

Beal City Public Schools

Mt. Pleasant, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2011

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Beal City Public Schools
Members of the Board of Education and Administration
June 30, 2011

Members of the Board of Education

Terry Hutchinson – President

Rod Cole – Vice President

Denise McBride – Secretary

Robert Pasch – Treasurer

Frank Fox – Trustee

Jane Finnerty – Trustee

Ed VanAvery – Trustee

Administration

William Chilman – Superintendent

Jeff Jackson – High School Principal

Diane Saltarelli – Elementary Principal

Julie Freeze – Business Manager



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Independent Auditors' Report

To the Board of Education
Beal City Public Schools
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Beal City Public Schools as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Beal City 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 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 Beal City Public Schools as of June 30, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, Beal City Public Schools adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2011, on our consideration of the Beal City Public Schools' internal control over financial reporting and on our tests of its provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this 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 *Governmental Auditing Standards* and 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 identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beal City Public Schools' financial statements as a whole. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and, other than the prior year information, was derived from and relates 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 additional 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.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, Beal City Public Schools' financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated August 20, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beal City Public Schools' financial statements as a whole. The 2010 information in the comparative statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 information in the comparative statements is fairly stated in all material respects in relation to the financial statements from which they have been derived.

Yeo & Yeo, P.C.

Alma, Michigan
October 10, 2011

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

Beal City Public Schools' (the District) Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address financial challenges in the years to come. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basics Financial Statements – and Administration's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2011.

The following is an outline of how this financial report is presented.

<u>Section 3</u> AD&A	Administration's Discussion and Analysis (required supplementary information)
<u>Section 4</u> Basic Financial Statements	District – Wide Financial Statements Fund Financial Statements Fiduciary Funds Notes to Financial Statements
<u>Section 5</u> Supplementary Information	Budgetary Comparison Schedule
<u>Section 6</u> Other Supplementary Information	Combining Balance Sheets Combining Statement of Revenues, Expenditures and Changes in Fund Balances Comparative Balance Sheet Schedule of Revenues Schedule of Expenses Fiduciary Fund Statement of Changes Statement of Changes in Amounts Due to Student Groups Schedule of Outstanding Bonded Indebtedness

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

As noted above, Section 4 contains two basic types of financial statements: District Wide Financial Statements and Fund Financial Statements in accordance with GASB 34.

District Wide Financial Statements

The District wide financial statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

The Statement of Activities presents information showing how the school district's net assets changed during the fiscal year. To be consistent with full accrual basis accounting, all changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

The fund statements are reported using the modified accrual method of accounting. Under this method of accounting, revenues are recorded when received or when they are measurable and expenditures are accounted for in the period those goods and services were used to provide school programs. In addition, capital asset purchases are expensed in totality in the year purchased and not recorded as an asset. Debt payments are recorded as expenditures when they are paid and future debt obligations are not recorded.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, Capital Project Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived primarily from property taxes, state and federal distributions and grants. The Special Revenue Fund is used to record the activities of the food service operation. The Debt Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Project Fund is used to record the funding and payment of building construction and major site improvements. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

Financial Analysis of the District as a Whole

Summary of Net Assets

	<u>2011</u>	<u>2010</u>
Assets		
Current assets	\$ 2,816,799	\$ 2,757,129
Other assets	37,453	41,396
Capital assets	10,651,135	10,772,945
less accumulated depreciation	<u>(4,613,141)</u>	<u>(4,443,587)</u>
Capital Assets, net book value	<u>6,037,994</u>	<u>6,329,358</u>
Total Assets	<u>8,892,246</u>	<u>9,127,883</u>
Liabilities		
Current liabilities	1,037,086	1,070,913
Long-term liabilities	<u>4,928,654</u>	<u>5,386,300</u>
Total Liabilities	<u>5,965,740</u>	<u>6,457,213</u>
Net Assets		
Total capital assets, net of related debt	1,232,291	1,677,794
Restricted for debt service	87,398	92,556
Restricted for food service	67,945	0
Restricted for grants	34,446	44,733
Unrestricted	<u>1,504,426</u>	<u>855,587</u>
	<u>\$ 2,926,506</u>	<u>\$ 2,670,670</u>

Summary of Net Assets

As indicated by the statement above, total net assets are \$2,926,506. Net assets can be separated into the following categories: capital assets net of related debt, restricted for debt service, restricted for food service, restricted for grants, and unrestricted assets.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is \$10,651,135, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$4,613,141. Many capital asset acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters and is recorded as a liability in the summary of net assets statement.

Total capital assets net of related debt is \$1,232,291. Assets restricted for debt service are \$87,398 and consist of cash balances in the debt service funds. Assets restricted for grants are \$34,446 and consist of tribal grant dollars awarded by not yet spent. Assets restricted for food service are \$67,945 and consist of assets available to the food service operations. The remaining \$1,504,426 of net assets is unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

Statement of Activities

	<u>2011</u>	<u>2010</u>
Revenues		
Charges for Services	\$193,204	\$202,451
Operating and Capital Grants and Contributions	993,044	1,086,146
General Revenues	<u>5,419,919</u>	<u>5,206,206</u>
Total Revenue	<u>6,606,167</u>	<u>6,494,803</u>
Expenses		
Instruction	3,619,673	3,723,330
Supporting services	2,213,626	2,046,813
Food services	270,662	240,450
Athletics	0	354,582
Community Services	9,590	9,089
Interest on long-term debt	<u>236,781</u>	<u>251,268</u>
Total expenses	<u>6,350,331</u>	<u>6,625,532</u>
Increase/Decrease in net assets	<u>\$255,836</u>	<u>(\$ 130,729)</u>

The total increase in revenue from 2009/2010 to 2010/2011 for all Governmental Funds including General Fund and Nonmajor Governmental Funds was \$111,364. The majority of that increase was in the General Fund where local, state and federal sources all saw an increase in revenues over last year. State sources increased due to an increase in student enrollment and the Federal sources increased due to the Educations Jobs Fund Act, American Recovery and Reinvestment Act (ARRA) and the Individuals with Disabilities Education Act (IDEA). Local revenues in the General

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

Fund increased while local revenues in the Nonmajor Governmental Funds decreased due to the athletic department activity now being recorded in the General Fund.

The total decrease in expenses from 2009/2010 to 2010/2011 for all Governmental Funds including General Fund and Nonmajor Governmental funds was \$275,201. The majority of this decrease was in the General Fund. Personnel costs saw a decrease in both wages and benefits with the retirement of five veteran teachers. General Fund Capital outlay was also decreased in 2010/2011 as tribal grants were not as plentiful as the prior year. The Nonmajor Governmental Funds saw slight increases in expenses in the Food Service Fund and both Debt Retirement Funds. The Capital Projects Fund decreased expenses for the 2010/2011 year.

Revenues

Local revenues are primarily made up of property tax to fund operating expenses and retire debt of previous bond issues. Local revenues also include grant awards from the Saginaw Chippewa Indian Tribe in the amount of \$38,843. Other sources of local revenue include fees and charges for services such as hot lunch, athletic gate receipts, sports participation fees and driver's education tuition.

State revenues account for the majority of the district's revenues and consist primarily of the per student foundation allowance. State revenues made up 82% of the district's general fund revenues in 2010/2011. This ties the district directly to the overall economy of the State of Michigan.

Federal sources include Title grants, Education Jobs Fund, the American Recovery and Reinvestment Act of 2010, the Individuals with Disabilities Education Act and monies for the Food Service Fund. Federal revenues totaled \$508,548 requiring a Single Audit of Federal funds. The Single Audit was conducted in August and included a closer look at the Nutrition Cluster (or food service operation) and the Education Jobs Fund.

Interdistrict sources of revenue consist of the County special education tax collected and distributed by the local Intermediate School District.

Property Taxes

A major portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$833,611. This amount was obtained through a combination of two voter approved millage levies totaling 18 mills on the taxable value of non-homestead properties and 6 mills on the taxable value of commercial personal property for the District's operation and a voter approved 7 mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments of bond issues. Tax revenues were stable in 2010/2011. We should expect to see stability or a small decline in tax revenue in the 2011/2012 year as taxable values once again saw a decline in 2011 with a negative growth percentage. The decline in the housing market, particularly in the state of Michigan, is the primary cause of the lack in taxable value growth. The increase in the taxable value of individual properties is limited each year to 5% or the rate of inflation, whichever is lower. The increase in taxable value when property transfers ownership is not limited by this provision, therefore; taxable values tend to increase at a greater rate when property is sold. This negative trend is not a good sign. Taxable values determine the amount of local tax income for the operating revenues of the general fund, and also determine the debt revenue generated each year. If property values continue to decline the district may struggle to make their semi-annual bond payments as well as pay back the debt owed to the school bond loan fund.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

TAXABLE VALUE HISTORY

YEAR	TAXABLE VALUE	GROWTH
2005	65,581,691	6.42%
2006	70,627,780	7.69%
2007	75,883,412	7.44%
2008	78,216,273	3.07%
2009	81,878,623	4.68%
2010	81,673,534	(.25%)
2011	81,544,258	(.16%)

State Aid Foundation Allowance

A significant portion of state funding to the District is received through the foundation allowance. The foundation allowance is funding from the state based on student enrollment. Student enrollment is blended at 75% of current year September count and 25% of prior year February count. The blended enrollment of Beal City Public Schools for 2010/2011 was 691.39 students an increase of 17.02 from the 2009/2010 student enrollment of 674.37. The State of Michigan establishes per student foundation allowance on an annual basis.

American Recovery and Reinvestment Act of 2010

The foundation allowance for the 2009/2010 school year was \$7,316. The State of Michigan utilized Federal American Recovery and Reinvestment Act (ARRA) of 2010 dollars to fund the \$7,316 per student foundation allowance. Beal City Schools received a total of \$78,321 of ARRA grant funds from the Federal Government to "stabilize" the State of Michigan foundation allowance.

Education Jobs Fund

The Federal Education Jobs Fund program provided more than \$317 million in assistance to Michigan to save and create education jobs for the 2010-2011 school year. Beal City Public Schools received \$152,807 of Education Jobs Fund money which helped pay the wages and benefits of three elementary teachers for the 2010-2011 school year.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

Capital Assets and Debt Administration

Capital Assets

On June 30, 2011 the District had \$6,037,994 invested in a broad range of capital assets as illustrated below:

Assets

Land	\$ 187,593
Buildings and additions	7,076,470
Site improvements	1,725,248
Equipment and furniture	564,895
Buses and other vehicles	706,707
Fiber optic network	<u>390,222</u>
 Subtotal	 10,651,135
 Less accumulated depreciation	 <u>4,613,141</u>
 Net Capital Assets	 <u>\$ 6,037,994</u>

Long-term debt

At the end of the current fiscal year, the Beal City Public School district had total General Obligation Bonded debt outstanding of \$4,190,000. This consists of two bond issues: The 2002 bond issue for the athletic complex, and the 2004 refunding issue of the 1996 issue for the addition to the high school. Other long term debt includes retirement incentives, compensated absences and obligations to repay the school bond loan fund. Repayment of the school bond loan fund started during the 2008/2009 fiscal year and will hopefully continue as long as the revenues provided by the debt millage exceed the debt service requirements. If taxable values continue to decline this will make the repayment to the school bond loan fund more difficult.

General Fund Budgetary Highlights

Original vs. Actual Budget

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

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

The district amended its budget twice during the 2010/2011 school year. For the fiscal year 2010/2011, the budget was amended in March of 2011 and June of 2011.

General Fund Revenues Budget vs. Actual Revenues

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Variance of final to actual
2010/2011	\$5,358,598	\$5,766,635	\$5,773,724	\$7,089

The District's actual general fund revenues were more than the final budget by \$7,089. The majority of this variance is from proceeds received from the sale of the school truck and plow on June 28, 2011.

General Fund Expenditures Budget vs. Actual Expenditures

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Variance of final to actual
2010/2011	\$5,849,361	\$5,880,301	\$5,826,533	\$(53,768)

The district's general fund expenditures were less than the final expenditure budget by \$53,768. Tribal grants received from the Saginaw Chippewa Indian Tribe make up a portion of the discrepancy in budgeted to actual expenditures. Many tribal grants were budgeted for, but not spent in the 2010/2011 fiscal year. Those tribal grant budget items remaining at the end of the 2010/2011 fiscal year will be carried over to the 2011/2012 budget.

Economic Factors and Next Year's Budgets and Rates

The foundation allowance for 2011/2012 has been set at \$6,946 per student. The State is also offering a \$100 per pupil incentive to any district that meets four out of five "best practices" that the state has identified. The five "best Practices" include: Charge employees at least 10% of the health care premium; hold policy on medical benefits plans; develop and implement a service consolidation plan, obtain competitive bids on non-instructional services and provide a dashboard or report card with specific indicators. While administration is still working out the details of all five of the best practices, plans are underway to ensure that the district meets four of the five to qualify for the \$100 per student incentive.

Under the direction of our new State Governor, Mr. Rick Snyder, we have seen a number of education reform laws passed and anticipate more to come. Having the foundation allowance set before June budgets were due was a refreshing change. While there are still many questions that

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

surround the \$100 per student incentive it was still helpful to have a state budget in place before the district's budget was due in June. Additional laws were passed to give our MEA members an incentive to come to the table and bargain a new contract. Changes in tenure law and evaluation requirements will keep our administrators busy. While many of these laws do not directly affect the financial bottom line, they do require precious resources of the district to be directed towards meeting all the new laws and requirements.

Mr. William C. Chilman IV is now starting his fifth year as the Superintendent of Beal City Public Schools. Mr. Chilman believes the three most important jobs a Superintendent has are to first and for most, improve student achievement. Secondly, during these financially difficult times, maintain the district's fiscal integrity, which is becoming even more challenging with ongoing changes at the state level. Third, but not least of all, promote the school district and provide positive school and community relations throughout the region. These three jobs have become our board goals, so the board members and Mr. Chilman are working together as a team.

Beal City has two mottos that we live by. One is "Educational Teamwork Today Equals Educational Excellence Tomorrow". This motto was on display during the end of last school year and throughout the summer, while the district was negotiating with its teachers. Both sides worked together to come up with creative ways to help the district as well as its teachers with educational issues and financial issues. The second motto is "a BIG education in a small school environment". We work hard each day to balance the financial part of education with the educational opportunities we provide to our students, and we are getting it done with true success. Beal City Public Schools continues to be recognized in the region and around the state as an educational leader.

The Beal City Board of Education and the Beal City Education Association (BCEA) negotiated a two year contract to expire on June 30, 2013.

The State required retirement contribution will increase from 20.66% to 24.46% of employee wages on October 1, 2011. The office of retirement instituted a new retirement plan, the pension plus plan, for all employees entering the retirement system after July 1, 2010. As of June 30, 2011 the district did not employ anyone under the pension plus plan.

Student count numbers for fall of 2011 have not yet been determined. Preliminary counts for the elementary and secondary buildings indicate that we will be down students this year. The Beal City Education Association (BCEA) agreed to freeze wages at the 2010/2011 level unless we see an increase in student enrollment above the baseline number of 690. The BCEA also agreed to employee's sharing the cost of insurance premiums. All employees (including non BCEA members) will be contributing 10% of their insurance premiums to the district in the 2011/2012 school year and 20% of their insurance premiums in 2012/2013.

The State of Michigan has been using Federal dollars provided by the American Recovery and Reinvestment Act of 2010 and the Education Jobs Fund to help "plug the hole" in State school funding for the past two years. Eventually this Federal money will dry up. We see evidence of that in next year's foundation allowance being cut to \$6,946 per student with no Federal money making up for that cut. Federal bail outs will not continue year after year and the State of Michigan must find a way to properly fund schools and provide a quality education for all children in the State of Michigan.

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

The Board of Education is committed to ensuring the financial stability of the school district. As there seems to be no end in sight to the poor economic conditions of the State of Michigan, the Board feels the need to be very cautious with spending. The uncertainty of State funding is an ongoing problem. The instability and lack of state funding creates a real challenge to Michigan's public schools.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the finances for the Beal City Public Schools for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Beal City Public Schools Central Office, 3180 W Beal City Road, Mt. Pleasant, MI 48858.

BASIC FINANCIAL STATEMENTS

Beal City Public Schools
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,874,219
Accounts receivable	11,138
Due from other governmental units	890,259
Inventory	7,823
Prepaid items	33,360
Other assets	37,453
Capital assets not being depreciated	187,593
Capital assets - net of accumulated depreciation	<u>5,850,401</u>
 Total assets	 <u>8,892,246</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 33,796
Accrued expenditures	623,177
Accrued salaries payable	386,081
Deferred revenue	4,783
Noncurrent liabilities	
Due within one year	378,022
Due in more than one year	<u>4,539,881</u>
Total liabilities	<u>5,965,740</u>
Net Assets	
Invested in capital assets, net of related debt	1,232,291
Restricted for:	
Debt service	87,398
Food service	67,945
Grants	34,446
Unrestricted	<u>1,504,426</u>
Total net assets	<u>\$ 2,926,506</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Statement of Activities
For the Year Ended June 30, 2011

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Assets
Functions/Programs					
Governmental activities					
Instruction	\$ 3,619,673	\$ 10,935	\$ 851,896	\$ -	\$ (2,756,842)
Supporting services	2,213,626	68,594	-	-	(2,145,032)
Food services	270,662	113,675	141,148	-	(15,839)
Community services	9,590	-	-	-	(9,590)
Interest on long-term debt	236,781	-	-	-	(236,781)
Total governmental activities	\$ 6,350,331	\$ 193,204	\$ 993,044	\$ -	(5,164,083)
General revenues					
					262,289
					571,320
					4,524,475
					15,975
					7,611
					38,249
Total general revenues					5,419,919
Change in net assets					255,836
Net assets - beginning					2,670,670
Net assets - ending					\$ 2,926,506

See Accompanying Notes to Financial Statements

Beal City Public Schools
Governmental Funds
Balance Sheet
June 30, 2011

	General Fund	Capital Projects Fund Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,458,211	\$ 291,591	\$ 124,417	\$ 1,874,219
Accounts receivable	11,138	-	-	11,138
Due from other funds	-	-	34,361	34,361
Due from other governmental units	888,231	-	2,028	890,259
Inventory	-	-	7,823	7,823
Prepaid items	33,360	-	-	33,360
Total assets	<u>\$ 2,390,940</u>	<u>\$ 291,591</u>	<u>\$ 168,629</u>	<u>\$ 2,851,160</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 33,796	\$ -	\$ -	\$ 33,796
Due to other funds	34,361	-	-	34,361
Accrued expenditures	234,254	-	150	234,404
Accrued salaries payable	385,551	-	530	386,081
Deferred revenue	-	-	4,783	4,783
Total liabilities	<u>687,962</u>	<u>-</u>	<u>5,463</u>	<u>693,425</u>
Fund Balance				
Non-spendable				
Inventory	-	-	7,823	7,823
Prepaid items	33,360	-	-	33,360
Restricted for:				
Food service	-	-	67,945	67,945
Debt service	-	-	87,398	87,398
Grants	34,446	-	-	34,446
Committed				
Capital projects	-	291,591	-	291,591
Unassigned	<u>1,635,172</u>	<u>-</u>	<u>-</u>	<u>1,635,172</u>
Total fund balance	<u>1,702,978</u>	<u>291,591</u>	<u>163,166</u>	<u>2,157,735</u>
Total liabilities and fund balance	<u>\$ 2,390,940</u>	<u>\$ 291,591</u>	<u>\$ 168,629</u>	<u>\$ 2,851,160</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
of Governmental Activities
June 30, 2011

Total fund balances for governmental funds	\$ 2,157,735
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	187,593
Capital assets - net of accumulated depreciation	5,850,401
Other long-term assets are not deferred in the governmental funds.	37,453
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(388,773)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(82,200)
Bonds payable	(4,196,188)
School bond loan payable	(609,515)
Other loans payable and liabilities	<u>(30,000)</u>
Net assets of governmental activities	<u><u>\$ 2,926,506</u></u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	General Fund	Capital Projects Fund Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 454,948	\$ 148	\$ 689,920	\$ 1,145,016
State sources	4,764,806	-	17,437	4,782,243
Federal sources	379,771	-	128,777	508,548
Interdistrict sources	162,749	-	-	162,749
Total revenues	<u>5,762,274</u>	<u>148</u>	<u>836,134</u>	<u>6,598,556</u>
Expenditures				
Current				
Education				
Instruction	3,415,728	-	-	3,415,728
Supporting services	2,021,471	-	-	2,021,471
Food services	-	-	268,509	268,509
Community services	9,590	-	-	9,590
Capital outlay	65,614	60,785	-	126,399
Debt service				
Principal	107,491	-	394,866	502,357
Interest and other expenditures	6,223	-	185,611	191,834
Total expenditures	<u>5,626,117</u>	<u>60,785</u>	<u>848,986</u>	<u>6,535,888</u>
Excess (deficiency) of revenues over expenditures	<u>136,157</u>	<u>(60,637)</u>	<u>(12,852)</u>	<u>62,668</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	11,450	-	-	11,450
Transfers in	-	200,000	416	200,416
Transfers out	(200,416)	-	-	(200,416)
Total other financing sources (uses)	<u>(188,966)</u>	<u>200,000</u>	<u>416</u>	<u>11,450</u>
Net change in fund balance	(52,809)	139,363	(12,436)	74,118
Fund balance - beginning, as restated	<u>1,755,787</u>	<u>152,228</u>	<u>175,602</u>	<u>2,083,617</u>
Fund balance - ending	<u>\$ 1,702,978</u>	<u>\$ 291,591</u>	<u>\$ 163,166</u>	<u>\$ 2,157,735</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - Total governmental funds	\$	74,118
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense		(342,540)
Capital outlay		55,015
Loss on sale of capital assets (net book value)		(3,839)
Expenses are recorded when incurred in the statement of activities.		
Interest		(44,947)
Retirement incentive payable		15,000
Compensated absences		4,615
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. 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.		
Repayments of long-term debt		502,357
Amortization refunding issuance costs		(3,943)
Change in net assets of governmental activities	\$	<u>255,836</u>

Beal City Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>61,387</u>
Liabilities	
Due to student groups	\$ <u>61,387</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Beal City Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted

net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital 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 and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

thereafter to pay liabilities of the current period. For this purpose, the School 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, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Capital Improvements Fund – The Capital Improvements Fund is used to account for financial resources to be used for construction or major renovation of facilities and is funded by General Fund transfers and interest earnings.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Fund includes the Food Service Fund. The annual operating deficit generated by these activities is generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2011, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	7.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

District's boundaries. Approximately 97% of the School District's tax roll lies within the Townships of Nottawa, Isabella and Deerfield.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before July 31. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Isabella and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Compensated Absences – Retiring teachers are paid four (4) percent of the teacher's current annual salary, provided the teacher has been employed in the school district for at least ten (10) years. This liability is measured using the Termination Method.

Sick days are earned by teachers at the rate of ten (10) days per year. A maximum of one hundred eighty-three (183) unused sick days may be accumulated. Upon retirement or termination of employment, unused sick days are paid at 50% of the sub rate up to 100 days. There is no contractual provision for payment of unused personal days. The current portion of any accrued sick or personal pay cannot be reasonably estimated and, as such, is not included as a current liability.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - assets that are not available in a spendable form.

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the District’s highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature. The District does not have any assigned fund balance at year end.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District’s policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District’s policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standard

The Government Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District adopted effective July 1, 2010. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund.

The effect of this change on beginning fund balances is:

	As Originally Reported	Adjustment	As Restated
Beginning fund balance			
General Fund	\$ 1,741,520	\$ 14,267	\$ 1,755,787
Non-major funds	189,869	(14,267)	175,602

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil	\$ 82,219	\$ 82,440	\$ 221
Central	39,764	43,304	3,540
Debt - principal	107,468	107,491	23
Transfers out	200,000	200,416	416

NOTE 3 - DEPOSITS

The School District's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 1,874,219	\$ 61,387	\$ 1,935,606

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	<u>\$ 1,935,606</u>
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Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$250,000 of the District's bank balance of \$1,949,803 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 187,593	\$ -	\$ -	\$ 187,593
Capital assets being depreciated				
Buildings and additions	7,076,470	-	-	7,076,470
Site improvements	1,725,248	-	-	1,725,248
Equipment and furniture	657,066	-	92,171	564,895
Fiber optic network	390,222	-	-	390,222
Buses and other vehicles	736,346	55,015	84,654	706,707
Total capital assets being depreciated	10,585,352	55,015	176,825	10,463,542
Less accumulated depreciation for				
Buildings and additions	2,590,950	150,524	-	2,741,474
Site improvements	604,782	86,262	-	691,044
Equipment and furniture	417,589	40,702	88,332	369,959
Fiber optic network	243,887	19,511	-	263,398
Buses and other vehicles	586,379	45,541	84,654	547,266
Total accumulated depreciation	4,443,587	342,540	172,986	4,613,141
Net capital assets being depreciated	6,141,765	(287,525)	3,839	5,850,401
Net capital assets	\$ 6,329,358	\$ (287,525)	\$ 3,839	\$ 6,037,994

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 221,252
Support services	119,135
Food services	<u>2,153</u>
Total governmental activities	\$ <u>342,540</u>

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Individual interfund receivable and payable balances at year end were:

	Due From Fund	Due to Fund	Amount
General		Food Service	<u>\$ 34,361</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

Interfund transfers consist of the following:

	General Fund
Transfers in	
Public Improvement Fund	\$ 416
Other governmental funds	200,000
	\$ 200,416

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities.

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is 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 are as follows:

	Unearned
Student deposits	\$ 4,783

NOTE 7 – LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	\$ 4,535,000	\$ -	\$ 345,000	\$ 4,190,000	\$ 360,000
Durant bonds	9,073	-	2,885	6,188	3,022
School bond loan	656,496	-	46,981	609,515	-
Fiber optic network loan	107,491	-	107,491	-	-
Compensated absences	86,815	-	4,615	82,200	-
Retirement incentives	45,000	-	15,000	30,000	15,000
Deferred issuance costs	(41,396)	-	(3,943)	(37,453)	-
Total	\$ 5,398,479	\$ -	\$ 518,029	\$ 4,880,450	\$ 378,022

For governmental activities, compensated absences and retirement incentives are primarily liquidated by the general fund.

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

General obligation bonds payable at year end, consists of the following:

\$1,690,000 serial bond due in annual installments of \$65,000 to \$80,000 through May 1, 2027, interest at 4.75% to 5.1%.	\$ 1,220,000
\$4,570,000 serial bond due in annual installments of \$285,000 to \$305,000 through May 1, 2021, interest at 3.5% to 4.1%.	<u>2,970,000</u>
Total general obligation bonded debt	<u>\$ 4,190,000</u>

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 360,000	\$ 171,387	\$ 531,387
2013	370,000	157,976	527,976
2014	375,000	144,212	519,212
2015	375,000	130,150	505,150
2016	375,000	116,087	491,087
2017-2021	1,855,000	354,633	2,209,633
2022-2026	400,000	81,520	481,520
2027	80,000	4,080	84,080
Total	<u>\$ 4,190,000</u>	<u>\$ 1,160,045</u>	<u>\$ 5,350,045</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$87,398 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$47,228 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 6,188</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 3,022	\$ 294	\$ 3,316
2013	<u>3,166</u>	<u>450</u>	<u>3,616</u>
Total	<u>\$ 6,188</u>	<u>\$ 744</u>	<u>\$ 6,932</u>

Fiber Optic Network Loan

In 1998, a consortium of schools formed the Middle Michigan Network for Educational Telecommunications (MMNET). The goal was to create an educational network that would provide the members with services that would be otherwise unattainable. High speed internet, voice over IP and interactive television were a few of the services. The group, under the consultation of a company called ISP, constructed a fiber optic network that links all of the members together. The fiber optic network loan was paid off during fiscal year 2011.

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District paid \$46,981 and had an outstanding balance at year end of \$609,515, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences at year end, consists of \$65,695 of termination pay and \$16,505 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Retirement Incentive

In the event a teacher retires from the district, as soon as he/she is eligible for full benefits under the Michigan Public Schools Retirement System or at the end of the school year during which he/she becomes eligible for full benefits, the teacher shall be paid \$3,000 per year on January 1 following his/her retirement for three consecutive years. The district has accrued \$30,000 as five teachers who were eligible to receive this benefit retired.

NOTE 8 - RISK MANAGEMENT

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment

described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$5,109 of unemployment compensation expense for the year. No provision has been made for possible future claims.

NOTE 9 – PENSION PLANS AND POST EMPLOYMENT BENEFITS

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services who has the authority to establish and amend benefit provisions. The Michigan Department of Technology, Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report provides information for the plan as a whole and information helpful

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

In 2010 MPSERS created a new Pension Plus plan. All Michigan public school employees who begin work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two components: (a) a defined benefit pension component, and (b) a defined contribution savings component.

Funding Policy

The School is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The School's actual contributions match the required contributions. Additionally, employees participating in the Member Investment Plan contributed 3% to 6.4% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS pension funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	8.63 - 12.16%	9.73 - 10.13%	9.73 - 10.17%
Total payroll	2,978,160	3,071,865	2,949,079
Total covered payroll	2,876,221	2,998,740	2,879,866
School pension contributions	332,439	300,979	284,793
Employee MIP contributions	180,107	107,802	103,244
Tax deferred payment program	17,675	20,465	22,308

Defined Contribution Savings Plan

For the Pension Plus savings plan, participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. No contributions were made by the District or participants during the year ended June 30, 2011.

Post Employment Benefits

In addition to the pension benefits described above, the School Finance Reform Act requires the School District to provide post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS). Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health care, dental and vision coverage at the time of receiving the benefits. The School's actual contributions match the required contributions.

The following table discloses pertinent information relative to MPSERS post employment benefits funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	6.81 - 8.50%	6.81%	6.55 - 6.81%
School post employment benefits contributions	232,327	204,214	192,375

Beal City Public Schools
Notes to Financial Statements
June 30, 2011

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTAL INFORMATION

Beal City Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 358,072	\$ 397,024	\$ 454,948	\$ 57,924
State sources	4,488,052	4,766,756	4,764,806	(1,950)
Federal sources	312,474	388,020	379,771	(8,249)
Interdistrict sources	<u>200,000</u>	<u>214,835</u>	<u>162,749</u>	<u>(52,086)</u>
Total revenues	<u>5,358,598</u>	<u>5,766,635</u>	<u>5,762,274</u>	<u>(4,361)</u>
Expenditures				
Instruction				
Basic programs	2,700,360	2,668,120	2,660,890	(7,230)
Added needs	684,087	666,275	653,444	(12,831)
Adult and continuing education	102,996	102,842	101,394	(1,448)
Supporting services				
Pupil	106,551	82,219	82,440	221
Instructional staff	129,612	192,931	181,680	(11,251)
General administration	190,464	190,560	190,090	(470)
School administration	337,661	339,107	337,059	(2,048)
Business	139,577	139,203	135,205	(3,998)
Operations and maintenance	452,339	431,791	429,141	(2,650)
Pupil transportation services	402,862	390,304	376,391	(13,913)
Central	134,065	39,764	43,304	3,540
Athletics	255,254	248,290	246,161	(2,129)
Community services	9,713	9,590	9,590	-
Capital outlay	65,614	65,614	65,614	-
Debt service				
Principal	31,983	107,468	107,491	23
Interest and fiscal charges	<u>6,223</u>	<u>6,223</u>	<u>6,223</u>	<u>-</u>
Total expenditures	<u>5,749,361</u>	<u>5,680,301</u>	<u>5,626,117</u>	<u>(54,184)</u>
Excess (deficiency) of revenues over expenditures	<u>(390,763)</u>	<u>86,334</u>	<u>136,157</u>	<u>49,823</u>

Beal City Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	11,450	11,450
Transfers out	(100,000)	(200,000)	(200,416)	416
Total other financing sources (uses)	(100,000)	(200,000)	(188,966)	11,866
Net change in fund balance	(490,763)	(113,666)	(52,809)	61,689
Fund balance - beginning, as restated	1,755,787	1,755,787	1,755,787	-
Fund balance - ending	<u>\$ 1,265,024</u>	<u>\$ 1,642,121</u>	<u>\$ 1,702,978</u>	<u>\$ 61,689</u>

OTHER SUPPLEMENTAL INFORMATION

Beal City Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	<u>Special Revenue Fund</u>	<u>Debt Service Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food Services</u>	<u>2002</u>	<u>2004</u>	
Assets				
Cash	\$ 37,019	\$ 31,317	\$ 56,081	\$ 124,417
Due from other funds	34,361	-	-	34,361
Due from other governmental units	2,028	-	-	2,028
Inventory	<u>7,823</u>	<u>-</u>	<u>-</u>	<u>7,823</u>
Total assets	<u>\$ 81,231</u>	<u>\$ 31,317</u>	<u>\$ 56,081</u>	<u>\$ 168,629</u>
Liabilities and Fund Balance				
Liabilities				
Accrued expenditures	\$ 150	\$ -	\$ -	\$ 150
Accrued salaries payable	530	-	-	530
Deferred revenue	<u>4,783</u>	<u>-</u>	<u>-</u>	<u>4,783</u>
Total liabilities	<u>5,463</u>	<u>-</u>	<u>-</u>	<u>5,463</u>
Fund Balance				
Non-spendable				
Inventory	7,823	-	-	7,823
Restricted for:				
Food service	67,945	-	-	67,945
Debt service	<u>-</u>	<u>31,317</u>	<u>56,081</u>	<u>87,398</u>
Total fund balance	<u>75,768</u>	<u>31,317</u>	<u>56,081</u>	<u>163,166</u>
Total liabilities and fund balance	<u>\$ 81,231</u>	<u>\$ 31,317</u>	<u>\$ 56,081</u>	<u>\$ 168,629</u>

Beal City Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	Special Revenue Fund	Debt Service Funds			Total Nonmajor Governmental Funds
	Food Services	2002	2004	Durant	
Revenues					
Local sources	\$ 118,333	\$ 138,876	\$ 432,711	\$ -	\$ 689,920
State sources	14,121	-	-	3,316	17,437
Federal sources	128,777	-	-	-	128,777
	<u>261,231</u>	<u>138,876</u>	<u>432,711</u>	<u>3,316</u>	<u>836,134</u>
Total revenues					
Expenditures					
Current					
Education					
Food services	268,509	-	-	-	268,509
Debt service					
Principal	-	75,547	316,434	2,885	394,866
Interest and other expenditures	-	64,328	120,852	431	185,611
	<u>268,509</u>	<u>139,875</u>	<u>437,286</u>	<u>3,316</u>	<u>848,986</u>
Total expenditures					
Deficiency of revenues over expenditures	<u>(7,278)</u>	<u>(999)</u>	<u>(4,575)</u>	<u>-</u>	<u>(12,852)</u>
Other Financing Sources					
Transfers in	-	42	374	-	416
Net change in fund balance	(7,278)	(957)	(4,201)	-	(12,436)
Fund balance - beginning, as restated	83,046	32,274	60,282	-	175,602
Fund balance - ending	<u>\$ 75,768</u>	<u>\$ 31,317</u>	<u>\$ 56,081</u>	<u>\$ -</u>	<u>\$ 163,166</u>

Beal City Public Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2011

	2011	2010 (restated)
Assets		
Cash	\$ 1,458,211	\$ 1,551,948
Accounts receivable	11,138	-
Due from other governmental units	888,231	858,291
Prepaid items	33,360	28,584
Total assets	\$ 2,390,940	\$ 2,438,823
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 33,796	\$ 41,333
Due to other funds	34,361	32,262
Accrued expenditures	234,254	223,833
Accrued salaries payable	385,551	399,275
Deferred revenue	-	600
Total liabilities	687,962	697,303
Fund Balance		
Non-spendable		
Prepaid items	33,360	28,584
Restricted for:		
Grants	34,446	44,733
Unassigned	1,635,172	1,668,203
Total fund balance	1,702,978	1,741,520
Total liabilities and fund balance	\$ 2,390,940	\$ 2,438,823

Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Revenues
For the Year Ended June 30, 2011

Revenue from local sources

Property tax levy	\$ 262,289
Tuition	10,300
Transportation fees	2,690
Earnings on investments	15,491
Student activities	65,904
Other local revenues	<u>98,274</u>

Total revenues from local sources 454,948

Revenues from state sources

Grants - unrestricted	4,539,387
Grants - restricted	<u>225,419</u>

Total revenues from state sources 4,764,806

Revenues from federal sources

Grants	<u>379,771</u>
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Interdistrict sources

ISD collected millage	160,451
Other	<u>2,298</u>

Total interdistrict sources 162,749

Other financing sources

Proceeds from sale of capital assets	<u>11,450</u>
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Total revenue and other financing sources \$ 5,773,724

Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2011

Basic program - elementary

Salaries	\$ 778,782
Employee benefits	410,788
Purchased services	22,637
Supplies and materials	<u>19,841</u>
Total elementary	<u>1,232,048</u>

Basic program - high school

Salaries	846,642
Employee benefits	474,113
Purchased services	75,799
Supplies and materials	<u>32,288</u>
Total high school	<u>1,428,842</u>

Added needs - special education

Salaries	234,290
Employee benefits	112,341
Purchased services	9,802
Supplies and materials	<u>8,761</u>
Total special education	<u>365,194</u>

Added needs - compensatory education

Salaries	51,140
Employee benefits	28,950
Purchased services	255
Supplies and materials	<u>834</u>
Total compensatory education	<u>81,179</u>

Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2011

Added needs - career and technical education

Salaries	\$	26,361
Employee benefits		11,373
Purchased services		498
Supplies and materials		174
Other		168,665
		168,665
Total career and technical education		207,071

Adult and continuing education - basic

Salaries		62,034
Employee benefits		19,458
Purchased services		263
Supplies and materials		19,639
		19,639
Total basic		101,394

Pupil - guidance services

Salaries		49,137
Employee benefits		31,427
Supplies and materials		22
		22
Total guidance services		80,586

Pupil - speech services

Purchased services		559
		559

Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2011

Pupil - other support services

Salaries	\$ 1,010
Employee benefits	285
Total other pupil support services	1,295

Instructional staff - improvement of education

Salaries	4,910
Employee benefits	1,352
Purchased services	24,800
Supplies and materials	5,429
Total improvement of education	36,491

Instructional staff - educational media services

Salaries	33,792
Employee benefits	18,623
Purchased services	4,470
Supplies and materials	4,302
Total educational media services	61,187

Instructional staff - technology assisted instruction

Salaries	45,707
Employee benefits	26,877
Purchased services	6,953
Other	96
Total technology assisted instruction	79,633

Instructional staff - academic student assessment

Supplies and materials	4,369
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Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2011

General administration - board of education

Purchased services	\$ 24,304
Other	<u>12,942</u>
Total board of education	<u>37,246</u>

General administration - executive administration

Salaries	100,201
Employee benefits	49,410
Purchased services	1,303
Supplies and materials	1,848
Other	<u>82</u>
Total executive administration	<u>152,844</u>

School administration - office of the principal

Salaries	207,674
Employee benefits	117,783
Purchased services	2,310
Supplies and materials	7,362
Other	<u>875</u>
Total office of the principal	<u>336,004</u>

School administration - other

Supplies and materials	<u>1,055</u>
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Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2011

Business - fiscal services

Salaries	\$ 67,026
Employee benefits	53,891
Purchased services	3,431
Supplies and materials	121
Other	129
Total fiscal services	124,598

Business - other

Purchased services	6,402
Other	4,205
Total other business	10,607

Operations and maintenance - operating building services

Salaries	143,201
Employee benefits	72,838
Purchased services	118,403
Supplies and materials	94,644
Other	55
Total operating building services	429,141

Pupil transportation services

Salaries	99,109
Employee benefits	176,878
Purchased services	65,513
Supplies and materials	34,652
Other	239
Total transportation services	376,391

Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2011

Central - communication services

Purchased services	\$ <u>11,972</u>
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Central - staff/personnel services

Salaries	3,719
Purchased services	5,062
Other	<u>467</u>

Total staff/personnel services	<u>9,248</u>
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Central - support services technology

Salaries	11,403
Employee benefits	8,407
Purchased services	2,171
Other	<u>103</u>

Total support services technology	<u>22,084</u>
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Athletic activities

Salaries	118,642
Employee benefits	57,956
Purchased services	47,549
Supplies and materials	10,768
Other	<u>11,246</u>

Total athletic activities	<u>246,161</u>
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Community services - non-public school pupils

Salaries	7,000
Employee benefits	1,913
Purchased services	<u>677</u>

Total non-public school pupils	<u>9,590</u>
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Beal City Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2011

Capital outlay

Basic program - elementary	\$ 10,611
Basic program - high school	6,922
Added needs - special education	1,700
Instructional staff - educational media services	212
Instructional staff - technology assisted instruction	20,741
General administration - executive administration	770
Operations and maintenance - operating building services	2,487
Pupil transportation services	195
Central - support services technology	442
Athletics	<u>21,534</u>
Total capital outlay	<u>65,614</u>

Debt service

Principal	107,491
Interest and other expenditures	<u>6,223</u>
Total debt service	<u>113,714</u>

Other financing uses

Transfers out	<u>200,416</u>
Total expenditures and financing uses	<u>\$ 5,826,533</u>

Beal City Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups June 30, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
Athletic account	\$ 8,101	\$ 1,274	\$ 4,239	\$ 5,136
Band	26	78	79	25
Baseball	3,093	7,397	6,471	4,019
Basketball - Boys	4,525	5,108	7,568	2,065
Basketball - Girls	2,620	1,040	1,893	1,767
Camp	12,067	24,534	26,028	10,573
Cheerleading	193	-	-	193
Class of 2001	301	-	-	301
Class of 2003	54	-	-	54
Class of 2005	663	-	-	663
Class of 2008	-	18	-	18
Class of 2010	573	-	573	-
Class of 2011	2,931	1,072	1,580	2,423
Class of 2012	2,928	2,482	3,274	2,136
Class of 2013	1,403	1,024	429	1,998
Class of 2014	350	210	450	110
Class of 2015	565	716	-	1,281
Class of 2016	-	779	-	779
Close up	53	-	-	53
Cross country	652	570	587	635
Dance	143	-	-	143
Drama	4,404	1,309	1,754	3,959
Miscellaneous - elementary	1,850	4,707	5,650	907
Elementary teachers account	5,700	25,223	25,313	5,610
Educational Foundation Fund	461	2,844	2,652	653
Football	1,339	5,755	6,708	386
FFA	800	9,809	9,878	731
Key account	100	-	-	100
Media center	437	381	441	377

Beal City Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups June 30, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
Media services	\$ 323	\$ -	\$ -	\$ 323
National honor society	2,598	5,945	7,614	929
Natural helpers	265	-	-	265
Parent Advisory	62	-	-	62
Principal	1,664	4,816	6,133	347
Project Pals	1,473	473	1,036	910
SCA	561	305	515	351
Softball	604	2,110	506	2,208
Student council	2,004	3,558	3,060	2,502
Track - men's	50	215	-	265
Track - women's	1,027	1,056	911	1,172
Volleyball	1,751	582	67	2,266
Yearbook	2,240	14,172	13,706	2,706
Youth in government	(64)	9,980	9,930	(14)
	<u>\$ 70,890</u>	<u>\$ 139,542</u>	<u>\$ 149,045</u>	<u>\$ 61,387</u>
Total				

Beal City Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30,	2002	2004	Durant	Total
2012	\$ 65,000	\$ 295,000	\$ 3,022	\$ 363,022
2013	65,000	305,000	3,166	373,166
2014	75,000	300,000	-	375,000
2015	75,000	300,000	-	375,000
2016	75,000	300,000	-	375,000
2017	75,000	300,000	-	375,000
2018	75,000	300,000	-	375,000
2019	75,000	295,000	-	370,000
2020	80,000	290,000	-	370,000
2021	80,000	285,000	-	365,000
2022	80,000	-	-	80,000
2023	80,000	-	-	80,000
2024	80,000	-	-	80,000
2025	80,000	-	-	80,000
2026	80,000	-	-	80,000
2027	80,000	-	-	80,000
Total	<u>\$ 1,220,000</u>	<u>\$ 2,970,000</u>	<u>\$ 6,188</u>	<u>\$ 4,196,188</u>

Principal payments
due the first day of

May

May

May 15th

Interest payments
due the first day of

May and
November

May and
November

May 15th

Interest rate

4.75% - 5.10%

3.5% - 4.10%

4.761353%

Original issue

\$ 1,690,000

\$ 4,570,000

\$ 47,228