

PELLSTON PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
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

PELLSTON PUBLIC SCHOOLS
PELLSTON, 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-xi
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Assets	7
Notes to Financial Statements	8-24
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	25
Combining and Individual Fund Financial Statements	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	26-27
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	28-29
Financial Statements of Individual Funds	
General Fund	
Balance Sheet	30
Statement of Revenues, Expenditures and Changes in Fund Balance	31-32
Analysis of Revenues and Other Financing Sources	33
Analysis of Expenditures and Other Financing Uses	34-38
Agency Fund	
Statement of Cash Receipts, Disbursements and Balance	39-40
Other Supplementary Information	
Schedule of Bonds Payable	41-48

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

July 14, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Pellston Public Schools
Pellston, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pellston Public Schools, Pellston, Michigan, as of and for the year ended June 30, 2011, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pellston 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 Pellston Public Schools, Pellston, 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 July 14, 2011, on our consideration of Pellston 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 xi and 25 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 Pellston Public Schools, Pellston, 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 basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

This section of Pellston Public Schools' (the "District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follows this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Financial Highlights Section

Government-Wide

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$3,984,017 creating a deficit net assets amount. Of this amount net capital assets net of related debt was a negative \$4,721,135.
- The government's total net deficit decreased by \$89,567.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$731,005, a decrease of \$114,908 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$546,353.

Overview of the Financial Statements

Government-Wide Financial Statements The government-wide statements provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Assets includes all of the District's assets and liabilities. All of the year's revenue 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 and decreases in the District's net assets are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aids and property taxes.

Fund Financial Statements. The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called “non-major” funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District’s basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 8-24 of this report.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30:

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets	\$ 1,571,528	\$ 1,560,608
Capital Assets, Net of Accumulated Depreciation	5,043,425	4,572,980
Total Assets	<u>6,614,953</u>	<u>6,133,588</u>
Liabilities		
Current Liabilities	1,669,542	1,430,011
Long-Term Liabilities	8,929,428	8,777,161
Total Liabilities	<u>10,598,970</u>	<u>10,207,172</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt (Deficit)	(4,721,135)	(4,863,510)
Restricted for Specific Purposes	96,841	171,999
Unrestricted (Deficit)	640,277	617,927
Total Net Assets (Deficit)	<u><u>\$ (3,984,017)</u></u>	<u><u>\$ (4,073,584)</u></u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

Analysis of Financial Position

During the fiscal year ended June 30, 2011, the District's net assets increased by \$89,567. 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, \$645,133 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2011, \$1,062,603 of expenditures for buses, equipment and building improvements 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 net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$415,470 for the fiscal year ended June 30, 2011.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets

For the fiscal year ended June 30, the results of operations, on a District-wide basis, were:

	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues		
Charges for Services	\$ 109,127	\$ 147,780
Operating Grants and Contributions	1,792,861	1,857,434
Capital Grants and Contributions	0	55,198
General Revenues		
Property Taxes	3,773,427	4,093,479
Unrestricted Investment Interest	7,409	13,672
State Sources	1,852,205	1,818,523
Gain on Sale of Capital Assets	234	0
Other	95,665	111,087
Total Revenues	<u>7,630,928</u>	<u>8,097,173</u>
Expenses		
Instruction	4,175,281	3,921,499
Support Services	2,053,743	1,931,163
Community Services	24,797	19,072
Food Services	329,073	280,358
Athletics	0	154,007
Interest/Fees on Long-Term Debt	313,334	333,216
Depreciation (Unallocated)	645,133	612,769
Total Expenses	<u>7,541,361</u>	<u>7,252,084</u>
Change in Net Assets	89,567	845,089
<u>Net Assets (Deficit) - Beginning of Year</u>	<u>(4,073,584)</u>	<u>(4,918,673)</u>
<u>Net Assets (Deficit) - End of Year</u>	<u>\$ (3,984,017)</u>	<u>\$ (4,073,584)</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

Financial Analysis of the District's Funds

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	\$ 567,501	\$ 568,696	\$ (1,195)
Nonmajor Funds			
Food Service	37,299	35,799	1,500
2002 Debt Retirement	39,618	61,700	(22,082)
2008 Refunding	86,587	179,718	(93,131)
Energy Bonds	0	0	0
2010 QZAB Bonds	0	0	0
Durant	0	0	0
2010 QZAB Capital Projects	0	0	0
2011 QZAB Capital Projects	0	0	0
Total Governmental Funds	<u>\$ 731,005</u>	<u>\$ 845,913</u>	<u>\$ (114,908)</u>

In 2011, the General Fund balance decreased primarily due to the reduction in funding from federal and local sources in addition to rising costs of operations. Transfers out to other funds also increased.

The Food Service Fund increased its fund balance due to increased local, state, and federal revenues.

The 2002 Debt Retirement Fund decreased its fund balance due to ongoing debt service payments.

The 2008 Refunding decreased its fund balance due to ongoing debt service payments.

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 its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

For the 2010-2011 fiscal year, the District amended the general fund budget in March and June, 2011. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>	\$ 6,328,415	\$ 6,425,559	\$ 6,463,000
<u>EXPENDITURES</u>			
Instruction	\$ 4,178,580	\$ 4,227,383	\$ 4,222,544
Supporting Services	2,009,174	2,071,752	2,060,696
Community Services	27,471	23,116	24,797
Debt Service	39,000	0	0
Transfers and Other Transactions	73,472	146,063	156,158
Total Expenditures	<u>\$ 6,327,697</u>	<u>\$ 6,468,314</u>	<u>\$ 6,464,195</u>

The change from the Total Revenue Original Budget to Final Budget was an increase of \$97,144. After the original budget was adopted by the Board in June of 2010 the following events caused the Final Revenue Budget to increase:

- Education Jobs Grant was awarded during the school year totaling \$58,563

The change in the Total Expenditures Original Budget to Final Budget was an increase of \$140,317. The increase was primarily due to increased transfers out to other funds.

The difference between the final budgeted amounts and the actual amounts is minimal.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2011, amounted to \$4,862,419 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, vehicles and equipment.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

Pellston Public Schools
Capital Assets (Net of Depreciation, When Applicable)

	<u>2011</u>	<u>2010</u>
Land and Improvements	\$ 454,750	\$ 458,500
Buildings	3,934,342	3,507,306
Vehicles	216,613	177,788
Equipment	<u>256,714</u>	<u>303,354</u>
Total Capital Assets	<u>\$ 4,862,419</u>	<u>\$ 4,446,948</u>

Additions to capital assets included:

- Septic pumps installed at the athletic field at a cost of \$5,398.
- Energy improvements to District buildings completed at a cost of \$942,611.
- A bus was purchased at a cost of \$76,535.
- CCTV camera purchased for the elementary school at a cost of \$7,958.
- Smart boards purchased at a cost of \$30,101.

Additional information on the District's capital assets can be found in the Notes to this report.

Long-Term Debt. At year-end, the District had total bonded debt, installment contracts, accrued compensation and retirement payable outstanding of \$9,703,220, net of bond discounts and premiums. Of this amount, \$5,718 is a Durant resolution bond which are not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitations, and is payable solely from the state appropriations.

Additional information on the District's long-term debt can be found in the Notes to this report.

Factors Bearing on the District's Future

We considered many factors when setting the District's 2011-12 fiscal year budget.

- Due to current economic conditions in the State of Michigan, it is likely that there will be future declining enrollment. Families moving out of state to find employment have affected many school districts and Pellston is no exception. This is the fifth year in a row the district has lost pupil membership.
- The same economic conditions caused a drastic decrease of \$470 per pupil in State Aid for 2011-12. This cut in State Aid was offset by Federal Edu Jobs funds. Further the return of 6/4/Y Declining Enrollment funds, the district was able to retrieve some of the lost enrollment by averaging the two preceding years blended counts with the current count to reach a blended count for 2011-12. Revenue shortfalls in 2012-13 will be certain if enrollment continues to decline and or the return of 6/4/Y Declining Enrollment funds are eliminated from future State Aid bills.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

- Due to declining enrollment, 4.72 professional staff positions and 3 support staff positions were eliminated for 2011-12. Other teacher and support staff positions saw a reduction in days or hours for the coming year. Further in 2010-11 the Board of Education entered into a contract with CSM Services, Hudsonville, MI to provide custodial services throughout the district for two years. The contract saves the district in excess of \$54,000 annually. In 2010 non staff coach positions were privatized saving the district the cost of retirement and workers comp.
- In an effort to increase student enrollments next year in into the future, the Board of Education authorized the implementation of two pre-school classrooms, both utilizing grant funds from the State sources and the implementation of one line learning classes hosted by the school district in order to encourage students to return from Alternative Schools to their local district.
- The increase in health insurance and retirement rates for 2011-12 were major factors in the budget process. Retirement rates increased from 20.66% to 24.46%. Health insurance rates increased by 11% however due to a change in deductible rates were decreased by 6%.
- In February 2010 the Board signed a contract with Technical Energy Performance Group (TEPG) purchase new boilers for the elementary school and new heat pumps in the MS/HS and other energy improvements in the district. The Board was able sell the bonds by use of Qualified Zone Academy Bonds to be paid back by savings from the energy improvements over a 15 year period beginning in 2011. Interest expense from the bonds are substantially reduced for the district as they are subsidized by the Federal Govt. as a part of the QZAB program. Savings from the improvements are guaranteed to lessen utility costs in the future and it is these savings that will be used to help repay the bonds.
- Both buildings (Elementary and MS/HS) made Adequate Yearly Progress in 2010-11; however, concerns have been raised by district administrators that there is lack of sufficient gains in core subject areas, and particularly writing in order to sustain growth in the years leading to 2014 when all students will be required to be successful on the MEAP and Michigan Merit Exams. Professional Development programs in 2011-12 will focus on instruction and strategies for improvement particularly in writing at all grade levels.

Request for Information

The financial report is designed to a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Pellston Public Schools, Superintendent of Schools, 172 N. Park Street, Pellston, Michigan 49769-0016.

THIS PAGE INTENTIONALLY LEFT BLANK

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	960,691
Investments		16,248
Accounts Receivable		33
Due from Other Governments		568,779
Inventories		25,777
Total Current Assets		1,571,528

NON CURRENT ASSETS

Deferred Charges - Net		181,006
Capital Assets		14,912,492
Less Accumulated Depreciation		(10,050,073)
Total Non Current Assets		5,043,425
TOTAL ASSETS		6,614,953

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		129,494
Accrued Expenses		209,027
Accrued Interest		60,945
Salaries Payable		489,006
Deferred Revenue		7,278
Current Portion of Non Current Liabilities		773,792
Total Current Liabilities		1,669,542

NON CURRENT LIABILITIES

Bonds Payable - Net		9,688,404
Compensated Absences		14,816
Less Current Portion of Non Current Liabilities		(773,792)
Total Non Current Liabilities		8,929,428
TOTAL LIABILITIES		10,598,970

NET ASSETS

Invested in Capital Assets Net of Related Debt (Deficit)		(4,721,135)
Restricted for Debt Service		59,542
Restricted for Food Service		37,299
Unrestricted		640,277
TOTAL NET ASSETS - (DEFICIT)		\$ (3,984,017)

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

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	EXPENDITURES	PROGRAM REVENUES			GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	ACTIVITIES
					NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 4,175,281	\$ 0	\$ 1,467,611	\$ 0	\$ (2,707,670)
Supporting Services	2,053,743	41,225	64,143	0	(1,948,375)
Community Services	24,797	2,002	1,516	0	(21,279)
Food Service Activities	329,073	65,900	259,591	0	(3,582)
Athletic Activities	0	0	0	0	0
Interest on Long Term Debt	313,334	0	0	0	(313,334)
Unallocated Depreciation	645,133	0	0	0	(645,133)
Total Governmental Activities	<u>\$ 7,541,361</u>	<u>\$ 109,127</u>	<u>\$ 1,792,861</u>	<u>\$ 0</u>	<u>(5,639,373)</u>
<u>GENERAL REVENUES</u>					
Property Taxes - Levied for General Purposes					2,938,677
Property Taxes - Levied for Debt Service					834,750
Investment Earnings					7,409
State Sources					1,852,205
Gain on Sale of Capital Assets					234
Other					95,665
Total General Revenues					<u>5,728,940</u>
Change in Net Assets					89,567
<u>NET ASSETS</u> - Beginning of Year - (Deficit)					<u>(4,073,584)</u>
<u>NET ASSETS</u> - End of Year - (Deficit)					<u>\$ (3,984,017)</u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>GENERAL FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 702,010	\$ 258,681	\$ 960,691
Investments	16,248	0	16,248
Accounts Receivable	0	33	33
Due from Other Funds	1,400	15,546	16,946
Due from Other Governments	554,701	14,078	568,779
Inventory	21,148	4,629	25,777
TOTAL ASSETS	\$ 1,295,507	\$ 292,967	\$ 1,588,474
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 25,951	\$ 103,543	\$ 129,494
Due to Other Funds	4,566	12,380	16,946
Accrued Expenses	206,587	2,440	209,027
Salaries Payable	485,324	3,682	489,006
Deferred Revenue	5,578	7,418	12,996
Total Liabilities	728,006	129,463	857,469
<u>FUND BALANCE</u>			
Nonspendable:			
Inventory	21,148	4,629	25,777
Restricted:			
Debt Service	0	126,205	126,205
Food Service	0	32,670	32,670
Unassigned	546,353	0	546,353
Total Fund Balances	567,501	163,504	731,005
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,295,507	\$ 292,967	\$ 1,588,474

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

JUNE 30, 2011

Total Governmental Fund Balances \$ 731,005

Amounts reported for governmental activities in the statement of net assets are different because:

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

The cost of the capital assets is	\$ 14,912,492	
Accumulated depreciation is	<u>(10,050,073)</u>	4,862,419

The focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by unearned revenues in the governmental funds, and thus not included in fund balance

Unearned revenues related to Durant settlement	5,718
--	-------

Bond discounts and issuance costs for bonds issued are expenditures at the modified accrual fund level, but are capitalized and written off over the life of bonds payable at the district-wide full accrual level.

Deferred (Gain) Loss on Refunding	81,874
Bond Issuance Costs	99,132
Bond Discount (Premium)	(73,686)

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

Bonds Payable	(9,614,718)
Compensated Absences	(14,816)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid	<u>(60,945)</u>
---	-----------------

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (3,984,017)</u></u>
---------------------------------------	------------------------------

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

YEAR ENDED JUNE 30, 2011

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 3,075,823	\$ 909,940	\$ 3,985,763
State Sources	2,300,375	10,219	2,310,594
Federal Sources	597,976	252,435	850,411
Other Transactions	488,826	0	488,826
Total Revenues	<u>6,463,000</u>	<u>1,172,594</u>	<u>7,635,594</u>
<u>EXPENDITURES</u>			
Instruction	4,222,544	0	4,222,544
Supporting Services	2,060,696	75,000	2,135,696
Food Service Activities	0	329,073	329,073
Community Services	24,797	0	24,797
Construction Projects	0	942,611	942,611
Debt Service			
Principal	0	733,666	733,666
Interest and Fees	0	368,399	368,399
Bond Issuance Costs	0	18,716	18,716
Total Expenditures	<u>6,308,037</u>	<u>2,467,465</u>	<u>8,775,502</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>154,963</u>	<u>(1,294,871)</u>	<u>(1,139,908)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Issuance of Bonds	0	1,025,000	1,025,000
Transfers In	0	157,639	157,639
Transfers Out	(156,158)	(1,481)	(157,639)
Total Other Financing Sources (Uses)	<u>(156,158)</u>	<u>1,181,158</u>	<u>1,025,000</u>
Net Change in Fund Balance	(1,195)	(113,713)	(114,908)
<u>FUND BALANCE</u> - Beginning of Year	<u>568,696</u>	<u>277,217</u>	<u>845,913</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 567,501</u>	<u>\$ 163,504</u>	<u>\$ 731,005</u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, 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 \$ (114,908)

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. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the statement of activities:

Depreciation Expense	(645,133)
Capital Outlay	1,062,603
Cost of Capital Assets Sold or Disposed of	(2,000)

Accrued and accreted 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	61,035
Accrued Interest Payable - End of Year	(60,945)

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:

Issuance of Debt	(1,025,000)
Repayment of Bond Principal	733,666
Bond Issuance Costs	18,716
Amortization of Deferred Charges	54,975

Under the modified accrual basis of accounting, revenue is recognized when measurable and available. The entity wide statements recognize revenue when earned:

Deferred Revenue related to Durant settlement - Beginning of Year	(8,384)
Deferred Revenue related to Durant settlement - End of Year	5,718

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:

Accumulated Sick Pay - Beginning of Year	24,040
Accumulated Sick Pay - End of Year	(14,816)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 89,567
---	-----------

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2011

<u>ASSETS</u>	<u>AGENCY FUNDS</u>
Cash and Cash Equivalents	\$ 14,163
Investments	<u>59,009</u>
 TOTAL ASSETS	 73,172
 <u>LIABILITIES AND NET ASSETS</u>	
 <u>LIABILITIES</u>	
Due to Groups and Organizations	<u>73,172</u>
 <u>NET ASSETS</u>	 <u><u>\$ 0</u></u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Pellston 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

Pellston Public Schools (the "District") is located in Emmet and Cheboygan Counties with its administrative offices located in Pellston, Michigan. The District is governed by the Pellston Public School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. 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 is 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. Taxes, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

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, 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.

Other Non-Major Funds

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

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

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 *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, except for agency funds which do not have a measurement focus. 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

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.

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 \$7,390 for Pellston Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 6 mills for commercial personal property and up to 18 mills for real property. 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.

D. Other Accounting Policies

1. Cash and Investments

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

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

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

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1, and due July 1. The levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2011, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund - Non-Homestead	18.0000
General Fund - Non-Homestead Commercial PPT	6.0000
Debt Service Fund - Homestead and Non-Homestead	2.7700

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventory in the General Fund consists of land being held for future use by the Building Trades Program. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and Improvements	20-50
Land Improvements	20
Equipment	5-20
Vehicles	7-10

6. Compensated Absences

District policy permits certain employees to accumulate earned but unused sick pay benefits which are paid when the employee separates from service with the District. A liability is recorded in the statement of net assets for such amounts. No liability is recorded for accumulated vacation since hours earned do not vest.

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. Bonds payable are reported net of the applicable bond premium or discount. 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.

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.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at year end and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year, the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 28, 2010, or as amended by the School Board of Education on March 14, 2011 and June 27, 2011.

B. Excess of Expenditures over Appropriations

Excess of expenditures over appropriations occurred in the following funds:

Added Needs-Instruction expenditures of \$949,973 exceeded appropriations of \$948,840; Pupil Services expenditures of \$192,819 exceeded appropriations of \$192,776; Support Services-General Administration expenditures of \$263,632 exceeded appropriations of \$263,411; Support Services-School Administration expenditures of \$402,102 exceeded appropriations of \$401,757; Support Services-Central expenditures of \$68,376 exceeded appropriations of \$68,096; Community Services expenditures of \$24,797, exceeded appropriations of \$23,116; General Fund Outgoing Transfers of \$156,158 exceeded appropriations of \$146,063. These overages were funded by reduced spending in other programs, greater than anticipated revenues, and available fund balance.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments – Credit Risk

The District's deposits and investments are on deposit with Citizens National Bank and Michigan School District Liquid Asset Fund Plus.

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, \$425,063 of the government's bank balance of \$1,053,966 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.

Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits and investments.

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

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2011, the fair value of the District's investments is the same as the value of the pool share.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Balance sheet classifications:

	Petty Cash	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 800	\$ 959,891	\$ 0	\$ 14,163	\$ 974,854
Investments	0	0	16,248	59,009	75,257
	<u>\$ 800</u>	<u>\$ 959,891</u>	<u>\$ 16,248</u>	<u>\$ 73,172</u>	<u>\$ 1,050,111</u>

B. Receivables

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

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 0	\$ 33	\$ 33
Due from Other Governments	554,701	14,078	568,779
Total Receivables	<u>\$ 554,701</u>	<u>\$ 14,111</u>	<u>\$ 568,812</u>

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

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

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 not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
State Aid Receivable (Debt Service Fund - Durant Settlement)	\$ 5,718	\$ 0
Revenue Received, But Not Yet Utilized	0	7,278
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 5,718</u>	<u>\$ 7,278</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

C. Capital Assets

Capital assets activity was as follows for the year ended June 30, 2011:

	Balance July 1, 2010	Additional	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 435,000	\$ 0	\$ 0	\$ 435,000
Capital assets being depreciated				
Land Improvements	75,000	0	0	75,000
Buildings and Improvements	11,578,068	948,009	0	12,526,077
Vehicles	633,435	76,535	47,439	662,531
Equipment	1,175,825	38,059	0	1,213,884
Subtotal	13,462,328	1,062,603	47,439	14,477,492
Less Accumulated Depreciation For:				
Land Improvements	(51,500)	(3,750)	0	(55,250)
Buildings and Improvements	(8,070,762)	(520,973)	0	(8,591,735)
Vehicles	(455,647)	(35,710)	45,439	(445,918)
Equipment	(872,470)	(84,700)	0	(957,170)
Total Accumulated Depreciation	(9,450,379)	(645,133)	45,439	(10,050,073)
Total Capital Assets Being Depreciated, Net	4,011,949	417,470	2,000	4,427,419
Capital Assets, Net	\$ 4,446,949	\$ 417,470	\$ 2,000	\$ 4,862,419

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities	
Unallocated	\$ 645,133
Total depreciation expense - governmental activities	\$ 645,133

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

D. Long-Term Debt

A summary of long-term debt and transactions related thereto is as follows for the year ended June 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2002 School Building and Site Construction Bonds, due through May 2016 in semi-annual installments of interest and annual principal payments varying from \$235,000 - \$240,000 bearing interest rates ranging from 4.25% to 4.375%.	\$ 1,405,000	\$ 0	\$ 215,000	\$ 1,190,000	\$ 235,000
2010 Energy Conservation Improvement QZAB Bond due through May 2020 in semi-annual installments of interest and annual principal payments of \$71,000 and interest rate, net of	0	710,000	71,000	639,000	71,000
QZAB bond due through November 2024 in annual installments of \$60,000 - \$65,000 beginning in 2020 and interest paid annually with rates ranging from 5.8% to	0	315,000	0	315,000	0

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amount Due Within</u>
2004 Energy Conservation Improvement Bonds due through May 2015 in semi-annual installments of interest and principal payments varying from \$60,000 - \$70,000 with an interest rate of 4.21%.	320,000	0	60,000	260,000	60,000
Durant Settlement Bonds, due through May 2013 in annual installments of principal payments varying from \$2,792 to \$2,926, including interest charged at 4.76%.	8,384	0	2,666	5,718	2,792
2008 Refunding Bonds, due through May 2022 in semi-annual installments of interest and annual principal payments varying from \$405,000 - \$850,000 with interest rates ranging from 3.50% to 4.2%.	7,590,000	0	385,000	7,205,000	405,000
Early retirement payable.	0	0		0	0
Compensated absences.	24,040	0	9,224	14,816	unknown
Total long-term debt	<u>\$ 9,347,424</u>	<u>\$ 1,025,000</u>	<u>\$ 742,890</u>	<u>\$ 9,629,534</u>	<u>\$ 773,792</u>

The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Debt service requirements

Annual debt service requirements to maturity for the above obligations except for the compensated absences.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2012	\$ 773,792	\$ 365,735	\$ 1,139,527
2013	823,926	335,550	1,159,476
2014	866,000	306,682	1,172,682
2015	906,000	276,340	1,182,340
2016	871,000	242,725	1,113,725
2017-2021	4,269,000	753,163	5,022,163
2022-2025	1,105,000	68,121	1,173,121
	<u>\$ 9,614,718</u>	<u>\$ 2,348,316</u>	<u>\$ 11,963,034</u>

The interest expense on the 2010 Energy Conservation QZAB bonds is presented net of a refundable credit.

E. Interfund Receivables, Payables, and Transfers

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

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,400	\$ 4,566
Debt Service Fund - 2002 Debt Retirement	9,499	0
Debt Service Fund - 2008 Refunding	0	9,499
Capital Projects Fund - 2010 QZAB	0	1,481
Capital Projects Fund - 2011 QZAB	6,047	0
School Service Fund - Food Service	0	1,400
	<u>\$ 16,946</u>	<u>\$ 16,946</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, 2011, are expected to be repaid within one year.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

	<u>TRANSFERS</u> <u>IN</u>	<u>TRANSFERS</u> <u>OUT</u>
General Fund	\$ 0	\$ 156,158
Debt Retirement Fund - Energy Bonds	73,697	0
Debt Retirement Fund - 2010 QZAB Bonds	72,366	0
Capital Products Fund - 2010 QZAB	0	1,481
Capital Products Fund - 2011 QZAB	11,576	0
	<u>\$ 157,639</u>	<u>\$ 157,639</u>

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

NOTE 4 – OTHER INFORMATION

A. Employee Retirement System

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and 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 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 approximately \$646,500, \$536,500, and \$563,000 respectively, and were equal to the required contribution for those years.

Other Post Employment Benefits Funding Policy

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The Systems has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System 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.

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 general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

C. 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.

D. Single Audit

Current federal guidelines require entities with federal expenditures exceeding \$500,000 to have a “single audit” of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

E. 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.

F. Capital Projects Funds

The Capital Projects Funds include capital projects funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

PELLSTON PUBLIC SCHOOLS
PELLSTON, 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	\$ 3,034,896	\$ 3,067,503	\$ 3,075,823
State Sources	2,331,035	2,283,942	2,300,375
Federal Sources	558,807	596,270	597,976
Other Transactions	403,677	477,844	488,826
Total Revenues	<u>6,328,415</u>	<u>6,425,559</u>	<u>6,463,000</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	3,187,097	3,278,543	3,272,571
Added Needs	991,483	948,840	949,973
Supporting Services			
Pupil	182,791	192,776	192,819
Instructional Staff	56,276	50,903	50,888
General Administration	264,329	263,411	263,632
School Administration	336,609	401,757	402,102
Business	87,000	78,484	76,114
Operating and Maintenance	572,584	586,705	583,980
Pupil Transportation	277,199	283,961	283,743
Support Services Central	99,500	68,096	68,376
Other Support Services	132,886	145,659	139,042
Community Service	27,471	23,116	24,797
Debt Service	39,000	0	0
Total Expenditures	<u>6,254,225</u>	<u>6,322,251</u>	<u>6,308,037</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	74,190	103,308	154,963
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	<u>(73,472)</u>	<u>(146,063)</u>	<u>(156,158)</u>
Net Change in Fund Balance	718	(42,755)	(1,195)
<u>FUND BALANCE</u> - Beginning of Year	<u>497,901</u>	<u>560,403</u>	<u>568,696</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 498,619</u>	<u>\$ 517,648</u>	<u>\$ 567,501</u>

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2011

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS		
	FOOD SERVICE FUND	2002 DEBT RETIREMENT	2008 REFUNDING	ENERGY BONDS
<u>ASSETS</u>				
Cash	\$ 35,281	\$ 30,119	\$ 96,086	\$ 0
Accounts Receivable	33	0	0	0
Due from Other Funds	0	9,499	0	0
Due from Other Governments	8,360	0	0	0
Inventory	4,629	0	0	0
TOTAL ASSETS	\$ 48,303	\$ 39,618	\$ 96,086	\$ 0
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,782	\$ 0	\$ 0	\$ 0
Due to Other Funds	1,400	0	9,499	0
Deferred Revenue	1,700	0	0	0
Accrued Expenses	2,440	0	0	0
Salaries Payable	3,682	0	0	0
Total Liabilities	11,004	0	9,499	0
<u>FUND BALANCE</u>				
Nonspendable:				
Inventory	4,629	0	0	0
Restricted:				
Debt Service	0	39,618	86,587	0
Food Service	32,670	0	0	0
Total Fund Balance	37,299	39,618	86,587	0
TOTAL LIABILITIES AND FUND BALANCE	\$ 48,303	\$ 39,618	\$ 96,086	\$ 0

DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
2010 QZAB BONDS	DURANT SETTLEMENT	2010 QZAB	2011 QZAB	
\$ 0	\$ 0	\$ 71,743	\$ 25,452	\$ 258,681
0	0	0	0	33
0	0	0	6,047	15,546
0	5,718	0	0	14,078
0	0	0	0	4,629
<u>\$ 0</u>	<u>\$ 5,718</u>	<u>\$ 71,743</u>	<u>\$ 31,499</u>	<u>\$ 292,967</u>

\$ 0	\$ 0	\$ 70,262	\$ 31,499	\$ 103,543
0	0	1,481	0	12,380
0	5,718	0	0	7,418
0	0	0	0	2,440
0	0	0	0	3,682
<u>0</u>	<u>5,718</u>	<u>71,743</u>	<u>31,499</u>	<u>129,463</u>

0	0	0	0	4,629
0	0	0	0	126,205
0	0	0	0	32,670
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>163,504</u>
<u>\$ 0</u>	<u>\$ 5,718</u>	<u>\$ 71,743</u>	<u>\$ 31,499</u>	<u>\$ 292,967</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS		
	FOOD SERVICE FUND	2002 DEBT RETIREMENT	2008 REFUNDING	ENERGY BONDS
	FUND	RETIREMENT	REFUNDING	BONDS
<u>REVENUES</u>				
Local Sources	\$ 70,983	\$ 253,181	\$ 584,544	\$ 0
State Sources	7,155	0	0	0
Federal Sources	252,435	0	0	0
Total Revenues	330,573	253,181	584,544	0
<u>EXPENDITURES</u>				
Pupil Transportation Services				
Capital Outlay	0	0	0	0
Food Service Activities				
Salaries	87,710	0	0	0
Employees Benefits	62,007	0	0	0
Purchased Services	3,426	0	0	0
Supplies, Materials and Other	166,625	0	0	0
Capital Outlay	9,305	0	0	0
Other Facilities Acquisition and Construction Services				
Capital Outlay	0	0	0	0
Debt Service				
Principal	0	215,000	385,000	60,000
Interest and Fees	0	60,263	292,675	13,697
Bond Issuance Costs	0	0	0	0
Total Expenditures	329,073	275,263	677,675	73,697
Excess of Revenues Over (Under) Expenditures	1,500	(22,082)	(93,131)	(73,697)
<u>OTHER FINANCING SOURCES (USES)</u>				
Issuance of Bonds	0	0	0	0
Transfers (Out)	0	0	0	0
Transfers In	0	0	0	73,697
Total Other Financing Sources (Uses)	0	0	0	73,697
Net Change in Fund Balance	1,500	(22,082)	(93,131)	0
<u>FUND BALANCE</u> - Beginning of Year	35,799	61,700	179,718	0
<u>FUND BALANCE</u> - End of Year	\$ 37,299	\$ 39,618	\$ 86,587	\$ 0

DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
2010 QZAB BONDS	DURANT SETTLEMENT	2010 QZAB	2011 QZAB	
\$ 0	\$ 0	\$ 966	\$ 266	\$ 909,940
0	3,064	0	0	10,219
0	0	0	0	252,435
0	3,064	966	266	1,172,594
0	0	0	75,000	75,000
0	0	0	0	87,710
0	0	0	0	62,007
0	0	0	0	3,426
0	0	0	0	166,625
0	0	0	0	9,305
0	0	702,616	239,995	942,611
71,000	2,666	0	0	733,666
1,366	398	0	0	368,399
0	0	6,869	11,847	18,716
72,366	3,064	709,485	326,842	2,467,465
(72,366)	0	(708,519)	(326,576)	(1,294,871)
0	0	710,000	315,000	1,025,000
0	0	(1,481)	0	(1,481)
72,366	0	0	11,576	157,639
72,366	0	708,519	326,576	1,181,158
0	0	0	0	(113,713)
0	0	0	0	277,217
\$ 0	\$ 0	\$ 0	\$ 0	\$ 163,504

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 702,010	\$ 701,589
Investments	16,248	16,232
Accounts Receivable	0	46,083
Due from Other Funds	1,400	360
Due from Other Governments	554,701	498,328
Inventory	21,148	21,148
Prepaid Expenditures	0	10,096
	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,295,507	\$ 1,293,836
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 25,951	\$ 41,960
Due to Other Funds	4,566	25,429
Deferred Revenue	5,578	0
Accrued Expenses	206,587	192,411
Salaries Payable	485,324	465,340
	<hr/>	<hr/>
Total Liabilities	728,006	725,140
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Nonspendable:		
Inventory	21,148	21,148
Prepaid Expenditures	0	10,096
Unassigned	546,353	537,452
	<hr/>	<hr/>
Total Fund Balance	567,501	568,696
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,295,507	\$ 1,293,836
	<hr/>	<hr/>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011	2010
<u>REVENUES</u>		
Local Sources	\$ 3,075,823	\$ 3,237,722
State Sources	2,300,375	2,258,518
Federal Sources	597,976	768,804
Other Transactions	488,826	455,167
	6,463,000	6,720,211
 <u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	1,420,637	1,394,336
Middle School	769,330	689,092
High School	960,079	867,664
Pre-School	96,592	83,980
Summer School	25,933	17,499
Added Needs		
Special Education	561,759	548,268
Compensatory Education	270,714	323,911
Career and Technical Education	117,500	168,080
Supporting Services		
Pupil		
Guidance Services	79,867	73,755
Health Services	24,500	22,500
Social Work Services	31,059	29,722
Other Pupil Services	57,393	49,949
Instructional Staff		
Improvement of Instruction	29,372	26,098
Educational Media Services	6,480	23,051
Technology Assisted Instruction	10,945	0
Supervision and Direction of Instructional Staff	4,091	95,577
General Administration		
Board of Education	31,881	28,966
Executive Administration	231,751	211,605

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011	2010
School Administration		
Office of the Principal	401,006	408,493
Other School Administration	1,096	1,121
Business		
Fiscal Services	59,731	62,033
Other Business Services	16,383	20,822
Operation and Maintenance of Plant	583,980	637,962
Pupil Transportation Services	283,743	332,360
Support Services Central		
Staff/Personnel Services	1,680	5,908
Information Management Services	66,696	86,406
Other Support Services		
Athletic Activities	139,042	138,854
Community Services		
Community Recreation	24,797	19,072
Debt Service		
Principal	0	88,407
Interest	0	4,669
	<u>6,308,037</u>	<u>6,460,160</u>
Excess of Revenues Over (Under) Expenditures	154,963	260,051
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	<u>(156,158)</u>	<u>(71,013)</u>
Net Change in Fund Balance	(1,195)	189,038
<u>FUND BALANCE - Beginning of Year</u>	<u>568,696</u>	<u>379,658</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 567,501</u>	<u>\$ 568,696</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON , MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
<u>LOCAL SOURCES</u>		
Property Taxes	\$ 2,938,677	\$ 3,029,301
Charges for Services	43,227	35,915
Earnings on Investments and Deposits	3,181	9,099
Other Local Revenue	90,738	163,407
	<hr/>	<hr/>
Total Local Sources	3,075,823	3,237,722
	<hr/>	<hr/>
<u>STATE SOURCES</u>		
State Aid	2,166,650	2,156,144
Other State Revenue	133,725	102,374
	<hr/>	<hr/>
Total State Sources	2,300,375	2,258,518
	<hr/>	<hr/>
<u>FEDERAL SOURCES</u>		
ARRA Stabilization	82,418	202,921
Title I	132,444	165,388
ARRA Title I	50,960	24,431
Title II - Part A	36,936	39,956
Education Jobs	58,563	0
ARRA Title II - Part D	0	3,031
Title IVB-21st Century	234,080	234,080
Title VII	0	26,008
ARRA Special Education	0	70,535
Other	2,575	2,454
	<hr/>	<hr/>
Total Federal Sources	597,976	768,804
	<hr/>	<hr/>
<u>OTHER TRANSACTIONS</u>		
Char-Em ISD	486,726	410,199
Other	2,100	44,968
	<hr/>	<hr/>
Total Other Transactions	488,826	455,167
	<hr/>	<hr/>
TOTAL REVENUES	\$ 6,463,000	\$ 6,720,211
	<hr/>	<hr/>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011	2010
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 855,123	\$ 802,472
Employee Benefits	496,337	511,907
Purchased Services	31,602	25,201
Supplies, Materials and Other	35,092	54,756
Capital Outlay	2,483	0
Total Elementary	1,420,637	1,394,336
 <u>Middle School</u>		
Salaries	458,963	412,120
Employee Benefits	267,322	231,230
Purchased Services	18,123	15,487
Supplies, Materials and Other	24,922	30,255
Total Middle School	769,330	689,092
 <u>High School</u>		
Salaries	531,747	498,375
Employee Benefits	328,801	321,554
Purchased Services	25,901	21,398
Supplies, Materials and Other	14,532	25,517
Capital Outlay	0	820
Payments to Other School Districts	59,098	0
Total High School	960,079	867,664
 <u>Pre-School</u>		
Salaries	55,618	0
Employee Benefits	27,196	0
Purchased Services	985	83,980
Supplies, Materials and Other	11,829	0
Capital Outlay	964	0
Total Pre-School	96,592	83,980
 <u>Summer School</u>		
Salaries	20,131	14,032
Employee Benefits	5,487	3,442
Supplies, Materials and Other	315	25
Total Summer School	25,933	17,499

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011	2010
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	345,086	348,050
Employee Benefits	209,750	191,030
Purchased Services	5,422	7,544
Supplies, Materials and Other	1,501	1,644
Total Special Education	561,759	548,268
 <u>Compensatory Education</u>		
Salaries	81,627	135,737
Employee Benefits	50,116	67,857
Purchased Services	64,305	105,175
Supplies, Materials and Other	74,666	15,142
Total Compensatory Education	270,714	323,911
 <u>Career and Technical Education</u>		
Salaries	64,163	59,727
Employee Benefits	42,088	34,547
Purchased Services	3,219	3,279
Supplies, Materials and Other	8,030	2,914
Capital Outlay	0	67,613
Total Career and Technical Education	117,500	168,080
 <u>SUPPORTING SERVICES</u>		
<u>Pupil</u>		
<u>Guidance Services</u>		
Salaries	44,605	42,481
Employee Benefits	33,298	28,156
Purchased Services	1,964	3,047
Supplies, Materials and Other	0	71
Total Guidance Services	79,867	73,755
 <u>Health Services</u>		
Purchased Services	24,500	22,500
 <u>Social Work Services</u>		
Salaries	20,148	19,950
Employee Benefits	10,504	9,772
Purchased Services	407	0
Total Social Work Services	31,059	29,722
 <u>Other Pupil Services</u>		
Salaries	43,963	37,263
Employee Benefits	13,430	12,686
Total Other Pupil Services	57,393	49,949

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
<u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Salaries	4,000	0
Purchased Services	24,872	26,098
Supplies, Materials and Other	500	0
Total Improvement of Instruction	<u>29,372</u>	<u>26,098</u>
<u>Educational Media Services</u>		
Salaries	1,412	12,755
Employee Benefits	4,879	10,128
Supplies, Materials and Other	189	168
Total Educational Media Services	<u>6,480</u>	<u>23,051</u>
<u>Technology Assisted Instruction</u>		
Supplies, Materials and Other	10,945	0
Total Technology Assisted Instruction	<u>10,945</u>	<u>0</u>
<u>Supervision and Direction of Instructional Staff</u>		
Salaries	1,000	60,822
Employee Benefits	77	27,810
Purchased Services	1,561	1,248
Supplies, Materials and Other	1,453	5,697
Total Supervision and Direction of Instructional Staff	<u>4,091</u>	<u>95,577</u>
<u>General Administration</u>		
<u>Board of Education</u>		
Salaries	7,290	7,410
Employee Benefits	558	1,251
Purchased Services	22,011	19,663
Supplies, Materials and Other	2,022	642
Total Board of Education	<u>31,881</u>	<u>28,966</u>
<u>Executive Administration</u>		
Salaries	134,896	132,000
Employee Benefits	72,659	62,298
Purchased Services	14,625	7,885
Supplies, Materials and Other	9,571	9,033
Capital Outlay	0	389
Total Executive Administration	<u>231,751</u>	<u>211,605</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
<u>School Administration</u>		
<u>Office of the Principal</u>		
Salaries	253,633	228,484
Employee Benefits	138,671	171,559
Purchased Services	5,536	4,570
Supplies, Materials and Other	3,166	3,838
Capital Outlay	0	42
Total Office of the Principal	401,006	408,493
 <u>Other School Administration</u>		
Supplies, Materials and Other	1,096	1,121
Total Other School Administration	1,096	1,121
 <u>Business</u>		
<u>Fiscal Services</u>		
Purchased Services	59,522	62,002
Supplies, Materials and Other	209	31
Total Fiscal Services	59,731	62,033
 <u>Other Business Services</u>		
Purchased Services	3,825	0
Supplies, Materials and Other	12,558	20,822
Total Other Business Services	16,383	20,822
 <u>Operation and Maintenance of Plant</u>		
Salaries	67,724	101,022
Employee Benefits	32,751	53,995
Purchased Services	246,468	201,452
Supplies, Materials and Other	220,952	204,840
Capital Outlay	16,085	76,653
Total Operation and Maintenance of Plant	583,980	637,962
 <u>Pupil Transportation Services</u>		
Salaries	146,668	145,505
Employee Benefits	49,941	46,755
Purchased Services	17,985	16,458
Supplies, Materials and Other	67,614	47,245
Capital Outlay	1,535	76,397
Total Pupil Transportation Services	283,743	332,360

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011	2010
<u>Support Services-Central</u>		
<u>Staff/Personnel Services</u>		
Salaries	0	4,077
Employee Benefits	0	1,081
Purchased Services	1,119	500
Supplies, Materials and Other	561	250
Total Staff/Personnel Services	1,680	5,908
<u>Information Management Services</u>		
Purchased Services	53,687	56,627
Supplies, Materials and Other	13,009	15,261
Capital Outlay	0	14,518
Total Information Management Services	66,696	86,406
<u>Other Support Services</u>		
<u>Athletic Activities</u>		
Salaries	53,124	73,256
Employee Benefits	13,381	16,305
Purchased Services	44,596	23,557
Supplies, Materials and Other	20,253	19,570
Capital Outlay	7,688	6,166
Total Athletic Activities	139,042	138,854
<u>COMMUNITY SERVICES</u>		
<u>Community Recreation</u>		
Salaries	15,365	12,264
Employee Benefits	4,911	3,600
Purchased Services	2,506	1,378
Supplies, Materials and Other	2,015	1,830
Total Community Recreation	24,797	19,072
<u>DEBT SERVICE</u>		
Principal	0	88,407
Interest	0	4,669
Total Debt Service	0	93,076
Total Expenditures	6,308,037	6,460,160
<u>OTHER FINANCING USES</u>		
<u>Operating Transfers Out</u>		
2011 QZAB Capital Projects Fund	10,095	0
2010 QZAB Bonds Debt Service Fund	72,366	0
Energy Bonds Debt Service Fund	73,697	71,013
Total Other Financing Uses	156,158	71,013
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 6,464,195	\$ 6,531,173

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

AGENCY FUND

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

	<u>BALANCE</u> 7/01/10	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/11
Cadwell Scholarship	\$ 20,658	\$ 0	\$ 1,000	\$ 19,658
Hayes Scholarship	1,441	2,000	1,000	2,441
Johnson Scholarship	4,500	0	0	4,500
Sports Boosters Scholarship	1,250	500	1,500	250
Athletic General	239	2,150	1,000	1,389
Band Boosters	512	3,907	4,158	261
Beverage Consortium	2,293	1,072	2,400	965
Casual Wear	267	64	204	127
Christmas/Needy	327	2,087	2,032	382
Elem. Social Fund	191	130	191	130
Elem. Teachers Pop	992	949	763	1,178
Elementary Principal	96	300	336	60
General Fund	79	0	45	34
Interest and Miscellaneous	813	717	1,111	419
Middle School Principal	113	1,004	683	434
Middle School/High School Social Fund	514	0	334	180
Office Concessions	4	700	687	17
Popcorn Poppers - Elementary	150	360	306	204
RIF Bookfair	4,534	8,587	11,310	1,811
Safety Sam	559	525	525	559
Science/Trout	217	1,274	0	1,491
Sports Boosters	1,369	13,106	11,511	2,964
Support Staff Fund	216	0	0	216
Woodshop	2,832	0	1,800	1,032
Art	818	296	394	720
Baseball	1,266	5,356	6,185	437
Class of 2008	316	0	56	260
Class of 2009	94	0	94	0
Class of 2010	561	0	288	273
Class of 2011	422	0	60	362
Class of 2012	2,167	4,766	7,777	(844)
Class of 2013	1,815	1,007	436	2,386
Class of 2014	1,623	1,969	1,511	2,081
Class of 2015	911	551	0	1,462
Class of 2016	136	1,004	691	449
Close-Up	250	0	250	0
Elementary Drama	1,023	2,423	1,735	1,711
Elementary School Cash	999	806	648	1,157

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

AGENCY FUND

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

	<u>BALANCE</u> 7/01/10	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/11
Elementary Art	5	224	0	229
Elementary Library	69	0	0	69
Fifth Grade	1,063	2,458	2,910	611
First Grade	822	907	1,296	433
Fourth Grade	238	879	824	293
High School Boys Basketball	1,235	0	595	640
High School Cheerleading	558	0	558	0
High School Drama	336	1,234	1,570	0
High School Girls Basketball	95	0	0	95
High School Girls Softball	1,146	2,062	2,714	494
High School Student Council	208	1,541	1,684	65
Junior High Girls Basketball	368	150	175	343
Kindergarten	2,524	1,567	1,778	2,313
Math Department	1,078	274	476	876
Middle School Student Council	497	1,294	1,148	643
Middle School/High School Track	682	5,446	5,849	279
National Honors Society	607	434	766	275
Preschool	0	402	204	198
Second Grade	457	740	835	362
Ski Club	(252)	14,804	14,546	6
START	1,338	431	591	1,178
Student Flow	777	1,177	618	1,336
Third Grade	541	756	950	347
Varsity Football	349	3,774	3,110	1,013
Volleyball	2,899	24,221	19,371	7,749
Yearbook	1,087	8,000	7,650	1,437
Youth Enrichment	732	0	0	732
	<u>\$ 76,026</u>	<u>\$ 130,385</u>	<u>\$ 133,239</u>	<u>\$ 73,172</u>

Represented by

Assets

Cash and Cash Equivalents	\$ 12,075	\$ 14,163
Investments	<u>63,951</u>	<u>59,009</u>
Total Assets	<u>\$ 76,026</u>	<u>\$ 73,172</u>

Liabilities

Due to Groups and Organizations	<u>\$ 76,026</u>	<u>\$ 73,172</u>
---------------------------------	------------------	------------------

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2004 Energy Conservation Improvement Bonds	
<u>DATE OF ISSUE</u>	July 9, 2004	
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year	
<u>AMOUNT OF ISSUE</u>		\$ 575,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$ 255,000	
Redeemed During Current Year	60,000	315,000
<u>BALANCE OUTSTANDING - June 30, 2011</u>		\$ 260,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2011	4.21%	\$ 5,473	\$ 5,473	\$ 0
May 1, 2012	4.21%	65,473	5,473	60,000
November 1, 2012	4.21%	4,210	4,210	0
May 1, 2013	4.21%	69,210	4,210	65,000
November 1, 2013	4.21%	2,842	2,842	0
May 1, 2014	4.21%	67,842	2,842	65,000
November 1, 2014	4.21%	1,474	1,474	0
May 1, 2015	4.21%	71,474	1,474	70,000
		\$ 287,998	\$ 27,998	\$ 260,000

Note: This Bond is not subject to redemption prior to maturity by the District.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	Durant Settlement Bonds	
<u>DATE OF ISSUE</u>	November 24, 1998	
<u>INTEREST PAYABLE</u>	May 1 of each year	
<u>AVERAGE INTEREST RATE</u>	4.760%	
<u>AMOUNT OF ISSUE</u>	\$	43,640
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$	35,256
Redeemed During Current Year		2,666
		37,922
<u>BALANCE OUTSTANDING</u> - June 30, 2011	\$	5,718

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2012	\$ 3,064	\$ 272	\$ 2,792
May 1, 2013	3,064	138	2,926
	\$ 6,128	\$ 410	\$ 5,718

Note: This Bond is not subject to redemption prior to maturity by the District.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2002 School Building and Site Bond	
<u>DATE OF ISSUE</u>	February 2, 2002	
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year	
<u>AMOUNT OF ISSUE</u>		\$ 2,600,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$ 1,195,000	
Redeemed During Current Year	215,000	1,410,000
<u>BALANCE OUTSTANDING - June 30, 2011</u>		\$ 1,190,000

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2011	\$ 25,438	\$ 25,438	\$ 0
May 1, 2012	260,438	25,438	235,000
November 1, 2012	20,444	20,444	0
May 1, 2013	255,444	20,444	235,000
November 1, 2013	15,450	15,450	0
May 1, 2014	255,450	15,450	240,000
November 1, 2014	10,350	10,350	0
May 1, 2015	250,350	10,350	240,000
November 1, 2015	5,250	5,250	0
May 1, 2016	245,250	5,250	240,000
	\$ 1,343,864	\$ 153,864	\$ 1,190,000

Note: Bonds of this issue maturing in the fiscal years 2007 through 2011, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the year 2012 and thereafter, shall be subject to redemption prior to maturity, at the option of the issuer, in such order as the issuer may determine and by lot within any maturity, on any interest payment date on or after May 1, 2011, at par and accrued interest to the date fixed for redemption.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2008 General Obligation Refundable Bonds	
<u>DATE OF ISSUE</u>	September 29, 2008	
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year	
<u>AMOUNT OF ISSUE</u>	\$	7,940,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$	350,000
Redeemed During Current Year		385,000
		735,000
<u>BALANCE OUTSTANDING - June 30, 2011</u>	\$	7,205,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2011	3.5000%	\$ 139,475	\$ 139,475	\$ 0
May 1, 2012	3.5000%	544,475	139,475	405,000
November 1, 2012	3.5000%	132,388	132,388	0
May 1, 2013	3.5000%	582,388	132,388	450,000
November 1, 2013	3.5000%	124,513	124,513	0
May 1, 2014	3.5000%	614,513	124,513	490,000
November 1, 2014	3.8500%	115,938	115,938	0
May 1, 2015	3.8500%	640,938	115,938	525,000
November 1, 2015	3.8500%	105,831	105,831	0
May 1, 2016	3.8500%	665,831	105,831	560,000
November 1, 2016	3.8500%	95,051	95,051	0
May 1, 2017	3.8500%	835,051	95,051	740,000
November 1, 2017	3.8500%	80,806	80,806	0
May 1, 2018	3.8500%	840,806	80,806	760,000
November 1, 2018	3.8500%	66,176	66,176	0
May 1, 2019	3.8500%	851,176	66,176	785,000
November 1, 2019	4.0000%	51,065	51,065	0
May 1, 2020	4.0000%	861,065	51,065	810,000
November 1, 2020	4.1000%	34,865	34,865	0

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2021	4.1000%	864,865	34,865	830,000
November 1, 2021	4.2000%	17,850	17,850	0
May 1, 2022	4.2000%	867,850	17,850	850,000
		<u>\$ 9,132,916</u>	<u>\$ 1,927,916</u>	<u>\$ 7,205,000</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2010 School Improvement Bond	
<u>DATE OF ISSUE</u>	December 29, 2010	
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year	
<u>AMOUNT OF ISSUE</u>	\$	710,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$	0
Redeemed During Current Year	71,000	71,000
<u>BALANCE OUTSTANDING - June 30, 2011</u>	\$	639,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2011	6.0000%	\$ 1,150	\$ 1,150	\$ 0
May 1, 2012	6.0000%	72,150	1,150	71,000
November 1, 2012	6.0000%	1,022	1,022	0
May 1, 2013	6.0000%	72,022	1,022	71,000
November 1, 2013	6.0000%	895	895	0
May 1, 2014	6.0000%	71,895	895	71,000
November 1, 2014	6.0000%	767	767	0
May 1, 2015	6.0000%	71,767	767	71,000
November 1, 2015	6.0000%	639	639	0
May 1, 2016	6.0000%	71,639	639	71,000
November 1, 2016	6.0000%	511	511	0
May 1, 2017	6.0000%	71,511	511	71,000
November 1, 2017	6.0000%	383	383	0
May 1, 2018	6.0000%	71,383	383	71,000
November 1, 2018	6.0000%	256	256	0
May 1, 2019	6.0000%	71,256	256	71,000
November 1, 2019	6.0000%	128	128	0
May 1, 2020	6.0000%	71,128	128	71,000
		\$ 650,502	\$ 11,502	\$ 639,000

Interest expense is net of a refundable credit.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2011 School Improvement Bond	
<u>DATE OF ISSUE</u>	March 3, 2011	
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year	
<u>AMOUNT OF ISSUE</u>	\$	315,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$	0
Redeemed During Current Year	0	0
<u>BALANCE OUTSTANDING - June 30, 2011</u>	\$	315,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2011		\$ 12,749	\$ 12,749	\$ 0
May 1, 2012		9,642	9,642	0
November 1, 2012		9,642	9,642	0
May 1, 2013		9,642	9,642	0
November 1, 2013		9,642	9,642	0
May 1, 2014		9,642	9,642	0
November 1, 2014		9,642	9,642	0
May 1, 2015		9,642	9,642	0
November 1, 2015		9,642	9,642	0
May 1, 2016		9,642	9,642	0
November 1, 2016		9,642	9,642	0
May 1, 2017		9,642	9,642	0
November 1, 2017		9,642	9,642	0
May 1, 2018		9,642	9,642	0
November 1, 2018		9,642	9,642	0
May 1, 2019		9,642	9,642	0
November 1, 2019		9,642	9,642	0
May 1, 2020		9,642	9,642	0
November 1, 2020	5.8000%	69,642	9,642	60,000
May 1, 2021	5.8000%	7,902	7,902	0
November 1, 2021	6.0000%	67,902	7,902	60,000
May 1, 2022	6.0000%	6,101	6,101	0

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2011

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2022	6.2000%	71,102	6,102	65,000
May 1, 2023	6.2000%	4,086	4,086	0
November 1, 2023	6.2000%	69,087	4,087	65,000
May 1, 2024	6.2000%	2,071	2,071	0
November 1, 2024	6.3750%	67,072	2,072	65,000
		\$ 541,628	\$ 226,628	\$ 315,000

