

BLISSFIELD COMMUNITY SCHOOLS



COMMITMENT TO EXCELLENCE
Annual Financial Statements
June 30, 2011

BLISSFIELD COMMUNITY SCHOOLS
Blissfield, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the 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, 2011, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Blissfield Community Schools' management. 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 management, 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, 2011, 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.

As described in Notes I and IV (D) to the financial statements, the district implemented Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2011 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 budgetary comparison information identified in the table of contents as pages 3 through 12 and 27 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 as pages 28 and 29, 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.

Kross, Puckey, Ahul & Roof, P.C.

Adrian, Michigan
October 10, 2011

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The Management's discussion and analysis, a requirement of GASB 34, is intended to be the Blissfield Community Schools' Management Discussion and Analysis (MD&A) of the financial results for the year ended June 30, 2011. 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), and 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. In addition, GASB 54 now requires the recognition of Fund Balance to be recognized in categories based on the level of legal restriction and are as follows: Nonspendable, Restricted, Committed, Assigned, and Unassigned. Only the Unassigned portion of Fund Balance in the General Fund is available to be spent in future accounting cycles without restriction.

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, 2011, 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, for the period ending June 30, 2011, the District utilized several major Funds for reporting, operational, and capital improvement purposes as follows: General Fund, Capital Project Sinking Fund (2010-2020)/Bond Fund. One non-major Fund consisting of the School Lunch Fund was used to report food service activities. 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.

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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.

Beginning with the Government-Wide Condensed Statement of Net Assets, Assets, Liabilities, and Fund Balance are compared from year ending June 30, 2010 with year ending June 30, 2011, 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 2010-2011
	2010	2011	2010	2011	2010	2011	
Current Assets	\$ 4,731	\$ 4,784	\$ 725	\$ 4,357	\$5,456	\$ 9,141	67.54%
Noncurrent Assets	-	-	6,093	7,772	6,093	7,772	27.56%
Total assets	4,731	4,784	6,818	12,129	11,549	16,913	46.45%
Current Liabilities	1,223	1,272	6	37	1,229	1,309	6.51%
Noncurrent Liabilities	-	-	160	5,135	160	5,135	3109.38%
Total liabilities	1,223	1,272	166	5,172	1,389	6,444	363.93%
Fund Balance							
Investment in Fixed assets	-	-	5,933	2,637	5,933	2,637	-55.55%
Other							
Nonspendable	-	-	-	7	-	7	N/A
Restricted	-	-	720	203	720	203	N/A
Committed	-	1,533	-	4,110	-	5,643	N/A
Assigned	-	-	-	-	-	-	N/A
Unassigned	3,508	1,979	-	-	3,508	1,979	N/A
Total Other	3,508	3,512	720	4,320	4,228	7,832	123.26%
Total Fund balances	\$ 3,508	\$ 3,512	\$ 6,653	\$ 6,957	\$ 10,161	\$ 10,469	10.89%

Note: totals may not add due to rounding

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

- In review of Total Government-Wide comparison, Current Assets increased by 67.54% for the fiscal year ending June 30, 2011, when compared to the prior year ending June 30, 2010. Increases in Current Assets on a Government-Wide basis are positive. However, the significant portion of increase Government-Wide is directly related to cash available for capital improvements in the Capital Project Sinking Fund and the 2011 Qualified School Construction Bond (QSCB) Fund. Construction projects are in progress to essentially spend most, if not all, of the \$3,378,489 of cash remaining in the 2011 Bond Fund by June 30, 2012. The Capital Project Sinking Fund has been designated by the Board of Education to provide principal repayment of the \$5,000,000 Bond purchased under the 2011 QSCB Bond program. If the Capital Project Sinking Fund should fall short of providing adequate cash to make annual principal and interest payments, the General Fund will be required to fund the remainder of the

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payment. The Board of Education has acted to Commit \$1,000,000 of the Fund Balance General Fund for the purpose of capital improvements. With declining property values, Headlee Rollback provisions, and a warning from the State of Michigan regarding the possible loss of Capital Project Sinking Fund personal property tax collection for Blissfield Schools of more than \$65,000 annually, it is very possible that the General Fund may be partially funding QSCB Bond payments as early as the fiscal year ending June 30, 2012. If property values continue to decline at the rate experienced recently for even the next couple of years, it would be reasonable to anticipate spending all of the \$1,000,000 Committed Fund Balance in the General Fund to repay the QSCB Bond over the next nine years. Looking closer at the General Fund, cash and cash equivalents (Current Assets) were relatively flat, increasing by \$52,316 or 1.11%. 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. Management concerns remain high as reductions in future State revenues are likely due to continued decline of Michigan's economy, property value decline, 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.

- Several major construction projects District-wide (new roofs, new boilers for all three educational buildings, new windows at the High School, other improvements) were either completed or in progress as of June 30, 2011, and funded primarily by proceeds from the QSCB Bond sold during the year. As a result of \$2,249,386 being spent from all Funds on capital improvements throughout the District, Non-current Assets increased by 26.47% when comparing period ending June 30, 2011 to same period for 2010. Changes in the Non-current Asset category reflect activities primarily in the fixed assets (net of accumulated depreciation) of the District. 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 6.51% Government-Wide when compared to the same period ending June 30, 2010. 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. 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 and State mandated retirement plan cost for employees continues to rise disproportionately when compared to changes in most other expenditure areas. However, new State laws imposing caps on health care Plan cost paid by the District will at least restrict cost increases once the current Collective Bargaining Agreement with the Blissfield Education Association (BEA) expires on August 24, 2012. The BEA is the District's largest employee group with health Plan costs paid by the District now "capped" under the current Collective Bargaining Agreement, but at higher caps than mandated by the new State law. Additionally, public entities are now required to bid health insurance benefits which allow 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 BEA are not obligated to accept the lowest bid price for seemingly equal benefit coverage options.
- On a Government-wide basis, Non-current Liabilities were up by 3,109%. Most Non-current Liabilities are reflective of the Long-term Liability of the District to repay the remaining \$4,555,000 of the \$5,000,000 initial QSCB Bond purchase during the period ending. Principal and interest payments will continue over the next nine years. The remaining Non-current Liability reflects the accumulation of employee's unused sick and personal leave days (\$114,644) as well as the remaining balance of the 1998 Durant School Improvement Bonds (\$44,945). 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.

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- Fund Balance (all categories including Nonspendable, Restricted, Committed, Assigned, and Unassigned) for period ending June 30, 2011 on a Government-Wide basis is up by 123.26% as compared to period ending June 30, 2010. Separate Other Fund Balance categories are listed as N/A when comparing the Government Wide Percent Change as the separate Other categories were not presented in the Financial Statements for the period ending June 30, 2010. Nearly all of the Fund Balance increase Government-wide was due to current assets remaining and available for use in the QSCB Bond group of accounts. As mentioned earlier, the QSCB current assets available (cash) are restricted for the improvement of fixed assets (buildings and equipment) and are not available for servicing general operations. However, Management has relied in part on expected savings in energy from improved efficiencies of the buildings, to budget expenditure reductions in the General Fund for the period ending June 30, 2012. Total Fund Balance in the General Fund for the period ending June 30, 2011 remained flat as the period ended with a change in Fund Balance of only \$4,245 or .04% of expenditures. When considering "one-time" revenue and expenditure reduction items including \$54,409 increase over budget, in Special Education Transfers from the Lenawee Intermediate School District (LISD), property tax collection adjustments for prior accounting periods totaling \$26,595, LISD Project Lead the Way Grant of \$32,000, and \$25,370 in local donations, the actual operational results of the General Fund would arguably have demonstrated deficit spending for the 2010-2011 fiscal year of -\$133,829. The LISD Special Education Transfer increase resulted from American Recovery and Reinvestment Act (ARRA) County-wide Grants in the period ending June 30, 2011 that will not be continuing in the next accounting cycle. Trends of declining State revenues are expected for at least the foreseeable future 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 continued slumping economy. Declining or at least flat enrollment for Blissfield Community School District 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 Fund Balance in the General Fund could become a serious problem if not addressed while the District is financially strong. Management believes that "Unassigned" Fund Balance in the General Fund should be protected at approximately 25% of total expenditures in order to ensure effective ongoing educational operations. The Unassigned Fund Balance in the General Fund, less Committed Fund Balance of \$1,532,784.97 (\$1,000,000 for capital expenditures, \$99,477 for track resurfacing, and \$433,308 remaining to repay the State of Michigan for State Aid overpayments) is \$1,979,308 or 19.10% of total Expenditures and Other Financing Uses at the conclusion of the period ending June 30, 2011. Management understands that only the "Unassigned" Fund Balance can be relied upon as an indication of available resources for future designation to general educational operations.

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2011

As presented in Figure 2 below, Government-Wide Statement of Activities, Program Revenues, and Expenses are compared for year ending June 30, 2010, with year ending June 30, 2011.

Figure 2			
Changes in Net Assets (Fund Balance) from Operating Results- (in thousands of dollars)			
	Total Activities Government Wide		Percentage Change
	2010	2011	2010-2011
<i>Revenues</i>			
<i>Program revenues</i>			
Charges for services	\$365	\$349	-4.38%
Operating Grants & Contributions	2,013	1,706	-15.25%
Capital Grants & Contributions	-	-	
Total Program revenues	2,378	2,055	-13.58%
<i>General revenues</i>			
Local assessments (Prop. Tx, Trnsf.)	1,884	1,935	2.71%
State allocations	7,462	7,451	-0.15%
Investment earnings	27	98	262.96%
Miscellaneous -(Insurance Dividend)	18	15	-16.67%
Other (Transfers)	0	0	0.00%
Total General revenues	9,391	9,499	1.15%
Total revenues & Other sources	11,769	11,554	-1.83%
<i>Expenses</i>			
Instruction	6,895	6,949	0.78%
Supporting Services	4,000	3,646	-8.85%
Capital Outlay	104	305	193.27%
Community Services	3	-	-100.00%
Interest Expense	1	1	0.00%
Other Expense	4	14	250.00%
Depreciation (unallocated)	350	331	-5.43%
Total expenses	11,357	11,246	-0.98%
<i>Change in fund balances</i>	\$412	\$308	

Note: totals may not add due to rounding

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

- Program Revenues decreased for the period ending June 30, 2011 by \$322,624 or -13.58%. The decrease is primarily a result of declining revenues in Federal Operating Grants & Contributions, most significantly the ARRA Grant allocations. State Aid per pupil would have actually been down further by \$151,513 if this lost funding was not restored by the ARRA Stabilization Grant funds to the State of

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Michigan. As of June 30, 2011, Federal Stabilization funds are expired and are not expected to be replaced with another funding source for the 2011-2012 fiscal year.

- General revenues for the period ending June 30, 2011, overall were up by \$107,858 or 1.15%. As pointed out earlier with "one-time" revenue receipts, \$50,600 of the increase was from Local sources. Nearly all of the remaining increase resulted from Investment earnings that have no impact on improvement in the General Fund. This is because the increase in Investment earnings resulted from interest earned on reserve cash in the QSCB Bond group of accounts during the period. Again, all QSCB activity and available funds must be spent on capital improvements only. The most significant increase in the Local sources category was in Special Education transfers from the LISD which was \$54,409 over the final budget. Many public school districts in Lenawee County chose to reimburse a portion of their routine Special Education expenditures from one or more Federal ARRA IDEA grants that were provided through the LISD. As a result, more of the general LISD Special Education transfer fund (from a Lenawee County Special Education tax millage) was available for the districts that did not seek reimbursement from ARRA Grant funds. Blissfield Community School District did not utilize Federal ARRA IDEA grants to offset routine Special Education expenditures. Most all ARRA IDEA grant funds have expired as of the fiscal year ending June 30, 2011. 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. Flat to 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 on General Fund reserves and are expected to experience continued downward pressures going into the next fiscal year.
- Total revenues from operations for the period ending June 30, 2011 were down by -1.83% when compared to the same period ending June 30, 2010. Even with the Local "one-time" revenue sources mentioned earlier, combined with Federal "one-time" revenue sources through ARRA grant funding, total Program Revenues were still down. Declining State revenues is a trend that is not favorable in balancing expenditures with revenues for future fiscal year cycles. It is not expected that Federal sources of revenue will continue, especially when these revenues were awarded with caution from both the Federal and State agencies as "one-time" sources. 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.
- Instruction expenditures for the period ending June 30, 2011 increased by .78% when compared to the same period ending June 30, 2010. By way of contrast, Supporting Services expenditures were down by -\$353,996 or -8.85% when comparing the same periods. Maintaining Instructional expenditures demonstrates management's philosophy to protect Instructional programs, even in a declining revenue climate. Continuing to reduce expenditures in support areas, where operationally prudent, may be necessary if overall enrollment and revenues continue to decline. Management recognizes that with declining enrollment and an unstable State of Michigan economic forecast, expenditures must be controlled in relation to expected revenues. By maintaining financial strength, management can confidently recommend continued commitment of resources to enhance instruction and promote technological initiatives. Again, when excluding the "one-time" revenue or expenditure reduction items that positively impacted the General Fund operational results, the General Fund would have shown deficit spending of -\$133,829 for the 2010-2011 fiscal year. Management's continued priority and attention in the future, under the supervision of the Board, will be focused on evaluating all aspects of operations 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.

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- Community Services and Interest expenditures showed little change in the period ending June 30, 2011 when compared the period ending June 30, 2010. Community service expenditures are usually incurred within grant programs such as the Federal Migrant and Title I programs. Interest expense occurred in the period ending June 30, 2011, in the amount of \$989 on debt payments for Blissfield Community School District's portion of the Durant School Improvement bonds.
- Other expenditures were up by \$10,506 for the fiscal year ending June 30, 2011 when compared to the period ending June 30, 2010. The increase primarily represents tax collections that are returned to Lenawee 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.
- Total Fund Balance on a Government-Wide basis increased \$308,369 for the period ending June 30, 2011. Because the Government-Wide Fund Balance calculation includes all funds including the Capital Project Sinking Fund, management reviews and analyzes the General Fund separately in order to better evaluate direct educational operations. 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 is flat at best, with continued pressure to decline. Declining enrollment would directly reduce 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, 2011. As always, avoiding any reductions in the direct education programs will be the primary goal of management, under the direction of the Board, as we focus on our mission and commitment to educational excellence.

Figure 3 below represents comparative data for period ending June 30, 2010 to the period ending June 30, 2011 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) (in thousands of dollars)				
	Fiduciary Funds		Percentage	
	2010	2011	Change	
Assets				
Cash and deposits	\$ 412	\$ 332	-19.42%	
Student Receivables	587	607	3.41%	
Investments	746	906	21.45%	
Total assets	1,745	1,845	5.73%	
Liabilities				
Due to student groups	301	306	1.66%	
Due to student loan accounts	1,444	1,540	6.65%	
Total liabilities	\$ 1,745	\$1,846	5.79%	

Note: totals may not add due to rounding

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- Total assets of the Fiduciary Funds at June 30, 2011, were \$1,845,946 compared to total assets of \$1,744,626 at year ending June 30, 2010, a 5.73% increase. The Activities accounts portion of the Fiduciary Funds consisting of assets held for student groups accounted for only \$5,491 of the increase. Blissfield Community School District Student Loan Program experienced an increase of assets in the Fiduciary Fund of \$95,829. The increase in the Student Loan Program is very positive, especially considering the downward pressures on investment returns under the current economic climate.
- 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.
- The amount of cash available for student activities and student loans is separate from the general District Governmental Activities represented on the Government-Wide financial statements represented in this report. Student activities funds and the Blissfield Community School District Student Loan Program funds do not represent any material cash value available for the general operations of the District.

The Budgetary Comparison Schedule-General Fund, shows total revenues received were over the final budget estimate in the amount of \$66,581 or by -.65%. The increase was due primarily to two "one-time" revenue items mentioned earlier which included Special Education Transfers from the LISD over the final Amended Budget by \$54,409, and property tax collection adjustments for prior accounting periods totaling \$26,595.

Management follows a budgetary practice of conservative revenue estimating, rather than a policy of overestimating, in order to guide decisions that will control expenditures related to expected revenues. Actual Total Expenditures were under the final Amended Budget by -\$139,415 or -1.35%. Management closely evaluates all expenditure areas when making budgetary recommendations in order to best reflect protection of 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. With capital improvement funding from the Capital Project Sinking Fund committed for the next nine years, Management believes that financial reserves are important to maintain at current levels if possible, to guard against any sudden and significant expenditure having a negative impact on educational programs.

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. The "one-time" revenue and expenditure reduction items mentioned throughout this Management Discussion and Analysis are examples of items that could have either a positive or negative impact on final financial results for the period ending June 30.

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, 2010 are compared to year ending June 30, 2011 in Figure 4 below.

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Figure 4

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

	Total Activities Government Wide		Percentage Change
	2010	2011	2010-2011
Land	\$ 81	\$ 81	0.00%
Construction in progress	0	1,026	209,287.76%
Buildings and additions	5,510	6,024	9.33%
Furniture and equipment	138	128	-7.25%
Vehicles	365	447	22.47%
Total	<u>\$6,094</u>	<u>\$7,706</u>	26.44%

Note: totals may not add due to rounding

- Figure 4 above shows Total Capital Assets improving by 26.44% for the period ending June 30, 2011, compared with the prior period ending June 30, 2010. 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 \$1,944,687 which is a sign that the Board and Management are recognizing the need to continually improve facilities and the learning environment. Depreciation expense for the period ending June 30, 2011 totaled \$331,348 which offsets a portion of the increase to the Capital Asset group of accounts. Improvements to all educational buildings as well as the purchase of vehicles and equipment are included in the increase of capital value.

Long-term liability outstanding for the District as of June 30, 2011, for the Durant School Improvement Bonds totaled \$51,533. 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.

Every effort will be made by Management to limit the need to increase General Fund support for athletic expenditures over the level of support already being provided by the General Fund for athletic programs. The General Fund is currently used for all other educational programs. With the Athletic Fund being dissolved as of July 1, 2010, Management recommends continuing to restrict the amount of Fund Balance that was in the Athletic Fund before being dissolved, as of July 1, 2009 (\$99,477), through the "Committed" portion of the Fund Balance in the General Fund by way of the Resolution of the Board of Education in the 2010-2011 fiscal year. In addition, Management recommends continuing to restrict \$1,000,000 of the Fund Balance in the General Fund as "Committed" for the possible need to make the QSCB principal and interest payments over the next nine years.

The MPSERS pension plan cost rate paid by the District was increased during the year from 16.94% to 20.66%. Poor performance in the equity market and overall National economy has caused the need to increase the employer MPSERS contribution not only during the 2010-2011 fiscal year, but the State of Michigan has announced that additional increases during the 2011-2012 fiscal year are likely. 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.

BLISSFIELD COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

In summary, 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. Federal sources of "one-time" revenues are likely to come to an end, with the expiration of the ARRA grant programs, at the conclusion of the 2010-2011 fiscal year. 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, 2012, it will be extremely important to control or reduce discretionary expenditures. Revenues are expected to decline in the next fiscal year ending June 30, 2012, which only compounds the sense of urgency to control expenditures. Enrollment is expected to continue in a flat to declining 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 District'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

BASIC FINANCIAL STATEMENTS

BLISSFIELD COMMUNITY SCHOOLS

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and deposits	\$ 2,218,568
Investments	1,944,529
Accounts receivable	1,554,499
Taxes receivable	18,310
Due from other governmental units	20,348
Restricted investments - capital projects	3,378,489
Inventory	6,529
TOTAL CURRENT ASSETS	9,141,272
NONCURRENT ASSETS:	
Deferred charges, net of amortization	65,565
Fixed assets	16,722,942
Less: accumulated depreciation	<u>(9,016,519)</u>
TOTAL NONCURRENT ASSETS	7,771,988
TOTAL ASSETS	\$ 16,913,260
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:	
Accounts payable	\$ 222,571
Salaries and related payroll payables	1,035,211
Prepaid lunch sales	5,038
Deferred revenue	46,190
Current long-term obligations	<u>519,979</u>
TOTAL CURRENT LIABILITIES	1,828,989
NONCURRENT LIABILITIES:	
Noncurrent long-term obligations	<u>4,615,175</u>
TOTAL NONCURRENT LIABILITIES	4,615,175
TOTAL LIABILITIES	6,444,164
NET ASSETS:	
Invested in capital assets, net of related debt	6,535,302
Restricted for special revenue (food service)	202,766
Unrestricted	<u>3,731,028</u>
TOTAL NET ASSETS	10,469,096
TOTAL LIABILITIES AND NET ASSETS	\$ 16,913,260

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

BLISSFIELD COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	<u>Program Revenues</u>			Governmental Activities
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 6,948,716	\$ 1,680	\$ 1,410,039	\$ (5,536,997)
Supporting services	3,645,967	347,394	296,400	(3,002,173)
Capital Outlay	304,699	-	-	(304,699)
Interest on long-term debt	989	-	-	(989)
Other expense	14,136	-	-	(14,136)
Depreciation (unallocated)	331,348	-	-	(331,348)
Total governmental activities	<u>\$ 11,245,855</u>	<u>\$ 349,074</u>	<u>\$ 1,706,439</u>	<u>(9,190,342)</u>
General Revenues:				
Local sources				1,934,676
State sources				7,450,989
Investment earnings				97,826
Insurance dividend				<u>15,220</u>
Total general revenues and transfers				<u>9,498,711</u>
CHANGE IN NET ASSETS				308,369
NET ASSETS , beginning of year				<u>10,160,727</u>
NET ASSETS , end of year				<u>\$ 10,469,096</u>

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

BLISSFIELD COMMUNITY SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2011

	General	Capital Project Sinking Fund	2011 Capital Project Fund	Non-Major Funds	Total Governmental Funds
<u>ASSETS</u>					
ASSETS:					
Cash and deposits	\$ 1,262,125	\$ 744,897	\$ -	\$ 211,546	\$ 2,218,568
Investments	1,944,529	-	-	-	1,944,529
Accounts receivable	1,546,733	-	-	7,766	1,554,499
Taxes receivable	18,310	-	-	-	18,310
Due from other governmental units	11,914	8,434	-	-	20,348
Restricted investments - capital projects	-	-	3,378,489	-	3,378,489
Inventory	-	-	-	6,529	6,529
TOTAL ASSETS	\$ 4,783,611	\$ 753,331	\$ 3,378,489	\$ 225,841	\$ 9,141,272
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ 211,957	\$ -	\$ -	\$ 10,614	\$ 222,571
Salaries and related payroll payables	1,034,317	-	-	894	1,035,211
Prepaid lunch sales	-	-	-	5,038	5,038
Deferred revenue	25,244	20,946	-	-	46,190
TOTAL LIABILITIES	1,271,518	20,946	-	16,546	1,309,010
FUND BALANCES:					
Nonspendable:					
Inventories	-	-	-	6,529	6,529
Restricted for:					
Food service	-	-	-	202,766	202,766
Capital projects	-	732,385	3,378,489	-	4,110,874
Committed for:					
Capital projects	1,000,000	-	-	-	1,000,000
Subsequent year expenditures	533,414	-	-	-	533,414
Assigned	-	-	-	-	-
Unassigned	1,978,679	-	-	-	1,978,679
TOTAL FUND BALANCES	3,512,093	732,385	3,378,489	209,295	7,832,262
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,783,611	\$ 753,331	\$ 3,378,489	\$ 225,841	\$ 9,141,272

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

BLISSFIELD COMMUNITY SCHOOLS

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
 FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
 GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
Year Ended June 30, 2011

Total governmental fund balances		\$ 7,832,262
Amounts reported for governmental activities in the statement of net assets are different because:		
Value of amortized bond issuance costs	72,850	
Accumulated Amortization	<u>(7,285)</u>	
		65,565
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of capital assets is	16,722,942	
Accumulated depreciation is	<u>(9,016,519)</u>	
		7,706,423
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Long-term debt obligations	(5,020,510)	
Compensated absences	<u>(114,644)</u>	
		<u>(5,135,154)</u>
Change in net assets of governmental activities		\$ <u>10,469,096</u>

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

BLISSFIELD COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUND
 Year Ended June 30, 2011

	General	Capital Project Sinking Fund	2011 Capital Project Fund	Non-Major Funds	Total Governmental Funds
REVENUES:					
Local sources					
Property taxes	\$ 911,388	\$ 544,233	\$ -	\$ -	\$ 1,455,621
Food service sales	-	-	-	255,744	255,744
Interest	15,452	-	82,374	-	97,826
Athletic Admissions	91,650	-	-	-	91,650
Other	480,735	-	-	-	480,735
Total local sources	1,499,225	544,233	82,374	255,744	2,381,576
State sources	8,060,238	-	-	32,287	8,092,525
Federal sources	793,193	-	-	271,710	1,064,903
Total revenues	10,352,656	544,233	82,374	559,741	11,539,004
EXPENDITURES:					
Instructional	6,942,346	-	-	-	6,942,346
Supporting services	3,165,792	-	-	480,175	3,645,967
Capital outlay	255,493	10,095	1,983,619	179	2,249,386
Debt service:					
Principal	-	-	-	6,608	6,608
Interest	-	-	-	989	989
Bond issuance costs	-	-	72,850	-	72,850
Other expense	-	4,136	-	-	4,136
Total expenditures	10,363,631	14,231	2,056,469	487,951	12,922,282
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,975)	530,002	(1,974,095)	71,790	(1,383,278)
OTHER FINANCING SOURCES (USES):					
Incoming transfers	-	-	379,734	-	379,734
Outgoing transfers	-	(379,734)	-	-	(379,734)
Proceeds from sale of bonds	-	-	5,000,000	-	5,000,000
Discount on sale of bonds	-	-	(27,150)	-	(27,150)
Insurance dividends	15,220	-	-	-	15,220
Total other financing sources	15,220	(379,734)	5,352,584	-	4,988,070
NET CHANGE IN FUND BALANCES	4,245	150,268	3,378,489	71,790	3,604,792
FUND BALANCES:					
Beginning of year, as restated	3,507,848	582,117	-	137,505	4,227,470
End of year	\$ 3,512,093	\$ 732,385	\$ 3,378,489	\$ 209,295	\$ 7,832,262

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

BLISSFIELD COMMUNITY SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BLANACES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances total governmental funds \$ 3,604,792

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.

Depreciation expense	(331,348)
Capital outlay	1,944,687

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on 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. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from the issuance of bonds	(5,000,000)
Payments on other long term debt	6,608
Bond issuance costs	72,850
Discount on issuance of bonds	27,150
Amortization of bond issuance costs	(2,715)
Amortization of bond discount	(7,285)

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	108,274
Accrued compensated absences and termination benefits, end of the year	<u>(114,644)</u>

Change in net assets of governmental activities \$ 308,369

BLISSFIELD COMMUNITY SCHOOLS

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES

June 30, 2011

	<u>Trust and Agency</u>
<u>ASSETS</u>	
Cash and deposits	\$ 332,203
Student loan receivables	607,342
Investments	<u>906,401</u>
Total assets	<u>\$ 1,845,946</u>
<u>LIABILITIES</u>	
Due to student groups	\$ 306,139
Due to student loan accounts	<u>1,539,807</u>
Total liabilities	<u>\$ 1,845,946</u>

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

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Blissfield Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting entity

The Blissfield Community Schools (the "District") is governed by the Blissfield Community School's Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements 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 activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges 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*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The District does not allocate indirect costs.

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

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

Governmental funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The 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.

The *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.

The *2011 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The 2011 capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the capital projects fund. The projects for which the 2010 Serial Bonds were issued were in process as of June 30, 2011 and the cumulative expenditures recognized for the construction period were as follows.

The following is a summary of the revenue and expenditures for the capital projects bond activity since inception:

Revenue and other financing sources	<u>\$ 5,055,224</u>
Expenditures	<u>\$ 2,056,469</u>

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Additionally, the School District reports the following fund types:

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.

Special Revenue funds (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.

The *debt service fund* - Durant accounts for the resources accumulated and payments made for principal and interest on long-term limited obligation debt as a result of the Durant settlement.

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.

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

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.

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.

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.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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).

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.

BLISSFIELD COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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.

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. 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.

8. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

	<u>Fund</u>	<u>Mills</u>
General fund:		
Non-Principal Residence Exemption (PRE)		18.00
Commercial Personal Property		6.00
Capital projects sinking fund:		
PRE, Non-PRE, Commercial Personal Property		1.75

9. Fund Balance

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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

Nonspendable fund balance - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Debt Service and Food Service fund balance is considered restricted.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

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, 2011, 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, 2011

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	\$ 2,218,568
Investments	1,944,529
Restricted investments – capital projects	3,378,489
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	332,203
Investments	906,401
	<u>\$ 8,780,190</u>
Cash on hand	\$ -
Bank deposits (checking accounts, savings accounts and CDs)	3,946,944
Investments in government backed Securities	2,888,718
Investments in corporate equity and bonds	1,802,923
Investments in governmental liquid asset funds	141,605
	<u>\$ 8,780,190</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, 2011

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	\$ 3,040,543	N/A
Corporate debt and equities *	Various	906,401	Various
MBIA Municipal Investors Service Corp. - Class	N/A	1,802,923	S&P – AAAM
U.S. Agencies:			
Government Backed Securities	N/A	2,888,718	S&P – AAAM
Michigan Liquid Asset Fund	N/A	141,605	S&P – AAAM
		<u>\$ 8,780,190</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, \$1,274,973 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, 2011

III: DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

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

Intergovernmental	\$	1,554,499
Taxes receivable		18,310
	\$	1,572,809

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, 2011 was as follows:

	Balance June 30, 2010	Additions	Reclass / Disposals	Balance June 30, 2011
<u>Assets, not being depreciated:</u>				
Land	\$ 81,000	\$ -	\$ -	\$ 81,000
Construction in process	-	1,025,734	-	1,025,734
Subtotal	81,000	1,025,734	-	1,106,734
<u>Assets being depreciated:</u>				
Buildings and improvements	12,909,644	747,126	-	13,656,770
Furniture and equipment	381,142	7,733	-	388,875
Vehicles	1,411,569	164,094	5,100	1,570,563
Subtotal	14,702,355	918,953	5,100	15,616,208
<u>Accumulated depreciation:</u>				
Buildings and improvements	7,399,799	231,873	-	7,631,671
Furniture and equipment	243,530	17,573	-	261,103
Vehicles	1,046,942	81,904	5,100	1,123,746
Total accumulated depreciation	8,690,271	331,350	5,100	9,016,520
Net assets being depreciated	6,012,084	587,603	-	6,599,739
Capital Assets - Net	\$ 6,093,084	\$ 1,613,337	\$ -	\$ 7,706,422

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, 2011

III: DETAILED NOTES ON ALL FUNDS (Concluded)

D. Long-term liabilities

Long-term debt and other obligations of the School District at June 30, 2011, are summarized as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amount due in one year
1998 Durant School Improvement Bonds, due in annual installments of \$7,596 to \$35,852; Interest at 4.8%*	\$ 51,553	\$ -	\$ 6,608	\$ 44,945	\$ 37,694
2011 Qualified School Construction Bonds, due in annual installments to the sinking fund ranging from \$445,000 to \$570,000; Payoff at the end of the bond term May 2020; Interest at 5.5%	-	5,000,000	-	5,000,000	-
Compensated absences	108,274	6,370	-	114,644	20,000
Discount on bond issuance	-	(27,150)	(2,715)	(24,435)	(2,715)
TOTAL	<u>\$159,827</u>	<u>\$4,979,220</u>	<u>\$ 3,893</u>	<u>\$ 5,135,154</u>	<u>\$ 54,979</u>

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

Compensated absences are generally liquidated by the general fund.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 37,694	\$ 288,352	\$ 288,352
2013	7,251	275,345	275,345
2014	-	275,000	275,000
2015	-	275,000	275,000
2016-2020	5,000,000	1,375,000	6,375,000
Total	<u>5,044,945</u>	<u>2,488,697</u>	<u>7,088,643</u>
Discount on bond issuance	(24,435)	-	(24,435)
Accumulated compensated absences	<u>114,644</u>	<u>-</u>	<u>114,644</u>
	<u>\$ 5,135,154</u>	<u>\$ 2,488,697</u>	<u>\$ 7,178,852</u>

The above interest payments do not include the interest credit on the qualified school construction bond (QSCB). See page 36 for a complete schedule showing the QSCB credit.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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. 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.

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account

The current rate is 20.66% 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, 2011, 2010 and 2009 were \$1,059,945, \$1,041,899, and \$1,046,361, 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.

C. Subsequent Events

In preparing these financial statements, the district has evaluated events and transactions for potential recognition or disclosure through October 10, 2011, the date the financial statements were available to be issued.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

IV: OTHER INFORMATION (Concluded)

D. Fund Balance Reclassification

Beginning July 1, 2010, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, the athletic activities are now included in the general fund rather than a separate fund. The reclassification of the beginning fund balance is as follows:

	<u>General Fund</u>
Fund balance, as previously stated	\$ 3,408,371
Adoption of GASB 54 (athletic fund balance)	<u>99,477</u>
Fund balance, as restated	\$ <u>3,507,848</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

BLISSFIELD COMMUNITY SCHOOLS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2011

	GENERAL FUND			
	Original Budget	Amended Budget	Actual	Variance Over(Under)
REVENUES:				
Local sources				
Property taxes	\$ 908,923	\$ 900,407	\$ 911,388	\$ 10,981
Interest	25,035	15,100	15,452	352
Athletics	97,870	91,650	91,650	-
Other	288,000	461,326	480,735	19,409
Total local sources	1,319,828	1,468,483	1,499,225	30,742
State sources	7,458,130	7,989,121	8,060,238	71,117
Federal sources	899,101	828,471	793,193	(35,278)
Total revenues	9,677,059	10,286,075	10,352,656	66,581
EXPENDITURES:				
Instructional	6,828,558	7,159,875	6,942,346	(217,529)
Supporting services	3,015,324	2,987,677	3,165,792	178,115
Capital outlay	101,795	344,772	255,493	(89,279)
Community services	10,050	10,722	-	(10,722)
Total expenditures	9,955,727	10,503,046	10,363,631	(139,415)
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	<u>(278,668)</u>	<u>(216,971)</u>	<u>(10,975)</u>	<u>205,996</u>
OTHER FINANCING SOURCES (USES):				
Outgoing transfers	-	-	-	-
Insurance dividends	1,000	15,220	15,220	-
Total other financing sources	1,000	15,220	15,220	-
NET CHANGE IN FUND BALANCE	<u>\$ (277,668)</u>	<u>\$ (201,751)</u>	4,245	<u>\$ 205,996</u>
FUND BALANCE:				
Beginning of year, as restated			3,507,848	
End of year			<u>\$ 3,512,093</u>	

OTHER SUPPLEMENTARY INFORMATION

BLISSFIELD COMMUNITY SCHOOLS

COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2011

	School Lunch Fund	Durant Bond Fund	Total
<u>ASSETS</u>			
Cash and deposits	\$ 211,546	\$ -	\$ 211,546
Accounts receivable	7,766	-	7,766
Due from other governmental units	-	-	-
Taxes receivable	-	-	-
Inventory	6,529	-	6,529
	<u>\$ 225,841</u>	<u>\$ -</u>	<u>\$ 225,841</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Salaries and related payroll payables	\$ 894	\$ -	\$ 894
Accounts payable	10,614	-	10,614
Prepaid lunch sales	5,038	-	5,038
Deferred revenue	-	-	-
TOTAL LIABILITIES	16,546	-	16,546
 FUND BALANCES:			
Nonspendable - inventory	6,529	-	6,529
Restricted - Food service	202,766	-	202,766
TOTAL FUND BALANCE	209,295	-	209,295
	<u>\$ 225,841</u>	<u>\$ -</u>	<u>\$ 225,841</u>

BLISSFIELD COMMUNITY SCHOOLS

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

June 30, 2011

	School Lunch Fund	Durant Bond Fund	Total
REVENUES:			
Local sources			
Property taxes	\$ -	\$ -	\$ -
Food service sales	255,744	-	255,744
Athletic admissions	-	-	-
Total local sources	<u>255,744</u>	<u>-</u>	<u>255,744</u>
State sources	24,690	7,597	32,287
Federal sources	<u>271,710</u>	<u>-</u>	<u>271,710</u>
Total revenues	<u>552,144</u>	<u>7,597</u>	<u>559,741</u>
EXPENDITURES:			
Support services	480,175	-	480,175
Capital outlay	179	-	179
Debt service:			
Principal	-	6,608	6,608
Interest	-	989	989
Other expense	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>480,354</u>	<u>7,597</u>	<u>487,951</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>71,790</u>	<u>-</u>	<u>71,790</u>
OTHER FINANCING SOURCES (USES):			
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>71,790</u>	<u>-</u>	<u>71,790</u>
FUND BALANCES:			
Beginning of year	<u>137,505</u>	<u>-</u>	<u>137,505</u>
End of year	<u>\$ 209,295</u>	<u>\$ -</u>	<u>\$ 209,295</u>

BLISSFIELD COMMUNITY SCHOOLS

BONDED DEBT

June 30, 2011

\$108,189 Durant Bond issued November 24, 1998

<u>Principal Due</u>	<u>Interest Due</u>	<u>Debt service requirement for fiscal year</u>	
<u>May 1</u>	<u>May 15</u>	<u>June 30,</u>	<u>Amount</u>
\$ 37,694	\$ 13,352	2012	\$ 51,046
<u>7,252</u>	<u>345</u>	2013	<u>7,597</u>
<u>\$ 44,946</u>	<u>\$ 13,697</u>		<u>\$ 58,643</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing high school building and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

BLISSFIELD COMMUNITY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

IV: OTHER INFORMATION

A. Risk Management

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