

CRAWFORD AUSABLE SCHOOL DISTRICT

GRAYLING, MICHIGAN

JUNE 30, 2011

Baird, Cotter and Bishop, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-ix
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3-4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Fiduciary Funds	
Statement of Fiduciary Net Assets	9
Statement of Changes in Fiduciary Net Assets	10
Notes to Financial Statements	11-27
Required Supplementary Information	
Budgetary Comparison Schedule	28
Combining Fund Financial Statements	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	30

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August 18, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Crawford AuSable School District
Grayling, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crawford AuSable School District, Grayling, Michigan, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Crawford AuSable School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crawford AuSable School District, Grayling, Michigan, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2011, on our consideration of Crawford AuSable School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through ix and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crawford AuSable School District, Grayling, Michigan's financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CRAWFORD AUSABLE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

Crawford AuSable School District is a K-12 school district located in Grayling, Michigan. The Management’s Discussion and Analysis, is intended to be the Crawford Ausable School Districts administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2011.

Generally accepted accounting principles (GAAP), require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

A. Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, school districts’ major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds, which include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years’ debt service are not recorded in the fund financial statements.

B. Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the District’s financial position. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The District’s entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as all debt of the District.

C. Summary of Net Assets

The following schedule summarizes the net assets at June 30:

Assets	<u>2011</u>	<u>2010</u>
Current Assets	\$ 5,794,891	\$ 5,084,053
Non Current Assets		
Capital Assets	32,322,752	32,900,986
Less Accumulated Depreciation	<u>(11,677,316)</u>	<u>(11,411,112)</u>
Total Non Current Assets	<u>20,645,436</u>	<u>21,489,874</u>
Total Assets	<u>\$ 26,440,327</u>	<u>\$ 26,573,927</u>

CRAWFORD AUSABLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

	<u>2011</u>	<u>2010</u>
Liabilities		
Current Liabilities	\$ 3,091,217	\$ 2,703,986
Non Current Liabilities	<u>14,007,129</u>	<u>15,728,817</u>
Total Liabilities	<u>17,098,346</u>	<u>18,432,803</u>
Net Assets		
Invested in Capital Assets Net of Related Debt	6,027,576	5,368,805
Restricted for Debt Service	343,241	113,848
Restricted for Food Service	63,326	65,726
Unrestricted	<u>2,907,838</u>	<u>2,592,745</u>
Total Net Assets	<u>9,341,981</u>	<u>8,141,124</u>
Total Liabilities and Net Assets	<u><u>\$ 26,440,327</u></u>	<u><u>\$26,573,927</u></u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2011, the District's net assets increased by \$1,200,857. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

School districts are required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2011, \$855,454 was recorded for depreciation expense.

2. Capital Outlay Acquisitions and Disposals

For the fiscal year ended June 30, 2011, \$190,868 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

- Major capital asset additions were a telephone system and bleacher seating.
- The major capital asset disposal was the sale of a District building.

CRAWFORD AUSABLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

3. Payment of Long-Term Liabilities

During the year ending June 30, 2011, the District reduced its long-term liabilities by \$1,632,484.

E. Change in Net Assets

For the years ended June 30, the results of operations, on a District-Wide basis, were:

	<u>2011</u>	<u>2010</u>
General Revenues		
Property Taxes	\$ 7,487,168	\$ 7,316,709
Investment Earnings	17,279	22,853
State Sources	7,085,875	6,805,823
Other	<u>165,000</u>	<u>178,111</u>
Total General Revenues	<u>14,755,322</u>	<u>14,323,496</u>
Program Revenues		
Charges for Services	417,054	424,663
Operating Grants	<u>3,743,662</u>	<u>4,297,194</u>
Total Program Revenues	<u>4,160,716</u>	<u>4,721,857</u>
Total Revenues	<u>18,916,038</u>	<u>19,045,353</u>
Expenses		
Instruction	9,752,625	9,650,526
Supporting Services	5,600,417	5,593,414
Community Services	13,487	11,941
Food Service Activities	784,542	834,901
Interest on Long-Term Debt	707,037	764,013
Other Transactions	1,619	1,562
Unallocated Depreciation	<u>855,454</u>	<u>925,044</u>
Total Expenses	<u>17,715,181</u>	<u>17,781,401</u>
Change in Net Assets	<u>\$ 1,200,857</u>	<u>\$ 1,263,952</u>

CRAWFORD AUSABLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

F. Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	<u>2011</u>	<u>2010</u>	Increase (Decrease)
Major Funds			
General Fund	\$ 4,190,802	\$ 3,974,829	\$ 215,973
Food Service Fund	63,326	65,726	(2,400)
Nonmajor Funds			
2001 Debt Retirement	196,246	125,627	70,619
2003 Debt Retirement	133,957	47,885	86,072
2005 Debt Retirement	67,300	25,125	42,175
2006 Debt Retirement	31,392	15,634	15,758
2008 Debt Retirement	18,641	13,964	4,677
Total Governmental Funds	<u>\$ 4,701,664</u>	<u>\$ 4,268,790</u>	<u>\$ 432,874</u>

In 2011, the General Fund increased its fund balance primarily due to the reduction of operating costs. Of the total fund balance, \$531,492 is non-spendable inventory and prepaid expenditures, \$205,123 is committed for future capital outlay and large repairs, \$966,493 is assigned to subsequent year expenditures, and \$2,487,694 is unassigned.

The Food Service Fund balance, of which \$2,398 is non-spendable inventory and \$60,928 is restricted for food service, was relatively consistent in comparison to the prior year.

The 2001 Debt Retirement Fund increased its fund balance, all of which is restricted for debt service, because the amount of revenue, based on the millage levied, exceeded the amount of the principal and interest payments.

The 2003 Debt Retirement Fund increased its fund balance, all of which is restricted for debt service, because the amount of revenue, based on the millage levied, exceeded the amount of the principal and interest payments.

The 2005 Debt Retirement Fund increased its fund balance, all of which is restricted for debt service, because the amount of revenue, based on the millage levied, exceeded the amount of the principal and interest payments.

The 2006 Debt Retirement Fund increased its fund balance, all of which is restricted for debt service, because the amount of revenue, based on the millage levied, exceeded the amount of the principal and interest payments.

CRAWFORD AUSABLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

The 2008 Debt Retirement Fund increased its fund balance, all of which is restricted for debt service, because the amount of revenue, based on the millage levied, exceeded the amount of the principal and interest payments.

G. Analysis of Significant Revenues and Expenses

Significant revenues and expenses are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2010-2011 fiscal year, the District levied \$5,079,074 in non-homestead property taxes.

The following table summarizes the property tax levies for operations and debt for the past three years:

<u>Fiscal Year</u>	<u>Tax Levy</u>
2010-2011	\$ 7,487,168
2009-2010	7,316,709
2008-2009	7,077,750

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2010-2011 fiscal year, the District received \$7,316 per student FTE.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past three fiscal years:

<u>Fiscal Year</u>	<u>Student FTE</u>
2010-2011	1,758
2009-2010	1,781
2008-2009	1,800

CRAWFORD AUSABLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2011, federal, state, and other grants accounted for \$3,743,662.

H. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$14,591,103</u>	<u>\$15,493,270</u>	<u>\$15,603,123</u>
Total Expenditures	<u>\$14,957,414</u>	<u>\$15,480,702</u>	<u>\$15,473,165</u>

The change from the Total Revenue Original Budget to Final Budget was an increase of \$902,167. This was due primarily to an increase in expected State and Federal Sources.

The change in the Total Expenditures Original Budget to Final Budget was an increase of \$523,288. This was due to an increase in matching expenditures.

Actual total revenues differed from Final Budget due to athletic receipts being accounted for in the general fund.

I. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2011, the District has \$32,322,752 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net decrease of \$578,234 over the prior fiscal year. Depreciation expense for the year amounted to \$855,454, bringing the accumulated depreciation to \$11,677,316 as of June 30, 2011.

2. Long-Term Debt

At June 30, 2011, the District had \$14,771,228 in bonded debt outstanding.

CRAWFORD AUSABLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2011

Also, the District had \$1,282,964 of accrued expenses at June 30, 2011, which was made up of early retirement incentive payments and accumulated sick pay liability. These long-term accrued expenses a net decrease of \$99,120 during the year due to changes in estimated sick pay liability and early retirement incentives.

J. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health for the future:

With the current economic condition of the State of Michigan, uncertainty continues to surround the level at which districts will be funded for the student foundation allowance and categorical funding for the 2011-2012 school year. It is statistically difficult to calculate future declining enrollment due to an increasing number of students moving out of the District. Retirement rates continued to increase for the 2011-2012 school year, as determined by the State of Michigan. Health care continues to increase each year, and benefits now cost a significant portion of per pupil dollars.

The ARRA budget stabilization funds, which have supplemented the shortfall in the State Aid Fund, have concluded at the end of the 2010-2011 school year. This may have an adverse effect on revenue, if the State cannot cover the difference. It appears that property taxable values and SEV's will not be increasing by much, if at all, again this year.

Union contracts have been negotiated through the 2011-2012 school year. The District will continue to negotiate one or two year contracts until the State's financial situation improves and/or health care insurance costs are more stable. It is difficult to plan for long range financial stability with one or two year employee contracts and significant increases in rates on health care and retirement.

K. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Crawford Ausable School District, 1135 North Old 27, Grayling, Michigan 49738.

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CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 3,318,253
Taxes Receivable	2,272
Accounts Receivable	32,985
Due from Other Governments	1,895,700
Prepaid Expenses	467,316
Inventories	66,574
Investments	11,791
Total Current Assets	<u>5,794,891</u>

NON CURRENT ASSETS

Capital Assets	32,322,752
Less Accumulated Depreciation	<u>(11,677,316)</u>
Total Non Current Assets	<u>20,645,436</u>

TOTAL ASSETS

26,440,327

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	160,470
Accrued Expenses	360,124
Accrued Interest Payable	104,295
Salaries Payable	570,667
Deferred Revenue	1,966
Current Portion of Non Current Liabilities	<u>1,893,695</u>
Total Current Liabilities	<u>3,091,217</u>

NON CURRENT LIABILITIES

Bonds Payable (Net of Deferred Charges)	14,617,860
Early Retirement Incentive Contracts	254,931
Accumulated Leave Liability and Other Vested Benefits	1,028,033
Less Current Portion of Non Current Liabilities	<u>(1,893,695)</u>
Total Non Current Liabilities	<u>14,007,129</u>

TOTAL LIABILITIES

17,098,346

NET ASSETS

Invested in Capital Assets Net of Related Debt	6,027,576
Restricted for Debt Service	343,241
Restricted for Food Service	63,326
Unrestricted	<u>2,907,838</u>
TOTAL NET ASSETS	<u>\$ 9,341,981</u>

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

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CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	<u>CAPITAL GRANTS</u>	
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 9,752,625	\$ 31,326	\$ 2,797,607	\$ 0	\$ (6,923,692)
Supporting Services	5,600,417	161,045	318,651	0	(5,120,721)
Community Services	13,487	0	6,182	0	(7,305)
Food Service Activities	784,542	224,683	621,222	0	61,363
Interest on Long Term Debt	707,037	0	0	0	(707,037)
Other Transactions	1,619	0	0	0	(1,619)
Unallocated Depreciation	855,454	0	0	0	(855,454)
Total Governmental Activities	\$ 17,715,181	\$ 417,054	\$ 3,743,662	\$ 0	(13,554,465)
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					5,079,074
Property Taxes -Levied for Debt Service					2,408,094
Investment Earnings					17,279
State Sources					7,085,875
Other					165,000
Total General Revenues					14,755,322
Change in Net Assets					1,200,857
<u>NET ASSETS</u> - Beginning of Year					8,141,124
<u>NET ASSETS</u> - End of Year					\$ 9,341,981

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

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>GENERAL</u> <u>FUND</u>	<u>FOOD SERVICE</u> <u>FUND</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,445,778	\$ 424,939
Taxes Receivable	2,272	0
Accounts Receivable	32,798	187
Due from Other Governments	1,888,989	6,711
Due from Other Funds	367,077	0
Prepaid Expenditures	467,316	0
Inventories	64,176	2,398
Investments	11,791	0
	<u>\$ 5,280,197</u>	<u>\$ 434,235</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 159,928	\$ 542
Accrued Expenses	359,832	292
Salaries Payable	569,635	1,032
Due to Other Funds	0	367,077
Deferred Revenue	0	1,966
	<u>1,089,395</u>	<u>370,909</u>
 <u>FUND BALANCES</u>		
Non-Spendable:		
Inventory	64,176	2,398
Prepaid Expenditures	467,316	0
Restricted for:		
Food Service	0	60,928
Debt Service	0	0
Committed for: Future Capital Outlay & Large Repairs	205,123	0
Assigned to: Subsequent Year Expenditures	966,493	0
Unassigned	2,487,694	0
	<u>4,190,802</u>	<u>63,326</u>
 <u>TOTAL LIABILITIES</u> <u>AND FUND BALANCES</u>		
	<u>\$ 5,280,197</u>	<u>\$ 434,235</u>

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

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 447,536	\$ 3,318,253
0	2,272
0	32,985
0	1,895,700
0	367,077
0	467,316
0	66,574
0	11,791
<hr/>	
\$ 447,536	\$ 6,161,968
<hr/>	
\$ 0	\$ 160,470
0	360,124
0	570,667
0	367,077
0	1,966
<hr/>	
0	1,460,304
<hr/>	
0	66,574
0	467,316
0	60,928
447,536	447,536
0	205,123
0	966,493
0	2,487,694
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447,536	4,701,664
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\$ 447,536	\$ 6,161,968
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The notes to the financial statements are an integral part of this statement.

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CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

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

JUNE 30, 2011

Total Governmental Fund Balances		\$ 4,701,664
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	\$ 32,322,752	
Accumulated depreciation is	<u>(11,677,316)</u>	20,645,436
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(14,771,228)
Deferred Charges Net of Amortization		153,368
Early Retirement Incentive Contracts		(254,931)
Accumulated Leave Liability and Other Vested Benefits		(1,028,033)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		<u>(104,295)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 9,341,981</u></u>

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

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

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

YEAR ENDED JUNE 30, 2011

	GENERAL FUND	FOOD SERVICE FUND
<u>REVENUES</u>		
Local Sources	\$ 5,333,273	\$ 225,670
Intermediate Sources	46,404	0
State Sources	8,050,514	39,425
Federal Sources	1,925,295	581,797
Other Transactions	247,637	0
Total Revenues	15,603,123	846,892
<u>EXPENDITURES</u>		
Instruction	9,719,694	0
Supporting Services	5,739,984	0
Community Services	13,487	0
Food Service Activities	0	788,042
Debt Service		
Principal	0	0
Interest	0	0
Other Transactions	0	0
Total Expenditures	15,473,165	788,042
Excess (Deficiency) of Revenues Over Expenditures	129,958	58,850
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	70,000	8,750
Transfers Out	(8,750)	(70,000)
Sale of Fixed Assets	24,765	0
Total Other Financing Sources (Uses)	86,015	(61,250)
Net Change in Fund Balance	215,973	(2,400)
<u>FUND BALANCE</u> - Beginning of Year	3,974,829	65,726
<u>FUND BALANCE</u> - End of Year	\$ 4,190,802	\$ 63,326

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

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 2,427,200	\$ 7,986,143
0	46,404
14,058	8,103,997
0	2,507,092
0	247,637
<u>2,441,258</u>	<u>18,891,273</u>
0	9,719,694
0	5,739,984
0	13,487
0	788,042
1,532,227	1,532,227
688,111	688,111
1,619	1,619
<u>2,221,957</u>	<u>18,483,164</u>
<u>219,301</u>	<u>408,109</u>
0	78,750
0	(78,750)
0	24,765
<u>0</u>	<u>24,765</u>
219,301	432,874
228,235	4,268,790
<u>\$ 447,536</u>	<u>\$ 4,701,664</u>

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

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances Total Governmental Funds \$ 432,874

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(855,454)
Capital Outlay	190,868

In the statement of activities, only the gain or loss on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balances by the cost of the capital assets sold net of accumulated depreciation. (179,852)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	114,387
Accrued Interest Payable - End of Year	(104,295)

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

The net changes in long term liabilities are:

Repayment of Bond Principal	1,532,227
Amortization of Deferred Charges	(29,018)

Employees Early Retirement and Accumulated Sick Pay are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Early Retirement Incentive Contracts - Beginning of the Year	214,708
Early Retirement Incentive Contracts - End of the Year	(254,931)
Accumulated Leave Liability and Other Vested Benefits - Beginning of Year	1,167,376
Accumulated Leave Liability and Other Vested Benefits - End of Year	<u>(1,028,033)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,200,857

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

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2011

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 5,259	\$ 258,942
<u>LIABILITIES</u>		
Due to Groups and Organizations	<u>0</u>	<u>258,942</u>
<u>NET ASSETS</u>		
Reserved for Trust Activities	<u>\$ 5,259</u>	<u>\$ 0</u>

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

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2011

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 35
<u>DEDUCTIONS</u>	
Scholarships Awarded	<u>300</u>
CHANGE IN NET ASSETS	(265)
<u>NET ASSETS</u> - Beginning of Year	<u>5,524</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 5,259</u>

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

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Crawford AuSable School District 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

Crawford AuSable School District (the "School District") is located in Crawford, Kalkaska and Otsego Counties with its administrative offices located at 1135 N. Old 27, Grayling, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,758 students in elementary, middle, high school, and special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

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

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The District first utilizes restricted resources to finance qualifying activities.

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

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

The effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

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

The District reports the following major governmental funds:

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

The *Food Service Fund* accounts for revenue sources that are legally restricted to food service activities.

Other Non-Major Funds

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

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

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District.

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

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

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

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2011, the foundation allowance was based on pupil membership counts taken in February and September of 2010. For fiscal year ended June 30, 2011, the per pupil foundation allowance was \$7,316 for Crawford AuSable Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2011. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

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

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Michigan Investment Liquid Asset Fund Plus (MILAF).
- (e) Certificates of deposit or share certificates of state or federal credit unions organized and authorized to operate in this state.
- (f) Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- (g) United States government or federal agency obligation repurchase agreements.
- (h) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- (i) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
- (j) 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.

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two (2) years of the date of purchase. The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1, and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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)	18.0000
General Fund - Non-PRE Commercial PPT	6.0000
2001 Debt Service Fund - Homestead and Non-PRE	1.6032
2003 Debt Service Fund - Homestead and Non-PRE	1.8240
2005 Debt Service Fund - Homestead and Non-PRE	0.9936
2006 Debt Service Fund - Homestead and Non-PRE	0.2928
2008 Debt Service Fund - Homestead and Non-PRE	0.0864

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventories in the general and special revenue funds consist of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20-55 years
Furniture and other equipment	5-20 years
Buses and vehicles	5-10 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay and comp time benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146, which allows the amortization of premiums, discounts and bond issuance costs, prospectively for all bonds issued after July 1, 2002.

8. Fund Balance

Beginning with fiscal year 2011, the School District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Includes amounts that can only be used for specific purposes determined by a formal action by Board Resolution. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

Assigned – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority. [If the School Board has delegated this authority, then disclose to who.]

Unassigned – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

As stated in Note 1B above, restricted resources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board has provided otherwise in its commitment or assignment actions.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, and debt service funds. All annual appropriations lapse at fiscal year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 21, 2010, and amended by the School Board of Education at various times throughout the year.

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations occurred in the following fund:

General Fund Instruction – Basic Instruction expenditures of \$7,460,001 exceeded appropriations of \$7,312,202 by \$147,799.

General Fund Supporting Services – School Administration expenditures of \$948,396 exceeded appropriations of \$936,099 by \$12,297.

General Fund Supporting Services – Operations and Maintenance expenditures of \$1,524,873 exceeded appropriations of \$1,522,311 by \$2,562.

General Fund Supporting Services – Other expenditures of \$334,003 exceeded appropriations of \$232,367 by \$101,636.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments - Credit Risk

The District's deposits and investments are all on deposit with banks within the District and Michigan School District Liquid Asset Fund Plus.

Interest rate risk. The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2011, \$1,531,483 of the government's bank balance of \$3,621,446 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District’s agent in the District’s name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty’s trust department or its agent in the District’s name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District’s name. At year end, all of the District’s investments were uncategorized as to risk.

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

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

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds	\$ <u>11,791</u>
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The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2011, the fair value of the District’s investments is the same as the value of the pool shares.

Balance Sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 3,318,253	\$ 0	\$ 264,201	\$ 3,582,454
Investments	0	11,791	0	11,791
	<u>\$ 3,318,253</u>	<u>\$ 11,791</u>	<u>\$ 264,201</u>	<u>\$ 3,594,245</u>

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

B. Receivables

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

	General	Food Service	Nonmajor and Other Funds	Total
Receivables				
Taxes	\$ 2,272	\$ 0	\$ 0	\$ 2,272
Accounts	32,798	187	0	32,985
Other Governmental Units	1,888,989	6,711	0	1,895,700
Total Receivables	<u>\$1,924,059</u>	<u>\$ 6,898</u>	<u>\$ 0</u>	<u>\$ 1,930,957</u>

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

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Balance on Student Debit Cards	<u>\$ 0</u>	<u>\$ 1,966</u>

C. Capital Assets

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets:				
Buildings and Additions	\$ 29,515,728	\$ 5,765	\$ 761,050	\$ 28,760,443
Machinery and Equipment	2,148,122	185,103	8,052	2,325,173
Transportation Equipment	1,237,136	0	0	1,237,136
Subtotal	<u>32,900,986</u>	<u>190,868</u>	<u>769,102</u>	<u>32,322,752</u>

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Less Accumulated Depreciation for:				
Buildings and Additions	(9,343,155)	(630,522)	581,198	(9,392,479)
Machinery and Equipment	(1,632,244)	(84,142)	8,052	(1,708,334)
Transportation Equipment	(435,713)	(140,790)	0	(576,503)
Accumulated Depreciation	(11,411,112)	(855,454)	589,250	(11,677,316)
Net Capital assets	\$21,489,874	\$ (664,586)	\$ 179,852	\$ 20,645,436

Depreciation for the fiscal year ended June 30, 2011, amounted to \$855,454. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the Long-Term Debt transactions for the School District for the year ended June 30, 2011:

	GENERAL OBLIGATION SERIAL BONDS	DURANT SCHOOL IMPROVEMENT BONDS	ACCUMULATED SICK PAY AND RETIREMENT INCENTIVE	TOTAL
Long-Term Debt at July 1, 2010	\$ 16,265,000	\$ 38,455	\$ 1,382,084	\$17,685,539
Increase in Debt	0	0	40,223	40,223
Reductions in Debt	(1,520,000)	(12,227)	(139,343)	(1,671,570)
LONG-TERM DEBT AT JUNE 30, 2011	\$ 14,745,000	\$ 26,228	\$ 1,282,964	\$16,054,192
Due Within One Year	\$ 1,655,000	\$ 12,809	\$ 225,886	\$ 1,893,695

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

At June 30, 2011, the School District's long-term debt consisted of the following:

1998 School Improvement Bond (Durant); due in annual installments of \$12,227 to \$13,419 through May 15, 2013; average interest rate of 4.761%. This debt will be repaid using revenues provided by the State of Michigan specifically for this purpose. If the Michigan Legislature fails to appropriate funds, the School District is not liable for repayment of these bonds.	\$ 26,228
2001 School Building and Site Bonds; due in annual installments of \$675,000 to \$750,000 through May 1, 2012; average interest rate of 4.83%. At the School District's option, bonds can be redeemed on or after May 1, 2012, prior to maturity.	750,000
2003 Refunding Bonds; due in annual installments of \$665,000 to \$705,000 through May 1, 2015; average interest rate of 3.14%. At the School District's option, bonds can be redeemed on or after May 1, 2013, prior to maturity.	2,720,000
2005 Refunding Bonds; due in annual installments of \$40,000 to \$1,145,000 through May 1, 2021; average interest rate of 4%. At the School District's option, bonds can be redeemed on or after May 1, 2015, prior to maturity.	9,590,000
2006 School Buildings and Site Bonds; due in annual installments of \$100,000 to \$220,000 through May 1, 2016; plus interest at 3.7% to 4.2%. At the School District's option, bonds can be redeemed on or after May 1, 2016, prior to maturity.	690,000
2008 School Buildings and Site Bonds; due in annual installments of \$65,000 to \$635,000 through May 1, 2016; plus interest at 3.35% to 4.0%. At the School District's option, bonds can be redeemed on or after May 1, 2016, prior to maturity.	<u>995,000</u>
Total general obligation bonds payable	14,771,228
Accumulated leave liability and other vested benefits	1,028,033
Early retirement incentives contracts	<u>254,931</u>
Total long-term debt	<u><u>\$16,054,192</u></u>

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The annual requirements to amortize all debt outstanding as of June 30, 2011, including interest payments of \$3,122,374 are as follows:

<u>Year Ending June 30,</u>	<u>Bonds</u>		<u>Early Retirement Incentive Contracts</u>		<u>Amount Payable</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 1,667,809	\$ 627,017	\$ 101,311	\$ 0	\$ 2,396,137
2013	1,763,419	558,044	74,280	0	2,395,743
2014	1,820,000	488,918	44,220	0	2,353,138
2015	1,900,000	407,107	35,120	0	2,342,227
2016	1,960,000	321,012	0	0	2,281,012
2017-2021	5,660,000	720,276	0	0	6,380,276
	<u>\$14,771,228</u>	<u>\$3,122,374</u>	<u>\$ 254,931</u>	<u>\$ 0</u>	<u>18,148,533</u>
Accumulated leave liability and other vested benefits					<u>1,028,033</u>
					<u>\$19,176,566</u>

The annual requirements to amortize the accrued sick leave and other vested benefits are uncertain because it is unknown when the employees will use the sick leave or retire. The General Fund will generally liquidate accumulated sick pay and other vested benefits.

E. Interfund Receivables, Payables, and Transfers

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

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 367,077	\$ 0
School Service Fund - Food Service	0	367,077
	<u>\$ 367,077</u>	<u>\$ 367,077</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2011, are expected to be repaid within one year.

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 70,000	\$ 8,750
School Service Fund - Food Service Fund	8,750	70,000
	\$ 78,750	\$ 78,750

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

F. Leases

The rental expense for the year ended June 30, 2011, totaled \$48,009.

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

YEAR ENDING	PAYABLES
2012	\$ 48,088
2013	34,553
2014	4,548
2015	1,117
2016	251
	\$ 88,557

NOTE 4 - OTHER INFORMATION

A. Employee Retirement System

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1980, as amended. The MPERS 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 School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (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. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For employees who first worked before July 1, 2010, the rate for the year ended June 30, 2011, was 16.94% for the first quarter, 19.41% for the month of October, and 20.66% for the remainder of the year. For employees who first worked on or after July 1, 2010, the rate for the year ended June 30, 2011, was 15.44% for the first quarter, 17.91% for the month of October, and 19.16% for the remainder of the year. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2011, 2010, and 2009 were \$1,639,505, \$1,429,577 and \$1,487,818 respectively, and were equal to the required contribution for those years.

Other Post Employment Benefits Funding Policy

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group, medical, hearing, dental, and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension. The District is not responsible for the payment of retirement benefits and post-employment benefits which is the responsibility of the State of Michigan.

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2011, or any of the prior three years.

C. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

D. New GASB Standard

Effective July 1, 2010 the District adopted GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement also clarifies existing governmental fund type definitions. Accordingly the components of fund balance in the prior year have been restated using the new definitions in order to be consistent with the current year's presentation.

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2011

	<u>GENERAL FUND</u>			<u>FOOD SERVICE FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Local Sources	\$ 5,322,323	\$ 5,199,912	\$ 5,333,273	\$ 271,919	\$ 243,687	\$ 225,670
Intermediate Sources	45,655	45,655	46,404	0	0	0
State Sources	7,425,794	8,046,845	8,050,514	59,048	41,615	39,425
Federal Sources	1,664,586	1,953,856	1,925,295	530,664	571,003	581,797
Other Transactions	132,745	247,002	247,637	0	0	0
Total Revenues	<u>14,591,103</u>	<u>15,493,270</u>	<u>15,603,123</u>	<u>861,631</u>	<u>856,305</u>	<u>846,892</u>
<u>EXPENDITURES</u>						
Instruction						
Basic Instruction	7,104,079	7,312,202	7,460,001	0	0	0
Added Needs	2,369,690	2,344,928	2,203,020	0	0	0
Adult and Continuing Education	78,495	68,351	56,673	0	0	0
Supporting Services						
Pupil	843,279	847,710	831,803	0	0	0
Instructional Staff	389,036	337,201	320,434	0	0	0
General Administration	257,060	223,958	212,880	0	0	0
School Administration	934,081	936,099	948,396	0	0	0
Business	193,186	238,881	228,680	0	0	0
Operations and Maintenance	1,627,435	1,522,311	1,524,873	0	0	0
Pupil Transportation	631,747	667,867	647,219	0	0	0
Central	438,813	711,761	691,696	0	0	0
Other	78,748	232,367	334,003	0	0	0
Community Services	11,765	17,066	13,487	0	0	0
Food Service Activities	0	0	0	816,578	804,705	788,042
Facilities Acquisition, Construction and Improvements	0	20,000	0	0	0	0
Total Expenditures	<u>14,957,414</u>	<u>15,480,702</u>	<u>15,473,165</u>	<u>816,578</u>	<u>804,705</u>	<u>788,042</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(366,311)</u>	<u>12,568</u>	<u>129,958</u>	<u>45,053</u>	<u>51,600</u>	<u>58,850</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	45,000	70,000	70,000	8,410	8,410	8,750
Transfers Out	(158,660)	(8,160)	(8,750)	(45,000)	(70,000)	(70,000)
Sale of Fixed Assets	0	19,800	24,765	0	0	0
Total Other Financing Sources (Uses)	<u>(113,660)</u>	<u>81,640</u>	<u>86,015</u>	<u>(36,590)</u>	<u>(61,590)</u>	<u>(61,250)</u>
Net Change in Fund Balance	(479,971)	94,208	215,973	8,463	(9,990)	(2,400)
<u>FUND BALANCE</u> - Beginning of Year	<u>3,458,368</u>	<u>3,962,006</u>	<u>3,974,829</u>	<u>58,702</u>	<u>65,726</u>	<u>65,726</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 2,978,397</u>	<u>\$ 4,056,214</u>	<u>\$ 4,190,802</u>	<u>\$ 67,165</u>	<u>\$ 55,736</u>	<u>\$ 63,326</u>

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2011

	<u>DEBT RETIREMENT FUNDS</u>						<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>2003</u>		<u>2005</u>		<u>1998</u>		
	<u>2001 BONDS</u>	<u>BONDS</u>	<u>REFUNDING</u>	<u>BONDS</u>	<u>2006 BONDS</u>	<u>2008 BONDS</u>	
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ 196,246	\$ 133,957	\$ 67,300	\$ 31,392	\$ 18,641	\$ 0	\$ 447,536
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>							
Restricted for Debt Service	196,246	133,957	67,300	31,392	18,641	0	447,536
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 196,246</u>	<u>\$ 133,957</u>	<u>\$ 67,300</u>	<u>\$ 31,392</u>	<u>\$ 18,641</u>	<u>\$ 0</u>	<u>\$ 447,536</u>

CRAWFORD AUSABLE SCHOOL DISTRICT
GRAYLING, MICHIGAN

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

YEAR ENDED JUNE 30, 2011

	DEBT RETIREMENT FUNDS						TOTAL NONMAJOR GOVERNMENTAL FUNDS
	2001 BONDS	2003 REFUNDING BONDS	2005 REFUNDING BONDS	2006 BONDS	2008 BONDS	1998 DURANT BONDS	
<u>REVENUES</u>							
Local Sources	\$ 810,985	\$ 922,355	\$ 502,142	\$ 148,041	\$ 43,677	\$ 0	\$ 2,427,200
State Sources	0	0	0	0	0	14,058	14,058
Total Revenues	<u>810,985</u>	<u>922,355</u>	<u>502,142</u>	<u>148,041</u>	<u>43,677</u>	<u>14,058</u>	<u>2,441,258</u>
<u>EXPENDITURES</u>							
Debt Service							
Principal	675,000	705,000	40,000	100,000	0	12,227	1,532,227
Interest	65,063	131,021	419,713	31,983	38,500	1,831	688,111
Other Expenses	303	262	254	300	500	0	1,619
Total Expenditures	<u>740,366</u>	<u>836,283</u>	<u>459,967</u>	<u>132,283</u>	<u>39,000</u>	<u>14,058</u>	<u>2,221,957</u>
Excess (Deficiency) of Revenues Over Expenditures	70,619	86,072	42,175	15,758	4,677	0	219,301
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In (Out)	0	0	0	0	0	0	0
Net Change in Fund Balance	70,619	86,072	42,175	15,758	4,677	0	219,301
<u>FUND BALANCE</u> - Beginning of Year	<u>125,627</u>	<u>47,885</u>	<u>25,125</u>	<u>15,634</u>	<u>13,964</u>	<u>0</u>	<u>228,235</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 196,246</u>	<u>\$ 133,957</u>	<u>\$ 67,300</u>	<u>\$ 31,392</u>	<u>\$ 18,641</u>	<u>\$ 0</u>	<u>\$ 447,536</u>

