

BLISSFIELD COMMUNITY SCHOOLS



COMMITMENT TO EXCELLENCE
Annual Financial Statements
June 30, 2009

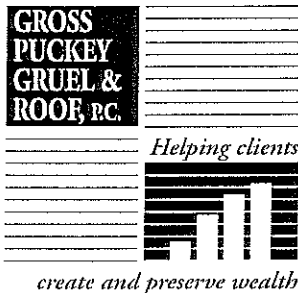


BLISSFIELD COMMUNITY SCHOOLS
Blissfield, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1
Management Discussion and Analysis	2 - 10
Basic Financial Statements:	
Government-Wide Statement of Net Assets	11
Government-Wide Statement of Activities	12
Governmental Fund Balance Sheet	13
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance	14
Fiduciary Funds - Statement of Net Assets	15
Notes to Financial Statements	16 - 24
Required Supplemental Information:	
Budgetary Comparison Schedule - General Fund	25
Other Supplementary Information:	
Combining Balance Sheet - Non-Major Governmental Funds	26
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	27



INDEPENDENT AUDITORS' REPORT

Board of Education
Blissfield Community Schools
Blissfield, Michigan 49228

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blissfield Community Schools as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administration. Our responsibility is to express an opinion on these basic 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 the District's administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Blissfield Community Schools as of June 30, 2008, and respective changes in financial position and cash flows, where applicable, 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 a report dated October 6, 2009 on our consideration of Blissfield Community Schools' internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant provisions 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.

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Blissfield Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gross, Puckey, Gruel & Roof, P.C.

Adrian, Michigan
October 6, 2009

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2009

The Management's discussion and analysis, a requirement of GASB 34, is intended to be the Blissfield Community Schools' Management discussion and analysis of the financial results for the year ended June 30, 2009. This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. Categories for comparison include but are not limited to the following: Total assets, Total liabilities, Total net assets (Fund balance), Program revenues, General revenues, Total revenues, Program expenses, Total expenses, Excess (deficiency)-(Before Contributions, Special and Extraordinary Items, and Transfers), Contributions, Special and Extraordinary Items, Transfers, Change in Net Assets (Fund balance), Ending Net Assets (Fund balance).

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

This annual report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The statements and notes to those statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial activities. The fund financial statements report the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds.

The remaining Statement of Fiduciary Net Assets presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

The district's auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part of the Financial Section.

From a financial perspective, Blissfield Community School District (hereafter referred to as the District), being a governmental education entity, seeks to fulfill its mission and commitment to excellence in educating children from kindergarten through the 12th grade by providing a learning environment that challenges all students to become lifelong learners and productive citizens. This financial report reflects the fiscal activities performed in compliance with the standards set by the Governmental Accounting Standards Board (GASB). The annual report summarizes the fiscal activities that have taken place during the accounting cycle ending June 30, 2009, as they relate to the efforts of Blissfield Community Schools in carrying out its mission.

Included in this report are a series of financial statements that are used in order to provide a complete overview of the financial activities that took place during the reporting period. In addition, the statements provide useful information that displays the financial condition of the District at the end of the period.

Using the Fund Accounting method, the District utilizes one major fund for reporting and operational purposes as follows: General Fund. Three non-major Funds consisting of the School Lunch Fund, Capital Project Sinking Fund (2005-2009) and the Athletic Fund. Combining totals of all funds except the fiduciary fund (Student Loan Fund) are included in the Government Wide Statement of Net Assets and Government Wide Statement of Activities. The Fiduciary Fund employed by the District is reported as a separate Statement of Net Assets due to its function not being part of the measurement of results in general school operations.

The Government Wide Statement of Activities provides a breakdown of expenses for the various Governmental activities. Revenues from various sources are also separated.

Separate Fund Financial Statements follow the Government Wide Statement of Net Assets and the Government Wide Statement of Activities. These statements provide a separation of financial data for the individual major funds and combined totals for the non-major funds. Footnotes at the end of each of these separate statements explain the basis for how some of the data was arrived at. The General Fund provides the majority of the financial disclosure to measure how well management has handled discretionary revenues and expenses.

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2009

Beginning with the Government-Wide Condensed Statement of Net Assets, Assets, Liabilities, and Fund Balance are compared from year ending June 30, 2008 with year ending June 30, 2009, as presented in figure 1 below.

Figure 1
Condensed Statement of Net Assets (Fund Balance)- (in thousands of dollars)

	General Fund		All Other Funds		Total Government Wide		Percentage Change
	2008	2009	2008	2009	2008	2009	2008-2009
Current Assets	\$ 4,725	\$ 4,584	\$ 169	\$ 563	\$ 4,894	\$ 5,147	5.17%
Non-current Assets	-	-	6,054	6,039	6,054	6,039	-0.25%
Total assets	4,725	4,584	6,223	6,602	10,948	11,186	2.17%
Current Liabilities	1,168	1,248	14	13	1,182	1,261	6.68%
Non-current Liabilities	-	-	183	177	183	177	-3.28%
Total liabilities	1,168	1,248	197	190	1,365	1,438	5.35%
Fund Balance							
Investment in Fixed assets	-	-	5,871	5,863	5,871	5,863	-0.14%
Unreserved/Undesignated	3,557	3,336	155	551	3,712	3,887	4.71%
Total fund balances	\$ 3,557	\$ 3,336	\$ 6,026	\$ 6,414	\$ 9,583	\$ 9,750	1.74%

Note: totals may not add due to rounding

In Reviewing Figure 1 above, the following are Management’s explanations and comments.

- In reviewing the Government-Wide comparison, Current Assets increased by 5.17% for the fiscal year ending June 30, 2009, when compared to the prior year ending June 30, 2008. While the increase Government-Wide is positive, the change in cash and cash equivalents in the General Fund separately actually declined by \$140,887 or -2.98%. Increases of current assets in the Capital Project Sinking Fund primarily contributed to the overall increase. It is important to note that the Capital Project Sinking Fund is restricted to capital improvement activity only and can not be used toward the general operations of the District. On the revenue side for the General Fund, the State of Michigan discovered a reporting error where Lenawee County omitted reporting local property taxes for qualified Renaissance Zone properties in the Blissfield school district to a State database. When the error was corrected and finally communicated to Blissfield Community School District in late August, 2009, State Aid revenue category 22b decreased from the 2008-2009 commitment by approximately \$195,000. This decrease in State Aid was not expected or known at the time budgets were prepared for adoption by the Blissfield Community School District Board of Education in June, 2009. Expenditures were reduced where possible under the supervision of the Board, especially in those areas having little or no impact on educational initiatives. The unexpected decrease in State Aid, nearly matching the reduced expenditures from the final amended budget, resulted in the General Fund ending with a decline in the Fund Balance by \$220,514, very close to the final amended budget of \$227,259. Management concerns are escalating that reductions in future State revenues are likely due to continued decline of Michigan's economy and local declining enrollment. General inflation on fixed expenditures and increased cost of employee benefits only add to the concern of management to control expenditures consistent with declining revenues.

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2009

- Non-current Assets decreased by .25% when comparing period ending June 30, 2009 to same period for 2008. Changes in the Non-current Asset category reflect activities primarily in the fixed assets (net of accumulated depreciation) of the District. Improvements made following storm damage to the District including the High School, other buildings, and equipment totaled more than \$109,000. Most of the damages were reimbursed by Set Seg, the District's property and casualty insurance carrier. Changes in fixed assets (land, buildings, furniture & equipment, and vehicles) are not usually reflective of any direct impact they have on the primary operations of the District with educational programs. However, when an increase in the value of fixed assets occur, it generally means that property, buildings, and equipment are being added (or at least improved) and is one indication of the intent of management to improve our buildings and other facilities. Management is hopeful that by improving the fixed assets of the District, the result will be an improvement in the learning environment for the students to reach their educational potential.
- Current Liabilities increased by 6.68% Government Wide when compared to the same period ending June 30, 2008. Non-Major Funds account for only a small portion of the change in Current Liabilities with most of the change represented in the General Fund. An \$80,000 matching commitment of General Fund assets to purchase busses under the American Reinvestment and Recovery Act (ARRA) was responsible for most of the change in Current Liabilities. The \$80,000 match was not reflected in the final amended budget. However, the deviation from the budget was directed by the Board since the matching need became known after the final amended budget was prepared and then adopted. The Board of Education desired to reflect their commitment of the \$80,000 match in the 2008-2009 financial statements since the ARRA grant was applied for within the 2008-2009 fiscal year. Management closely monitors Current Liabilities as they relate to salaries, benefits, health insurance, and other related salary expenditures. Oversight in this area is especially important as health insurance cost for employees continues to rise disproportionately when compared to changes in most other expenditure areas. Expectations are promising that management will be able to better control health care cost following the action from the State of Michigan with the Public Employees Health Benefit Act (Public Act 106 of 2007), as well as under the Public Employee Relations Act, MCL 423.201, et seq. Public entities are now required to bid health insurance benefits which allows for the best value to be obtained, from any number of health insurance companies, for a set schedule of benefits. However, collective bargaining groups such as the Blissfield Education Association are not obligated to accept the lowest bid price for seemingly equal benefit coverage options.
- On a Government-wide basis, Non-current Liabilities were down by 3.28%. All Non-current Liabilities are reflective of the accumulation of employee's unused sick and personal leave days (\$118,787) as well as the remaining balance of the 1998 Durant School Improvement Bonds (\$57,861). Even though the 1998 Durant School Improvement Bond is disclosed as a liability of Blissfield Community School District, the annual payment to satisfy the bond payoff is transferred directly from the Michigan State Legislature as required by law.
- The portion of Government-Wide Fund Balance related to Investment in fixed assets for the period ending June 30, 2008, declined by .14% over the same period ending June 30, 2008. Again, as noted in the explanation of Non-current Assets, this is primarily a reflection of the addition or improvement in fixed assets (less accumulated depreciation) and does not necessarily reflect the Districts' ability to manage general operations for the future. For the period ending June 30, 2009, the investment in fixed assets were concentrated primarily in educational facilities. Replacement of the High School roof accounted for the significant portion of fixed asset expenditures. Both our High School and Elementary School buildings are at or near their useful life, especially with utility equipment, and will need to be addressed soon. Significant renovations or new construction options have been debated by the Board and community during the period ending June 30, 2009. A formal capital improvement plan is near completion and is scheduled to be voted on by the public in February, 2010. If approved, all three educational buildings will receive significant improvements to utility systems, windows, doors, classrooms, and other areas of the High School such as the roof and cafetorium.

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2009

- Unreserved/Undesignated Fund Balance for period ending June 30, 2009 on a Government Wide basis is up by 4.71% as compared to period ending June 30, 2008. The General Fund Unreserved/Undesignated Fund Balance decreased by \$220,514. This decrease of Fund Balance in the General Fund is of concern to management and resulted primarily from less than expected revenues. Trends of declining revenues are expected for at least the foreseeable future as well which increases management's efforts on controlling expenditures. Many risk factors could quickly erode Fund Balance levels further for the foreseeable future. The State of Michigan may impose reductions in State Aid to the District at any time during the year and has done so in the recent past. Economic indicators at both the State and National level indicate a slumping economy. Declining or at least flat enrollment is expected for the next several years. In summary, stagnant or declining revenues with increasing fixed expenditures is a combination that is unavoidable under the current economic environment and is expected to continue for the foreseeable future. Any significant financial event that may require the reduction of General Fund Balance could cause management to recommend offsetting reductions in expenditures. Continuing declining General Fund Balance could become a serious problem if not addressed while the District is financially strong. Management believes that Fund Balance in the General Fund should be protected at approximately 25% of total expenditures in order to ensure effective ongoing educational operations. The Fund Balance in the General Fund was 31.70% of total expenditures and other financing uses at the conclusion of the period ending June 30, 2009. Management understands that Unreserved Fund Balance is an important indicator of cash available for future ability to manage general educational operations.

As presented in Figure 2 below, Government-Wide Statement Of Activities, Program Revenues, and Expenses are compared for year ending June 30, 2009, with year ending June 30, 2008.

Figure 2
Changes in Net Assets (Fund Balance) from Operating Results- (in thousands of dollars)

	Total Activities Government Wide		Percentage Change
	2008	2009	2008-2009
<i>Revenues</i>			
<i>Program revenues</i>			
Charges for services	\$ 418	\$ 399	-4.55%
Operating Grants & Contributions	904	1,493	65.15%
Total Program revenues	1,322	1,892	43.12%
<i>General revenues</i>			
Local assessments (Prop. Tx, Trnsf.)	1,702	1,674	-1.65%
State allocations	9,007	7,850	-12.85%
Investment earnings	81	49	-39.51%
Miscellaneous -(Insurance Dividend)	31	21	-32.26%
Other (Transfers)	0	0	0.00%
Total General revenues	10,821	9,594	-11.34%
Total revenues & Other sources	12,143	11,486	-5.41%
<i>Expenses</i>			
Instruction	6,768	6,912	2.13%
Supporting Services	4,185	4,060	-2.99%
Capital Outlay	224	23	-89.73%
Community Services	12	6	-50.00%
Interest Expense	0	2	N/A
Other Expense	7	3	-57.41%
Depreciation (unallocated)	260	315	21.15%
Total expenses	11,456	11,321	-1.18%
<i>Change in fund balances</i>	\$ 687	\$ 165	

Note: totals may not add due to rounding

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2009

In reviewing Figure 2 above on a Government Wide basis, the following are Management's explanations and comments.

- Program revenues increased for the period ending June 30, 2009 by 43.12%. The increase is attributed primarily to additional revenues in Federal Operating Grants & Contributions, most significantly the Budget Stabilization funds received under ARRA allocations. A decision was made late in the 2008-2009 fiscal year by the State of Michigan to reduce general and unrestricted State Aid Discretionary payments by \$472,016 and replace the reduced funds with Federal Stabilization funds of the same \$472,016. The change in category resulted from State revenues being down significantly more than expected by the State of Michigan at the beginning of the fiscal 2008-2009 year and ARRA Stabilization funds being available. The net result was no reduction in the \$7,316 per student commitment by the State of Michigan for per pupil funding.
- General revenues for the period ending June 30, 2009, overall were down by 11.34%. Within the General revenue category, local assessments were down modestly by 1.65% which normally represents local property tax receipts. This decline is an indication of stagnant to falling home property values over the past year. State allocations being down 12.85% represent both the replacement Federal Stabilization funds through ARRA program as well as declining student enrollment. State allocations are paid directly on the number of students enrolled. Once again, concerns remain high over negative funding pressures at the State of Michigan and National level that could impact future revenues. Declining enrollment continues to impact per pupil State revenues and, according to demographic studies, is expected to continue for at least the next several years. Investment earnings declined by 39.51% and are expected to experience continued downward pressures going into the next fiscal year. Insurance dividends were also down by \$9,072 or 32.26%. As expected, decreases in insurance dividends were likely due to the significant claims submitted for storm damages at the beginning of the 2008-2009 fiscal year.
- Total revenues from operations for the period ending June 30, 2009 were down by 5.41% when compared to the same period ending June 30, 2008. This decrease of \$656,944 in revenue from operations is once again a trend that is not favorable in balancing expenditures with current revenues. Again, the outlook of continued slowdown for the State of Michigan shows no end in sight and will most likely translate to continued pressure on public schools to reduce or at least control operational expenditures.
- On the expense side, Instruction expenditures for the period ending June 30, 2009 increased by 2.13% when compared to the same period ending June 30, 2008. By way of contrast, Supporting Services expenditures were down by 2.99% when comparing the same periods. These two categorical results demonstrate management's philosophy to protect and even increase Instructional programs while at the same time reducing expenditures in support areas where operationally prudent. Instruction expenditures show an increase of more than \$144,000 for the period ending June 30, 2009 when compared to the period ending June 30, 2008. Rising cost of salaries, benefits, and most other educational materials contributed to the increase. Management recognizes that with declining enrollment and an unstable State of Michigan economic forecast, expenditures must be controlled in relation to expected revenues. Finishing the fiscal year ending June 30, 2009 with a decline of \$220,514 to the Fund Balance in the General Fund while increasing Instructional expenditures more than \$144,000 for the same period, is a trend that management must consider carefully if revenues continue to decline. By maintaining financial strength, management can confidently recommend increased commitment of resources to enhance instruction and promote technological initiatives. Fund Balance in the General Fund has decreased by \$581,428 over the past seven years for an average of \$83,061 per year. The practice of outspending revenues is not prudent on an ongoing basis. Continued priority and attention under the supervision of the Board will be directed to evaluating all aspects of operations in the future in order to balance expenditures with revenues whenever possible. Careful consideration will be given to all programs and parties when making expenditure reductions and/or improvements in revenues. Management recognizes that the interests of students, parents, community members, staff, and the Board must be considered when making recommendations for changes involving expenditure reductions and increases in revenue items such as fees for services that will impact the public.

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2009

- Community Services expenditures decreased by \$6,517 in the period ending June 30, 2009 when compared the period ending June 30, 2008. Community service expenditures are usually incurred within grant programs such as the Federal Migrant and Title I programs. Other Federal programs have placed a greater emphasis on allocating resources to community needs, especially after school programs. Interest expense occurred in the period ending June 30, 2009, as debt payments resumed for Blissfield's portion of the Durant School Improvement bonds. The repayment of those bonds had been delayed over the past fiscal cycle ending June 30, 2008.
- Other expenditures were down by \$4,210 or 57.14% for the fiscal year ending June 30, 2009 when compared to the period ending June 30, 2008. The decrease represents a substantial drop in taxes returned to the County for property tax value adjustments issued by the Lenawee County tax Board of Review.
- Depreciation expense does not necessarily reflect any particular direct change in actual cash for the period. Primarily, total Depreciation expense is an accounting practice of allocating a portion of past expenditures of cash on capital improvements over a specified period of time expected to be the useful life of each separate particular asset. Increases in Depreciation expense is at least an indication that the District facilities are being improved in order to provide a pleasing and safe environment for students to learn and for the use of the general community.
- Fund Balance on a Government Wide basis increased \$166,550 for the period ending June 30, 2009. Because the Government Wide Fund Balance calculation includes all funds including the Capital Project fund, management reviews and analyzes the General Fund separately in order to better evaluate direct educational operations.
- Focusing on the General Fund separately, total revenues and other sources less total expenditures and other uses resulted in a decrease in the Fund Balance in the General Fund of \$220,514. Management continues concern regarding rising fixed expenditures, especially due to the expectation of decreases in the per pupil revenue from the State of Michigan for the foreseeable future. In addition, enrollment continues to decline as mentioned earlier, which directly reduces revenues from the State as allocations are made on a per pupil basis. Management will continue to aggressively seek ways to control expenditures through continued service and supplies bidding as well as evaluation of all program operations as we have done over the year ending June 30, 2009. As always, avoiding any reductions in the direct education programs will be the primary goal of management as we focus on our mission and commitment to educational excellence.

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2009

Figure 3 below represents comparative data for period ending June 30, 2008 to the period ending June 30, 2009 for the Fiduciary Funds under management by Blissfield Community Schools. These funds are utilized for student activity accounts and for providing financial assistance to students graduating from the District who are pursuing higher education on a full time basis equal to 12 credit hours or more per semester.

Figure 3			
Fiduciary Funds-Condensed Statement of Net Assets (Fund Balance)			
<i>(in thousands of dollars)</i>			
	Fiduciary Funds		Percentage
	2008	2009	Change 2008-2009
Assets			
Cash and deposits	\$ 171	\$ 416	143.27%
Student Receivables	558	571	2.33%
Investments	813	687	-15.50%
Total assets	<u>\$ 1,542</u>	<u>\$ 1,674</u>	8.56%
Liabilities			
Due to student groups	\$ 106	\$ 293	176.42%
Due to student loan accounts	1,436	1,381	-3.83%
Total liabilities	<u>\$ 1,542</u>	<u>\$ 1,674</u>	8.56%

Note: totals may not add due to rounding

- Total assets of the Fiduciary Funds at June 30, 2009 were \$1,674,567 compared to total assets of \$1,541,301 at year ending June 30, 2008. This represents an increase in total assets of \$133,266 or approximately 8.56%. The Activities accounts portion of the Fiduciary Funds consisting of assets held for student groups accounted for the increase following a private gift to the Blissfield High School from the estate of Mary Emily Tuttle of \$174,756.94. Blissfield Community School District Student Loan Program experienced decline of assets in the Fiduciary Fund of \$54,867.
- At least 75% to 85% of all assets in the Student Loan portion of the Fiduciary Fund will continue to be invested in fixed instruments with high ratings, leaving 15% to 25% invested in Equities as an overall investment strategy. This investment strategy will continue unless the Board of Education should decide on changes in asset allocation.
- As previously noted with the settlement of the Mary Emily Tuttle estate, student group activities Cash and Deposits increased from June 30, 2008 to June 30, 2009 as can be seen in Figure 3 above. The amount of cash available for student activities is separate from the general District Governmental Activities represented on the Government-Wide financial statements represented in this report. Student activities funds do not represent any material cash value available for the general operations of the District.

Reviewing the Budgetary Comparison Schedule-General Fund shows Total revenues received were under the final budget estimate in the amount of \$124,175 or by 1.19%. The variance, while small, was due to several factors. First, management follows a budgetary practice of conservative revenue estimating, rather than a policy of overestimating, in order to protect the management philosophy of making decisions that will control expenditures related to expected revenues. However, as noted in the Government-Wide Statement of Activities, a negative adjustment of nearly \$195,000 in State Aid occurred in August 2009, after budgets were already adopted and the fiscal year ending June 30, 2009 was closed. The revenue adjustment downward was due to a reporting error by Lenawee County for Renaissance Zone qualified property that affected the 22b Discretionary Payment portion of State Aid per pupil. In addition, other minor adjustments of State Aid funding categories and some Federal program revenues could not be finally determined until late in the year following the June 30, 2009 fiscal year end date and the final approved State budget.

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2009

Actual Total Expenditures were under the final Amended Budget by \$210,820 or 2.02%. Management closely evaluates all expenditure areas when making budgetary decisions in order to do everything possible to protect the quality and variety of educational programs. Management also recognizes that expenditures must be controlled in order to maintain a fiscal policy of protecting the financial strength of the District to meet future demands for a quality and continuously improving educational system. Maintaining financial strength relies in part on having enough resources to withstand any significant, sudden, and unavoidable reduction in revenues and/or increase in expenditures. The State of Michigan has proven that revenue cuts all the way to the end of a fiscal year are not only possible, but remain very probable for the foreseeable future. Unexpected expenditures could occur at any time such as the need for a new boiler or other significant need, especially when most educational buildings of the District are at or near the end of their useful life.

Since budget amounts must be prepared in advance of the regular June Board meeting in order to comply with legal budget guidelines, a conservative approach is used because of unknown expenditures and revenues before the close of the year on June 30. Revenues generally can be calculated more closely than expenditures because there is little management decision in determining the revenue items. However, revenues and expenditures may have significant changes in the last 60 days of the fiscal year due to events outside our control. For example if a boiler or other large expense item would suddenly need to be replaced, management would need to move quickly to correct the issue.

Primarily capital assets acquired with resources within each of the funds are reported as expenses of the fund under the appropriate function. However, capital assets are not reported within the separate fund but flow and accumulate to a separate statement of Capital Assets. This statement of Capital Assets is located within this report in detail for the review and information of the reader. Capital assets acquired, depreciated, and disposed of are updated to the capital asset group of accounts. Depreciation data as well as category totals for District assets for the year ending June 30, 2009 are compared to year ending June 30, 2008 in Figure 4 below.

Figure 4
Capital Assets (net of depreciation, in thousands of dollars)

	Total Activities		Percentage Change
	Government Wide		
	2008	2009	2008-2009
Land	\$ 81	\$ 81	0.00%
Construction in progress	803	-	-100.00%
Buildings and additions	4,659	5,541	18.93%
Furniture and equipment	173	155	-10.40%
Vehicles	338	262	-22.49%
Total	<u>\$ 6,054</u>	<u>\$ 6,039</u>	-0.25%

Note: totals may not add due to rounding

- Figure 4 above shows Total Capital Assets declining only slightly by .25% for the period ending June 30, 2009, compared with the prior period ending June 30, 2008. Capital Assets totals at the end of each fiscal cycle ending June 30, are calculated net of accumulated depreciation.
- Before depreciation expense was applied, additions to Capital Assets were \$300,730 which is a sign that management is recognizing the need to continually improve facilities and the learning environment. However, depreciation expense totaled \$315,115 which exceeded the additions resulting in the net decline of \$14,385 or .25%. Improvements to all educational buildings as well as purchases of equipment are included in the increase in capital value. Management will recommend that the focus of capital expenditures over the next fiscal cycle continue to be on buildings and equipment as several buildings are at or near their useful life.

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2009

Long-term liability outstanding for the District as of June 30, 2009, for the Durant Resolution Bonds totaled \$57,861. However, these bonds are paid by a direct transfer from the State of Michigan and require no financial obligation from the general operations of the District.

Interfund Transfers are used by the District to fund certain programs or functions. The Athletic Fund was directly supported from the General Fund with \$225,000 over direct athletic revenues during the year ending June 30, 2009. The athletic fund will continue to require support by way of a General Fund Transfer for the foreseeable future based on the programs being operated. Athletic revenues and expenditures declined for the period ending June 30, 2009, over the same period ending June 30, 2008, by \$6,954 and \$36,471 respectively. The decline in expenditures resulted from \$15,501 less in equipment expenditures and the remaining reductions in several other categories. Unexpected reductions in employee benefits using a third party employer, Professional Educational Services Group (PESG), for coach's salary along with lower prices on consumables and equipment contributed to most of the remaining decline in expenditures over the prior period ending June 30, 2008. Management has operated under the philosophy that increased burden to maintain our athletic facilities should be generated primarily from the function of athletics directly or from other sources such as the Capital Project Sinking Fund. Every effort will be made by management to limit the need of taking additional money from the General Fund which is currently used for all other educational programs.

The MPSERS pension plan cost rate paid by the District was reduced during the year from 16.72% to 16.54%. The State of Michigan has lowered the MPSERS rate for the last two years by utilizing a five-year "smoothing" process to determine the rate necessary to keep the MPSERS plan fully funded. This item as well as the cost of health insurance will be watched closely going forward as both these items can have a significant impact on total expenditures in the area of employee benefits.

In summary, while the Fund Balance for the General Fund declined by \$220,514, the overall financial strength of the District has improved on a Government-wide basis. Management will continue to exercise caution with all decisions having an impact on the financial position of the District due to pessimistic future economic forecasts of the State of Michigan and expert economists. Management will focus their attention to maintain or improve the quality of our educational programs and atmosphere even with the bleak economic outlook. Careful evaluation of all expenditures over the next period will be a priority by Management while seeking to reduce expenditures where possible. New revenues from local sources such as the formation of endowments, grants, and other sources will continue to be a goal of management going forward. With fixed expenditures expected to rise again in the next accounting period ending June 30, 2010 it will be extremely important to control or reduce discretionary expenditures. Revenues are expected to decline in the next fiscal year ending June 30, 2010, which only compounds the sense of urgency to control expenditures. Enrollment is expected to continue in a decline pattern for the next several years creating additional downward pressure on revenues. In the midst of these challenging financial forecasts, Management remains committed to excellence in serving our students and community. We will continue to accomplish our goals to protect the educational programs necessary to fulfill our mission of providing a learning environment that will challenge students to become life-long learners and productive citizens.

Some chart comparison data for the prior reporting period may be different than originally reported in the prior period due to several conditions including but not limited to; new methods of reporting the same data based on Governmental Accounting Standards Board (GASB) changes, prior period adjustments after the reporting period closed, and changes in reporting methods by management intended to provide better clarity to the reader of this report.

This financial report is designed to provide a general overview of the Blissfield Community School's financial operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Daniel J. Garno
Chief Financial Officer
Blissfield Community Schools
630 South Lane Street
Blissfield, Michigan 49228
Fax: (517) 486-5701, Phone (517) 486-2205

BLISSFIELD COMMUNITY SCHOOLS

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2009

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Cash and deposits	\$ 3,220,836
Investments	317,126
Accounts receivable	1,493,040
Taxes receivable	18,310
Due from other governmental units	91,914
Prepaid expenditures	-
Inventory	<u>6,255</u>
Total Current Assets	5,147,481
Non-current Assets	
Fixed assets	14,379,098
Less: accumulated depreciation	<u>(8,339,679)</u>
Total Non-current Assets	<u>6,039,419</u>
 Total assets	 11,186,900
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	25,215
Due to other governmental units	80,000
Salaries and related payroll payables	1,125,690
Prepaid lunch sales	4,369
Deferred revenue	25,244
Current long-term liabilities	<u>118,787</u>
Total Current Liabilities	1,379,305
Non-current Liabilities	
Non-current long-term liabilities	<u>57,861</u>
Total Non-current Liabilities	<u>57,861</u>
 Total liabilities	 1,437,166
Fund Balance	
Investment in fixed assets, net of debt	5,981,558
Unreserved/Undesignated	<u>3,768,176</u>
 Total fund balances	 <u>\$ 9,749,734</u>

The accompanying notes are an integral part of these financial statements.

BLISSFIELD COMMUNITY SCHOOLS

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

	<u>Program Revenues</u>			Governmental
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 6,911,726	\$ 1,800	\$ 1,288,104	\$ (5,621,822)
Supporting services	4,059,942	396,859	205,044	(3,458,039)
Capital Outlay	22,914	-	-	(22,914)
Community services	5,735	-	-	(5,735)
Interest on long-term debt	1,576	-	-	(1,576)
Other expense	3,287	-	-	(3,287)
Depreciation (unallocated)	315,115	-	-	(315,115)
Total governmental activities	<u>\$ 11,320,295</u>	<u>\$ 398,659</u>	<u>\$ 1,493,148</u>	<u>(9,428,488)</u>
General Revenues:				
Local sources				1,673,780
State sources				7,850,315
Investment earnings				49,488
Insurance dividend				21,455
Total general revenues and transfers				<u>9,595,038</u>
Change in fund balance				166,550
Fund Balance - beginning				<u>9,583,184</u>
Fund Balance - ending				<u>\$ 9,749,734</u>

The accompanying notes are an integral part of these financial statements.

BLISSFIELD COMMUNITY SCHOOLS

GOVERNMENTAL FUND BALANCE SHEET

June 30, 2009

	General	Non-Major Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and deposits	\$ 2,751,706	\$ 469,130	\$ 3,220,836
Investments	317,126	-	317,126
Accounts receivable	1,485,002	8,038	1,493,040
Taxes receivable	18,310	-	18,310
Due from other governmental units	11,914	80,000	91,914
Prepaid expenditure	-	-	-
Inventory	-	6,255	6,255
	<u>\$ 4,584,058</u>	<u>\$ 563,423</u>	<u>\$ 5,147,481</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:			
Accounts payable	\$ 23,845	\$ 1,370	\$ 25,215
Due to other governmental units	80,000	-	80,000
Salaries and related payroll payables	1,118,754	6,936	1,125,690
Prepaid lunch sales	-	4,369	4,369
Deferred revenue	25,244	-	25,244
TOTAL LIABILITIES	<u>1,247,843</u>	<u>12,675</u>	<u>1,260,518</u>

FUND BALANCES:			
Unreserved	<u>3,336,215</u>	<u>550,748</u>	<u>3,886,963</u>
TOTAL FUND BALANCE	<u>3,336,215</u>	<u>550,748</u>	<u>3,886,963</u>
	<u>\$ 4,584,058</u>	<u>\$ 563,423</u>	<u>\$ 5,147,481</u>

Total Governmental Fund Balances \$ 3,886,963

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. 6,039,419

* Long-term liabilities are not due and payable in the current period and are not reported in the fund (176,648)
(\$63,881 relates to investment in fixed assets while the remaining \$118,663 is unreserved/unrestricted)

Net assets of governmental activities \$ 9,749,734

The accompanying notes are an integral part of these financial statements.

BLISSFIELD COMMUNITY SCHOOLS

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

Year Ended June 30, 2009

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local sources			
Property taxes	\$ 900,249	\$ 553,329	\$ 1,453,578
Food service sales	-	312,772	312,772
Athletic Admissions	-	82,778	82,778
Interest	47,552	-	47,552
Other	<u>225,247</u>	<u>-</u>	<u>225,247</u>
Total local sources	1,173,048	948,879	2,121,927
State sources	8,215,922	22,658	8,238,580
Federal sources	<u>895,123</u>	<u>189,982</u>	<u>1,085,105</u>
Total revenues	<u>10,284,093</u>	<u>1,161,519</u>	<u>11,445,612</u>
EXPENDITURES:			
Instructional	6,911,601	-	6,911,601
Supporting services	3,285,305	754,859	4,040,164
Capital outlay	18,421	305,224	323,645
Community services	5,735	-	5,735
Debt service:			
Principal	-	6,021	6,021
Interest	-	1,576	1,576
Other expense	<u>-</u>	<u>3,287</u>	<u>3,287</u>
Total expenditures	<u>10,221,062</u>	<u>1,070,967</u>	<u>11,292,029</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>63,031</u>	<u>90,552</u>	<u>153,583</u>
OTHER FINANCING SOURCES (USES):			
Incoming transfers	-	305,000	305,000
Outgoing transfers	(305,000)	-	(305,000)
Insurance dividends	<u>21,455</u>	<u>-</u>	<u>21,455</u>
Total other financing sources	<u>(283,545)</u>	<u>305,000</u>	<u>21,455</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>(220,514)</u>	<u>395,552</u>	<u>175,038</u>
FUND BALANCES:			
Beginning of year	<u>3,556,729</u>	<u>155,196</u>	<u>3,711,925</u>
End of year	<u>\$ 3,336,215</u>	<u>\$ 550,748</u>	<u>\$ 3,886,963</u>
Net Change in Fund Balances - Total Governmental Funds			\$ 175,038

Amounts reported for governmental activities in the statement of 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. (14,384)

*Change in the non-current portion of long-term debt is not reported in the governmental funds but, increases the liability in the statement of net assets. This is reported as expenditures in the district-wide statements. 5,896

Changes in net assets of governmental activities \$ 166,550

The accompanying notes are an integral part of these financial statements.

BLISSFIELD COMMUNITY SCHOOLS

FIDUCIARY FUNDS - ASSETS & LIABILITIES

June 30, 2009

	<u>Trust and Agency</u>
<u>ASSETS</u>	
Cash and deposits	\$ 416,281
Student loan receivables	571,240
Investments	<u>687,046</u>
Total assets	<u>\$ 1,674,567</u>
<u>LIABILITIES</u>	
LIABILITIES:	
Due to student groups	\$ 293,495
Due to student loan accounts	<u>1,381,072</u>
Total liabilities	<u>\$ 1,674,567</u>

The accompanying notes are an integral part of these financial statements.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic primary government financial statements of Blissfield Community Schools, Blissfield, Michigan (the School District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The more significant of the School District's accounting policies are described below.

A. Reporting entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Blissfield Community Schools and any component units. Accounting principles require that a component unit be included in the School District's reporting entity when there exists a significant operational or financial relationship with the School District. The School District had no component units at June 30, 2009, as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. All of the School District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided 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 and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized 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 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.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Property taxes received and grant and interest revenue earned within 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 School District.

The School District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the School District reports the following fund type:

Fiduciary Funds (student loan fund and student activity funds) account for assets held by the School District as an agent for other groups and organizations and is custodial in nature. Fiduciary funds are not included in the government-wide Statement of Net Assets and Statement of Activities.

Capital Projects funds (95-99 sinking fund) are used to account for financial resources to be used for the acquisition or construction of major capital facilities, major remodeling and improvements. The School District has complied with the applicable provisions of section 1212(1) of the State of Michigan School Code.

Special Revenue funds (athletic fund and school lunch fund) are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are reported at fair value based on quoted market prices.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans).

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

3. Inventories and prepaids

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the general and special revenue funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include property and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$2,500 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25 – 50
Furniture and equipment	5 – 15
Vehicles and buses	7

5. Compensated absences

Vacation and Sick Pay – Vacation days are earned by most year-round employees at rates specified under contractual provisions. Retiring/terminated employees are paid for unused accumulated vacation days. The School District's sick pay and personal leave policies allow for accumulation of up to a certain number of days depending on the employee group involved. Upon termination of employment, all accumulated sick and personal days are forfeited. It is the School District's policy to recognize the cost of such leave at the time payments are made.

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated vacation days. The liability has been calculated for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes no fringe benefits.

6. Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities on 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

6. Long-term liabilities (Continued)

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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund balance

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

II: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect results, and consists only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. All annual appropriations lapse at fiscal year end. The budgets for the General and special revenue funds are adopted on a functional basis.

B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. In the general-purpose financial statements, the School Board's actual expenditures and budgetary expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School for those budgetary funds were adopted to the functional level. During the year ended June 30, 2009, the School District did not have any expenditures exceed the apportioned amount on the approved budget.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

III: DETAILED NOTES ON ALL FUNDS

A. Cash deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Assets and Liabilities follows:

Statement of Net Assets	
Cash and cash equivalents	\$ 3,220,836
Investments	317,126
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	416,281
Investments	<u>687,046</u>
	<u>\$ 4,641,289</u>
Cash on hand	\$ -
Bank deposits (checking accounts, savings accounts and CDs)	4,324,163
Investments in corporate equity and bonds	175,905
Investments in governmental liquid asset funds	<u>141,221</u>
	<u>\$ 4,641,289</u>

State statutes authorize the School District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings account of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for the direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The School District's investment policy allows for all of these types of investments.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

III: DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash deposits and investments (Continued)

The School District chooses to disclose its investments by specifically identifying each. At June 30, 2009, the School District had the following investments.

<u>Investment:</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Bank Deposits (checking and savings)	N/A	\$ 3,637,117	N/A
Corporate debt and equities *	Various / N/A	687,046	Various
MBIA Municipal Investors Service Corp. - Class	N/A	175,905	S&P - AAAm
Michigan Liquid Asset Fund	N/A	141,221	S&P - AAAm
		<u>\$ 4,641,289</u>	

* The School District is the custodian of a student loan fund (A Fiduciary Fund), whose investments are reviewed and approved annually by the probate court of Lenawee County, Michigan.

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the School District does not have a policy for deposit custodial credit risk. As of year end, \$2,186,598 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the School District does not have a policy for investment custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

III: DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of year end for the School District consist of the following:

Intergovernmental	\$ 1,493,040
Taxes receivable	<u>18,310</u>
	<u>\$ 1,511,350</u>

The amounts due from other governmental units include amounts due from state and local sources for various projects and programs. No allowance for doubtful accounts is considered necessary.

C. Capital assets

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Reclass / Disposals	Balance June 30, 2009
<u>Assets, not being depreciated:</u>				
Land	\$ 81,000	\$ -	\$ -	\$ 81,000
Construction in process	<u>803,110</u>	<u>-</u>	<u>(803,110)</u>	<u>-</u>
Subtotal	<u>884,110</u>	<u>-</u>	<u>(803,110)</u>	<u>81,000</u>
<u>Assets being depreciated:</u>				
Buildings and improvements	11,605,064	300,730	803,110	12,708,904
Furniture and equipment	381,142	-	-	381,142
Vehicles	<u>1,208,052</u>	<u>-</u>	<u>-</u>	<u>1,208,052</u>
Subtotal	<u>13,194,258</u>	<u>300,730</u>	<u>803,110</u>	<u>14,298,098</u>
<u>Accumulated depreciation:</u>				
Buildings and improvements	6,946,088	221,837	-	7,167,925
Furniture and equipment	208,390	17,570	-	225,960
Vehicles	<u>870,086</u>	<u>75,708</u>	<u>-</u>	<u>945,794</u>
Total accumulated depreciation	<u>8,024,564</u>	<u>315,115</u>	<u>-</u>	<u>8,339,679</u>
Net assets being depreciated	<u>5,169,694</u>	<u>(14,385)</u>	<u>803,110</u>	<u>5,958,419</u>
Capital Assets - Net	<u>\$ 6,053,804</u>	<u>\$ (14,385)</u>	<u>\$ -</u>	<u>\$ 6,039,419</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated."

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

III: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term liabilities

Long-term debt and other obligations of the School District at June 30, 2009, are summarized as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Amount due in one year
1998 Durant School Improve- ment Bonds, due in annual installments of \$7,596 to \$35,852; Interest at 4.8%*	\$ 63,881	\$ -	\$ 6,020	\$ 57,861	\$ 6,307
Compensated absences	118,663	125	-	118,787	118,787
TOTAL	\$ 182,544	\$ 125	\$ 6,020	\$ 176,648	\$ 125,094

* 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.

Compensated absences are generally liquidated by the general fund.

Future principal and interest payment requirements on outstanding debt are as follows:

	Principal	Interest	Total
2010	\$ 125,094	\$ 1,290	\$ 126,384
2011	6,608	989	7,597
2012	37,694	13,352	51,046
2013	7,251	346	7,597
	<u>\$ 176,647</u>	<u>\$ 15,977</u>	<u>\$ 192,624</u>

IV: OTHER INFORMATION

A. Risk Management

The School 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 School 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.

B. Property Taxes

Property taxes are assessed as of December 31 and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on those boundaries which include property within the School District and are due on September 15.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

IV: OTHER INFORMATION (Continued)

C. Employee Retirement System – Defined Benefit Plan

Plan Description. The School District contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. The MPSERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public Schools Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling 1-800-381-5111.

Funding Policy. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. Members hired January 1, 1990 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; 4.3% of all wages over \$15,000. For members hired after July 1, 2008 the rate for over \$15,000 increased to 6.4%. Basic Plan members make no contributions. The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 16.54% of annual covered payroll. The contribution requirements of plan members and the School District are established by the MPSERS Board of Trustees. The School District's contribution to MPSERS for the years ended June 30, 2009, 2008 and 2007 were \$1,046,361, \$892,868, and \$1,296,166, respectively, equal to the required contributions for each year.

Other Post Employment Benefits. Under the MPSERS Act, all retirees have the option of continuing health, dental, and vision coverage.

D. Inter Fund Transfers

The School District's general fund transferred \$225,000 to the Athletic Fund and \$80,000 to the Capital Projects fund during the fiscal year to cover operating costs of its athletic programs and capital purchases, respectively.

BLISSFIELD COMMUNITY SCHOOLS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2009

	GENERAL FUND			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over(Under)</u>
REVENUES:				
Local sources				
Property taxes	\$ 937,000	\$ 894,510	\$ 900,249	\$ 5,739
Interest	52,500	46,707	47,552	845
Other	210,000	190,000	225,247	35,247
Total local sources	<u>1,199,500</u>	<u>1,131,217</u>	<u>1,173,048</u>	<u>41,831</u>
State sources	9,248,531	8,876,787	8,215,922	(660,865)
Federal sources	<u>391,679</u>	<u>400,264</u>	<u>895,123</u>	<u>494,859</u>
Total revenues	<u>10,839,710</u>	<u>10,408,268</u>	<u>10,284,093</u>	<u>(124,175)</u>
EXPENDITURES:				
Instructional	7,282,880	7,039,258	6,911,601	(127,657)
Supporting services	3,491,970	3,339,031	3,285,305	(53,726)
Capital outlay	39,865	35,386	18,421	(16,965)
Community services	<u>11,386</u>	<u>18,207</u>	<u>5,735</u>	<u>(12,472)</u>
Total expenditures	<u>10,826,101</u>	<u>10,431,882</u>	<u>10,221,062</u>	<u>(210,820)</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	<u>13,609</u>	<u>(23,614)</u>	<u>63,031</u>	<u>86,645</u>
OTHER FINANCING SOURCES (USES):				
Outgoing transfers	(225,000)	(225,000)	(305,000)	(80,000)
Insurance dividends	<u>18,000</u>	<u>21,355</u>	<u>21,455</u>	<u>100</u>
Total other financing sources	<u>(207,000)</u>	<u>(203,645)</u>	<u>(283,545)</u>	<u>(79,900)</u>
EXCESS (DEFICIENCY) OF REVENUES AND				
OTHER FINANCING SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER FINANCING (USES)	<u>\$ (193,391)</u>	<u>\$ (227,259)</u>	<u>(220,514)</u>	<u>\$ 6,745</u>
FUND BALANCES:				
Beginning of year			<u>3,556,729</u>	
End of year			<u>\$ 3,336,215</u>	

BLISSFIELD COMMUNITY SCHOOLS

COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2009

	Athletic Fund	School Lunch Fund	Durant Bond Fund	Capital Projects 95-99 Sinking Fund	Total
<u>ASSETS</u>					
Cash and deposits	\$ 102,186	\$ 75,325	\$ -	\$ 291,619	\$ 469,130
Accounts receivable	-	8,038	-	-	8,038
Due from other governmental units	-	-	-	80,000	80,000
Taxes receivable	-	-	-	-	-
Inventory	-	6,255	-	-	6,255
	<u>\$ 102,186</u>	<u>\$ 89,618</u>	<u>\$ -</u>	<u>\$ 371,619</u>	<u>\$ 563,423</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Salaries and related payroll payables	\$ 2,445	\$ 4,491	\$ -	\$ -	\$ 6,936
Accounts payable	264	1,106	-	-	1,370
Prepaid lunch sales	-	4,369	-	-	4,369
TOTAL LIABILITIES	2,709	9,966	-	-	12,675
FUND BALANCES:					
Unreserved/Undesignated	99,477	79,652	-	371,619	550,748
TOTAL FUND BALANCE	99,477	79,652	-	371,619	550,748
	<u>\$ 102,186</u>	<u>\$ 89,618</u>	<u>\$ -</u>	<u>\$ 371,619</u>	<u>\$ 563,423</u>

BLISSFIELD COMMUNITY SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2009

	Athletic Fund	School Lunch Fund	Durant Bond Fund	Capital Projects 95-99 Sinking Fund	Total
REVENUES:					
Local sources					
Property taxes	\$ -	\$ -	\$ -	\$ 553,329	\$ 553,329
Food service sales	-	312,772	-	-	312,772
Athletic admissions	82,778	-	-	-	82,778
Total local sources	82,778	312,772	-	553,329	948,879
State sources	-	34,839	7,597	-	42,436
Federal sources	-	189,982	-	-	189,982
Total revenues	82,778	537,593	7,597	553,329	1,181,297
EXPENDITURES:					
Support services	261,177	513,460	-	-	774,637
Capital outlay	23,588	8,350	-	273,286	305,224
Debt service:					
Principal	-	-	6,021	-	6,021
Interest	-	-	1,576	-	1,576
Other expense	-	-	-	3,287	3,287
Total expenditures	284,765	521,810	7,597	276,573	1,090,745
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(201,987)	15,783	-	276,756	90,552
OTHER FINANCING SOURCES (USES):					
Incoming transfers	225,000	-	-	80,000	305,000
Total other financing sources	225,000	-	-	80,000	305,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	23,013	15,783	-	356,756	395,552
FUND BALANCES:					
Beginning of year	76,464	63,869	-	14,863	155,196
End of year	\$ 99,477	\$ 79,652	\$ -	\$ 371,619	\$ 550,748