\$ 1,988,296
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	\$ 19,101,150	
Accumulated depreciation is	<u>(6,995,778)</u>	12,105,372
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		338,226
Bond Issuance Costs		195,141
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(14,991,653)
Bond Premium		(51,596)
Employees Early Retirement		(694,000)
Compensated Absences		(175,484)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		<u>(109,685)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (1,395,383)</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, 2010

	<u>GENERAL FUND</u>	<u>DEBT FUND</u>
<u>REVENUES</u>		
Local Sources	\$ 2,322,991	\$ 1,251,133
State Sources	9,517,539	53,186
Federal Sources	1,248,833	0
Other Transactions	388,374	0
Total Revenues	13,477,737	1,304,319
<u>EXPENDITURES</u>		
Instruction	9,250,378	0
Supporting Services	4,098,928	0
Community Services	80,504	0
Food Service Activities	0	0
Athletic Activities	0	0
Capital Projects	0	0
Debt Service		
Principal	0	783,633
Interest	0	702,145
Other Transactions	40,982	954
Total Expenditures	13,470,792	1,486,732
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,945	(182,413)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	0	180,553
Transfers Out	(529,709)	0
Total Other Financing Sources (Uses)	(529,709)	180,553
Net Change in Fund Balance	(522,764)	(1,860)
<u>FUND BALANCE</u> - Beginning of Year	1,781,914	483,984
<u>FUND BALANCE</u> - End of Year	\$ 1,259,150	\$ 482,124

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 307,986	\$ 3,882,110
37,323	9,608,048
507,528	1,756,361
0	388,374
<u>852,837</u>	<u>15,634,893</u>
0	9,250,378
0	4,098,928
22,696	103,200
735,346	735,346
349,828	349,828
65,365	65,365
0	783,633
0	702,145
0	41,936
<u>1,173,235</u>	<u>16,130,759</u>
<u>(320,398)</u>	<u>(495,866)</u>
349,156	529,709
0	(529,709)
<u>349,156</u>	<u>0</u>
28,758	(495,866)
<u>218,264</u>	<u>2,484,162</u>
<u>\$ 247,022</u>	<u>\$ 1,988,296</u>

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

REED CITY AREA PUBLIC SCHOOLS  
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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances Total Governmental Funds \$ (495,866)

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	65,365
Depreciation Expense	(368,848)

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	116,408
Accrued Interest Payable - End of Year	(109,685)

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 Bond Principal	783,633
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	166,500
Employees Early Retirement - End of Year	(694,000)
Accumulated Sick Pay - Beginning of Year	223,939
Accumulated Sick Pay - End of Year	<u>(175,484)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (513,394)

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



REED CITY AREA PUBLIC SCHOOLS  
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STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 74,269	\$ 140,080
Investments	33,523	16,000
Notes Receivable (net of allowance for doubtful accounts)	38,509	0
	<u>146,301</u>	<u>156,080</u>
TOTAL ASSETS	<u>\$ 146,301</u>	<u>\$ 156,080</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Groups and Organizations	\$ 0	\$ 156,080
<u>NET ASSETS</u>		
Restricted for Trust Activities	<u>146,301</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 146,301</u>	<u>\$ 156,080</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, 2010

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Donations	\$ 1,772
Investment Income (Change in Fair Value of Investments)	8,230
Earnings on Investments and Deposits	<u>1,150</u>
Total Additions	11,152
<u>DEDUCTIONS</u>	
Scholarship Awards	<u>2,700</u>
Change in Net Assets	8,452
<u>NET ASSETS</u> - Beginning of Year	<u>137,849</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 146,301</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, 2010

**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 1,582 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*.

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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.

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

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JUNE 30, 2010

**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, 2010 the foundation allowance was based on pupil membership counts taken in February and September of 2009. For fiscal year ended June 30, 2010, 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-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2009 to August 2010. 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.

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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.

For the year ended June 30, 2010, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Homestead	18.00
General Fund - Non-Homestead Commercial PPT	6.00
Debt Service Fund - Homestead and Non-Homestead	4.01

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.

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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 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



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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, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

**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

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JUNE 30, 2010

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 15, 2009, or as amended by the School Board of Education on April 19, 2010 and June 21, 2010.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds:

Athletic Activities Fund – Purchased Services expenditures of \$80,037 exceeded appropriations by \$9,848.

Athletic Activities Fund – Supplies and Materials expenditures of \$15,350 exceeded appropriations by \$6,150.

Athletic Activities Fund – Dues, Fees, Misc. expenditures of \$10,920 exceeded appropriations by \$1,767.

Food Service Fund – Salaries/Wages expenditures of \$5,520 exceeded appropriations by \$5,520.

Food Service Fund – Dues, Fees, Misc. expenditures of \$3,204 exceeded appropriations by \$4.

**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.

*Investment 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.

*Credit risk.* The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 9 of the District's investment policy; and pre-qualifying the financial institutions,

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brokers/dealer, intermediaries and advisors with which the District will do business in accordance with Section 7 of the District's investment policy.

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

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2010, \$2,417 of the government's bank balance of \$1,357,989 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, 2010, the District had the following investments:

	<u>Fair Value</u>
MILAF External Investment Pool - MICMS	\$ 1
MILAF External Investment Pool - MILAX	793,918
Certificates of Deposit	18,000
Common Stock	<u>33,523</u>
Total	<u>\$ 845,442</u>

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, 2010.

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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	\$ 799,659	\$ 0	\$ 214,349	\$ 1,014,008
Investments	0	795,919	49,523	845,442
	\$ 799,659	\$ 795,919	\$ 263,872	\$ 1,859,450

**B. Receivables**

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

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 552	\$ 5,422	\$ 5,974
Notes Receivable	0	48,509	48,509
Less allowance for doubtful accounts	0	(10,000)	(10,000)
Due from Other Governments	2,017,856	4,647	2,022,503
Total Receivables	\$ 2,018,408	\$ 48,578	\$ 2,066,986

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:

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	Unavailable	Unearned
Grants and Other Amounts Received, But Not Yet Utilized	\$ 0	\$ 74,448

**C. Capital Assets**

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b>Assets Not Being Depreciated:</b>				
Land	\$ 299,694	\$ 0	\$ 0	\$ 299,694
<b>Other Capital Assets:</b>				
Buildings	16,250,396	65,365	0	16,315,761
Land Improvements	239,206	0	0	239,206
Machinery and Equipment	735,892	0	0	735,892
Transportation Equipment	1,510,597	0	0	1,510,597
Subtotal	18,736,091	65,365	0	18,801,456
<b>Accumulated Depreciation</b>				
Buildings	4,697,420	299,236	0	4,996,656
Land Improvements	172,512	7,538	0	180,050
Machinery and Equipment	488,556	43,043	0	531,599
Transportation Equipment	1,268,442	19,031	0	1,287,473
Total Accumulated Depreciation	6,626,930	368,848	0	6,995,778
Net Other Capital Assets	12,109,161	(303,483)	0	11,805,678
Net Capital Assets	\$ 12,408,855	\$ (303,483)	\$ 0	\$ 12,105,372

Depreciation for the fiscal year ended June 30, 2010, amounted to \$368,848. 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.

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

	BONDS PAYABLE	EARLY RETIREMENT OBLIGATIONS	COMPENSATED ABSENCES	TOTAL
Balance, July 1, 2009	\$ 15,775,286	\$ 166,500	\$ 223,939	\$ 16,165,725
Additions	0	527,500	0	527,500
Deletions	(783,633)	0	(48,455)	(832,088)
Balance, June 30, 2010	<u>\$ 14,991,653</u>	<u>\$ 694,000</u>	<u>\$ 175,484</u>	<u>\$ 15,861,137</u>
Total due within one year	<u>\$ 786,885</u>	<u>\$ 176,000</u>	<u>\$ 0</u>	<u>\$ 962,885</u>

At June 30, 2010, the School District's long-term bonds payable are comprised of the following individual issues:

The 1998 School Improvement Bonds were issued in the amount of \$112,725 through the State of Michigan's Durant Bonding Program. The State of Michigan is to annually appropriate the funds for the debt service payments. If the State fails to appropriate the funds, the District is under no obligation for payment.

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

\$112,725 1998 School Improvement Bonds due in annual installments of \$6,885 to \$7,556 beginning May 15, 2010 through May 15, 2013, plus interest at 4.76%.	\$ 21,653
\$5,100,000 2001 Refunding Bonds due in annual installments of \$365,000 to \$425,000 plus interest through May 1, 2016. Interest rates range from 4.375% to 5.0%.	2,370,000
\$1,425,000 2001 Energy Conservation Improvement Bonds due in annual installments of \$165,000 to \$170,000 plus interest through May 1, 2012. Interest rates range from 4.15% to 4.25%.	335,000
\$12,560,000 2004 School Building and Site Bonds due in annual installments of \$215,000 to \$725,000 plus interest through May 1, 2020. Interest rates range from 4.00% to 5.25%.	3,925,000
\$8,400,000 2005 Refunding Bonds due in annual installments of \$35,000 to \$835,000 plus interest through May 1, 2029. Interest rates range from 3.750% to 4.35%.	<u>8,340,000</u>
Total bonded debt	<u>\$ 14,991,653</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2011	\$ 786,885	\$ 658,385	\$ 1,445,270
2012	822,212	625,331	1,447,543
2013	682,556	589,899	1,272,455
2014	705,000	559,490	1,264,490
2015	740,000	526,966	1,266,966
2016-2020	3,840,000	2,091,330	5,931,330
2021-2025	4,120,000	1,199,190	5,319,190
2026-2029	3,295,000	351,544	3,646,544
	<u>\$ 14,991,653</u>	<u>\$ 6,602,135</u>	<u>\$ 21,593,788</u>

The annual requirements to amortize the accrued sick leave is uncertain because it is unknown when the employees will use the sick leave. Early retirement obligations are payable in various annual installments through June 30, 2011.

**E. Short-Term Debt**

In August 2009, the District borrowed \$1,400,000 for short-term cash flow purposes at an interest rate of 1.40%. This was paid back by year-end. Total interest was \$19,600.

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

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2010, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 18,953	\$ 81,083
Debt Fund	2,691	0
School Service Fund - Food Service	78,392	0
School Service Fund - Athletics	0	18,953
	<u>\$ 100,036</u>	<u>\$ 100,036</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 June 30, 2010, are expected to be repaid within one year.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Interfund transfers as shown in the individual fund financial statements at June 30, 2010, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 529,709
Capital Projects Fund	75,000	0
School Service Fund - Athletic Activities Fund	274,156	0
School Service Fund - Community Services Fund	0	0
Debt Fund	180,553	0
	\$ 529,709	\$ 529,709

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. Designated and Reserved Fund Balance / Net Assets**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the District has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses.

**H. Leases**

The rental expense for the year ended June 30, 2010, totaled \$51,228.

The rental expense consists of lease agreements on copiers. The future minimum lease payments for these leases are as follows:

YEAR ENDING	PAYABLES
2011	\$ 51,228
2012	14,184
2013	918
	\$ 66,330



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

**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 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 MPERS. 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 1<sup>st</sup> 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.

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 rate for the year ended June 30, 2010, was 16.54% of payroll through September 30, 2009 and 16.94% effective October 1, 2009. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2010, 2009, and 2008 were \$1,306,536, \$1,292,139, and \$1,350,410, 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 MPERS with the balance deducted from the monthly pension.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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. Advance Refunding**

In December 2005, the District issued \$8,400,000 of refunding bonds to defease \$7,740,000 of the 2004 School Building and Site Bonds. The proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt.

**D. Defeased Debt**

During 2001, 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.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 2,293,080	\$ 2,432,784	\$ 2,322,991
State Sources	10,373,086	10,346,491	9,517,539
Federal Sources	920,409	1,678,311	1,248,833
Other Transactions	375,851	393,802	388,374
Total Revenues	<u>13,962,426</u>	<u>14,851,388</u>	<u>13,477,737</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Instruction	7,797,106	7,900,172	7,619,625
Added Needs	1,785,885	2,063,070	1,630,753
Supporting Services			
Pupil	456,314	359,353	342,322
Instructional Staff	521,788	361,996	241,986
General Administration	374,899	343,174	303,076
School Administration	931,931	895,440	869,197
Business	272,302	256,024	248,704
Operating and Maintenance	1,177,662	1,089,209	1,010,905
Pupil Transportation	1,105,596	1,026,685	878,506
Central Services	224,136	207,555	204,232
Community Services	82,681	82,681	80,504
Other Transactions	138,179	47,828	40,982
Total Expenditures	<u>14,868,479</u>	<u>14,633,187</u>	<u>13,470,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(906,053)	218,201	6,945
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	<u>(482,552)</u>	<u>(557,553)</u>	<u>(529,709)</u>
Net Change in Fund Balance	(1,388,605)	(339,352)	(522,764)
<u>FUND BALANCE</u> - Beginning of Year	<u>1,659,887</u>	<u>1,615,414</u>	<u>1,781,914</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 271,282</u>	<u>\$ 1,276,062</u>	<u>\$ 1,259,150</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2010

	SPECIAL REVENUE		
	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	COMMUNITY SERVICES FUND
<u>ASSETS</u>			
Cash	\$ 25,246	\$ 54,632	\$ 23,992
Accounts Receivable	3,952	0	1,470
Due from Other Governments	4,647	0	0
Due from Other Funds	78,392	0	0
Inventories:			
Other	10,118	0	0
Prepaid Expenditures	0	0	63
TOTAL ASSETS	\$ 122,355	\$ 54,632	\$ 25,525
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 43,614	\$ 0	\$ 0
Due to Other Funds	0	18,953	0
Deferred Revenue	6,643	0	15,796
Total Liabilities	50,257	18,953	15,796
<u>FUND BALANCE</u>			
Reserved for			
Inventory	10,118	0	0
Prepaid Expenditures	0	0	63
Unreserved			
Designated for:			
Food Service	61,980	0	0
Athletic Activities	0	35,679	0
Community Services	0	0	9,666
Future Capital Projects	0	0	0
Total Fund Balance	72,098	35,679	9,729
TOTAL LIABILITIES AND FUND BALANCE	\$ 122,355	\$ 54,632	\$ 25,525

CAPITAL PROJECT		
FUND	TOTAL	
\$ 129,516	\$ 233,386	
0	5,422	
0	4,647	
0	78,392	
0	10,118	
0	63	
<u>\$ 129,516</u>	<u>\$ 332,028</u>	

\$ 0	\$ 43,614	
0	18,953	
0	22,439	
<u>0</u>	<u>85,006</u>	

0	10,118	
0	63	
0	61,980	
0	35,679	
0	9,666	
129,516	129,516	
<u>129,516</u>	<u>247,022</u>	
<u>\$ 129,516</u>	<u>\$ 332,028</u>	

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, 2010

	<u>SPECIAL REVENUE</u>		
	<u>FOOD SERVICE FUND</u>	<u>ATHLETIC ACTIVITIES FUND</u>	<u>COMMUNITY SERVICES FUND</u>
<u>REVENUES</u>			
Local Sources	\$ 216,947	\$ 66,786	\$ 21,289
State Sources	37,323	0	0
Federal Sources	507,528	0	0
Total Revenues	761,798	66,786	21,289
<u>EXPENDITURES</u>			
Community Services	0	0	22,696
Food Service Activities	735,346	0	0
Athletic Activities	0	349,828	0
Capital Projects	0	0	0
Total Expenditures	735,346	349,828	22,696
Excess of Revenues Over (Under) Expenditures	26,452	(283,042)	(1,407)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	0	274,156	0
Net Change in Fund Balance	26,452	(8,886)	(1,407)
<u>FUND BALANCE - Beginning of Year</u>	45,646	44,565	11,136
<u>FUND BALANCE - End of Year</u>	\$ 72,098	\$ 35,679	\$ 9,729

CAPITAL PROJECT			
FUND		TOTAL	
\$ 2,964		\$ 307,986	
0		37,323	
0		507,528	
<hr/>			
2,964		852,837	
<hr/>			
0		22,696	
0		735,346	
0		349,828	
65,365		65,365	
<hr/>			
65,365		1,173,235	
<hr/>			
(62,401)		(320,398)	
<hr/>			
75,000		349,156	
<hr/>			
12,599		28,758	
<hr/>			
116,917		218,264	
<hr/>			
\$ 129,516		\$ 247,022	
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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

FIDUCIARY FUND TYPES  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 74,269	\$ 140,080	\$ 214,349
Investments	33,523	16,000	49,523
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	38,509	0	38,509
 TOTAL ASSETS	 \$ 146,301	 \$ 156,080	 \$ 302,381
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Due to Groups and Organizations	\$ 0	\$ 156,080	\$ 156,080
<u>NET ASSETS</u>			
Restricted for:			
Scholarships and Memorials	146,301	0	146,301
 TOTAL LIABILITIES AND NET ASSETS	 \$ 146,301	 \$ 156,080	 \$ 302,381

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	<u>JEWELL</u>	<u>EMPLOYEE</u>	<u>BILL</u>
	<u>SCHOLARSHIP</u>	<u>SCHOLARSHIP</u>	<u>PORTEOUS II</u>
			<u>SCHOLARSHIP</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 73,541	\$ 429	\$ 7,013
Investments	0	0	12,244
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	38,509	0	0
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 112,050	\$ 429	\$ 19,257
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0
<u>NET ASSETS</u>			
Restricted for:			
Student Scholarships and Memorials	112,050	429	19,257
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 112,050	\$ 429	\$ 19,257
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MABLE PORTEOUS SCHOLARSHIP	CAMERON HAMILTON PORTEOUS SCHOLARSHIP	WILLIAM PORTEOUS SCHOLARSHIP	TOTAL
\$ (5,136)	\$ 193	\$ (1,771)	\$ 74,269
11,634	371	9,274	33,523
0	0	0	38,509
<u>\$ 6,498</u>	<u>\$ 564</u>	<u>\$ 7,503</u>	<u>\$ 146,301</u>
\$ 0	\$ 0	\$ 0	\$ 0
<u>6,498</u>	<u>564</u>	<u>7,503</u>	<u>146,301</u>
<u>\$ 6,498</u>	<u>\$ 564</u>	<u>\$ 7,503</u>	<u>\$ 146,301</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, 2010

	<u>JEWELL</u> <u>SCHOLARSHIP</u>	<u>EMPLOYEE</u> <u>SCHOLARSHIP</u>	<u>BILL</u> <u>PORTEOUS II</u> <u>SCHOLARSHIP</u>
<u>ADDITIONS</u>			
Donations	\$ 0	\$ 1,472	\$ 200
Investment Income:			
Change in Fair Value of Investments	0	0	3,006
Interest and Dividends	907	1	89
Total Additions	907	1,473	3,295
 <u>DEDUCTIONS</u>			
Scholarship Awards	0	1,200	1,500
Change in Net Assets	907	273	1,795
 <u>NET ASSETS</u> - Beginning of Year	111,143	156	17,462
<u>NET ASSETS</u> - End of Year	\$ 112,050	\$ 429	\$ 19,257

MABLE PORTEOUS SCHOLARSHIP	CAMERON HAMILTON PORTEOUS SCHOLARSHIP	WILLIAM PORTEOUS SCHOLARSHIP	TOTAL
\$ 0	\$ 100	\$ 0	\$ 1,772
2,856	91	2,277	8,230
84	2	67	1,150
2,940	193	2,344	11,152
0	0	0	2,700
2,940	193	2,344	8,452
3,558	371	5,159	137,849
\$ 6,498	\$ 564	\$ 7,503	\$ 146,301

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

AGENCY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	NORMAN ELEMENTARY ACCOUNT	MIDDLE SCHOOL ACCOUNT	HIGH SCHOOL ACCOUNT
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 15,414	\$ 24,591	\$ 41,482
Investments	0	0	16,000
	<hr/>		
TOTAL ASSETS	\$ 15,414	\$ 24,591	\$ 57,482
	<hr/> <hr/>		
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Due to Groups and Organizations	\$ 15,414	\$ 24,591	\$ 57,482
	<hr/>		
<u>NET ASSETS</u>	0	0	0
	<hr/>		
TOTAL LIABILITIES AND NET ASSETS	\$ 15,414	\$ 24,591	\$ 57,482
	<hr/> <hr/>		

ATHLETIC FUNDRAISING ACCOUNT	BEVERAGE CONSORTIA ACCOUNT	TOTAL
\$ 49,820	\$ 8,773	\$ 140,080
0	0	16,000

\$ 49,820	\$ 8,773	\$ 156,080
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\$ 49,820	\$ 8,773	\$ 156,080
0	0	0

\$ 49,820	\$ 8,773	\$ 156,080
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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, 2010

	BALANCE 7/1/2009	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2010
1st Grade	\$ 798	\$ 543	\$ 794	\$ 547
2nd Grade	901	0	760	141
3rd Grade	938	0	602	336
4th Grade	1,495	0	1,237	258
5th Grade	8	234	234	8
Accelerated Reader	38	0	0	38
Activity	679	3,699	1,021	3,357
Book Fair	1,355	3,880	3,392	1,843
Family Fun Night	0	4,550	3,116	1,434
Family School Service	314	0	0	314
Fitness Program	0	2,378	2,378	0
Flower	176	10	0	186
Fun Fours	30	0	0	30
In/Out	0	222	222	0
Interest Fund	10	35	0	45
Kindergarten	578	13	578	13
Library	445	333	321	457
LIFT	1,597	100	1,521	176
Nutrition Grant	3	3,000	0	3,003
Office Fund	0	242	242	0
Osceola County Foundation Grant	2,672	829	1,696	1,805
Pop	46	0	45	1
PTO Fund	242	0	0	242
Safety Patrol	264	0	182	82
United Way Grant	467	1,905	1,274	1,098
	<u>\$ 13,056</u>	<u>\$ 21,973</u>	<u>\$ 19,615</u>	<u>\$ 15,414</u>

Represented By

Assets

Cash

\$ 13,056

\$ 15,414

Liabilities

Due to Groups and Organizations

\$ 13,056

\$ 15,414



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

AGENCY FUND - MIDDLE SCHOOL ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2010

	BALANCE 7/1/2009	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2010
6th Grade	\$ 1,100	\$ 3,339	\$ 2,947	\$ 1,492
7th Grade	149	3,733	3,392	490
8th Grade	1,954	16,433	14,564	3,823
Band - Resale	524	362	486	400
Band Sales	0	4,731	3,718	1,013
Candy Machine	400	2,040	2,040	400
Counseling	978	0	326	652
Daily Living	399	5,271	5,583	87
EGG	378	975	785	568
General Mills -Nista	36	0	36	0
Grant Money	247	465	240	472
Interest	4,204	93	566	3,731
Interest CD	124	0	0	124
Language Arts Books	24	0	0	24
Osceola Foundation	0	169	169	0
Pencils	1,079	88	134	1,033
Pep Club	3,236	308	394	3,150
Pop Club	3,091	2,472	3,738	1,825
Science Department	541	688	567	662
Shop Department	616	1,066	1,337	345
Ski Club	1,294	3,579	4,162	711
S.T.A.N.D.	1,517	2,632	3,456	693
Student Council	1,573	14,674	13,994	2,253
Yearbook	900	2,758	3,015	643
	<u>\$ 24,364</u>	<u>\$ 65,876</u>	<u>\$ 65,649</u>	<u>\$ 24,591</u>
Represented by				
Assets				
Cash	<u>\$ 24,364</u>			<u>\$ 24,591</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 24,364</u>			<u>\$ 24,591</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, 2010

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/1/2009	(Including Transfers)		6/30/2010
Advance Placement English	\$ 43	\$ 0	\$ 0	\$ 43
Annual (Yearbook)	830	25,397	23,251	2,976
Assembly	300	0	0	300
Bailey Scholarship	0	1,740	400	1,340
Chicago Trip	674	0	0	674
Choral Music	98	0	0	98
Class of 1962 Scholarship	945	0	0	945
Class of 2006	1,227	0	0	1,227
Class of 2007	526	0	0	526
Class of 2008	380	0	0	380
Class of 2009	30	0	0	30
Class of 2010	1,922	2,746	2,330	2,338
Class of 2011	3,812	3,469	6,324	957
Class of 2012	417	2,368	338	2,447
Class of 2013	0	1,123	568	555
Coke Account	1,392	3,319	4,666	45
Coke Scholarship	660	0	0	660
Counseling	1,282	610	764	1,128
Drama Club	1,703	0	0	1,703
English/Math	654	200	200	654
Equestrian Team	262	5,275	5,222	315
Gen Mills Operating Grant	0	3,750	0	3,750
Gen Mills P.E. Grant	0	8,000	0	8,000
Grant Fund	582	500	500	582
GRBS Scholarship	0	300	0	300
Health Education - Drug Free	1,585	956	504	2,037
High School Flower Fund	98	175	257	16
High School Improvement	1,062	0	0	1,062
Industrial Arts	2,106	3,223	4,165	1,164
Interest	4,272	190	1,821	2,641
Leadership	924	949	871	1,002
Leadership Scholarship	40	6,474	1,554	4,960
Library Internal	783	0	0	783
Make a Difference	40	0	0	40

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

AGENCY FUND - HIGH SCHOOL ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2010

	BALANCE 7/1/2009	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2010
National Art	2,808	1,382	1,892	2,298
National Honor Society	1,238	3,890	4,336	792
Newspaper	27	0	0	27
Outing Club	437	0	0	437
Pepsi Cola Fund	997	608	751	854
Quizbowl	348	0	0	348
Rainforest	(28)	0	0	(28)
Recycle	684	295	113	866
S.A.D.D.	665	0	0	665
Science	3,284	339	2,481	1,142
Service	15	0	0	15
Ski Club	12	119	119	12
Spanish Club	69	0	0	69
Student Council	3,247	5,742	5,456	3,533
TI-IN Network	533	0	0	533
Weight Room	133	0	0	133
Welding	0	250	150	100
Youth Advisory Committee	8	0	0	8
Youth in Government	197	2,632	2,829	0
Athletic Fundraising	4,385	0	4,385	0
	<u>\$ 47,708</u>	<u>\$ 86,021</u>	<u>\$ 76,247</u>	<u>\$ 57,482</u>
Represented by				
Assets				
Cash	\$ 31,708			\$ 41,482
Investments	16,000			16,000
Total Assets	<u>\$ 47,708</u>			<u>\$ 57,482</u>
Liabilities				
Due to Athletic Fundraising	\$ 4,385			\$ 0
Due to Groups and Organizations	43,323			57,482
Total Liabilities	<u>\$ 47,708</u>			<u>\$ 57,482</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

AGENCY FUND - ATHLETIC FUNDRAISING ACCOUNT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2010

	BALANCE 7/1/2009	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2010
Athletic Director	\$ 4,110	\$ 16,251	\$ 10,440	\$ 9,921
Baseball	1,981	6,010	5,442	2,549
Boys Basketball	337	3,392	2,598	1,131
Boys Soccer	2,161	1,608	1,528	2,241
Cheer	1,087	8,177	7,544	1,720
Cross Country	300	300	0	600
Football	5,747	16,559	13,552	8,754
Girls Basketball	92	1,773	1,734	131
Girls Soccer	711	2,417	1,721	1,407
Golf	514	3,311	576	3,249
Lost Equipment	766	0	766	0
MHSAA Tournament	284	0	284	0
School Store	570	0	0	570
Softball	1,410	7,438	7,434	1,414
Track	3,779	5,005	6,613	2,171
Volleyball	703	1,654	2,121	236
Wrestling	6,983	6,405	3,390	9,998
Annual Golf Outing	0	10,115	6,942	3,173
Unclassified	439	116	0	555
	<u>\$ 31,974</u>	<u>\$ 90,531</u>	<u>\$ 72,685</u>	<u>\$ 49,820</u>
Represented by				
Assets				
Cash	\$ 27,589			\$ 49,820
Due from HS Internal	4,385			0
Total Assets	<u>\$ 31,974</u>			<u>\$ 49,820</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 20,040</u>			<u>\$ 49,820</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, 2010

	<u>BALANCE</u> <u>7/1/2009</u>	<u>RECEIPTS</u> <u>(Including Transfers)</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>6/30/2010</u>
Beverage Consortia	\$ 9,630	\$ 3,836	\$ 4,693	\$ 8,773
Represented by				
Assets				
Cash	<u>\$ 9,888</u>			<u>\$ 8,773</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 9,888</u>			<u>\$ 8,773</u>

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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2010

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>
2011	\$ 7,916	\$ 1,031	\$ 6,885
2012	7,915	703	7,212
2013	7,915	359	7,556
	<u>\$ 23,746</u>	<u>\$ 2,093</u>	<u>\$ 21,653</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2010

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>	
2011	4.375 %	\$ 476,362	\$ 55,681	\$ 55,681	\$ 365,000
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>\$ 2,778,488</u>	<u>\$ 204,244</u>	<u>\$ 204,244</u>	<u>\$ 2,370,000</u>



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2010

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>	
2011	4.15 %	\$ 179,072	\$ 7,036	\$ 7,036	\$ 165,000
2012	4.25 %	177,226	3,613	3,613	170,000
		<u>\$ 356,298</u>	<u>\$ 10,649</u>	<u>\$ 10,649</u>	<u>\$ 335,000</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2010

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>	
2011	4.000 %	\$ 404,068	\$ 94,534	\$ 94,534	\$ 215,000
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>\$ 5,189,010</u>	<u>\$ 632,005</u>	<u>\$ 632,005</u>	<u>\$ 3,925,000</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2010

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>	
2011	3.750 %	\$ 377,852	\$ 171,426	\$ 171,426	\$ 35,000
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>\$ 13,246,246</u>	<u>\$ 2,453,123</u>	<u>\$ 2,453,123</u>	<u>\$ 8,340,000</u>





