

**Marcellus Community Schools  
Marcellus, Michigan**

**Annual Financial Statements  
and  
Auditors' Report**

**June 30, 2010**

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**Marcellus Community Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2010**

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**Members of the Board of Education**

Paula Johnson – President

Christine Nofsinger – Vice President

Jane Butcbaker – Treasurer

Jeff Steinkraus – Secretary

Timothy Henry – Trustee

Donna Brown – Trustee

Joe Tone – Trustee

**Administration**

Ron Herron – Superintendent

Nanette Pauley – Principal, High School

Phil McAndrew – Principal, Middle School

Melinda Bohan – Principal, Primary School

Don Price – Principal, Volinia Outcome



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Kalamazoo, MI 49002  
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## Independent Auditors' Report

To the Board of Education  
Marcellus Community Schools  
Marcellus, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marcellus Community Schools as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marcellus Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marcellus Community Schools as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2010 on our consideration of the Marcellus Community Schools' internal control over financial reporting and on our tests of its compliance with certain 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 *Governmental 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 are not a required part of the basic financial statements but are supplementary information required by the 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marcellus Community Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
August 30, 2010

**Marcellus Community Schools**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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This section of the Marcellus Community Schools annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2010. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Marcellus Community School District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund – the General Fund with all other funds presented in one column as non-major funds. The remaining statement, the 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 annual report is arranged as follows:

***Management's Discussion and Analysis (MD&A)***  
***(Required Supplemental Information)***

***Basic Financial Statements***

***District-wide Financial Statements***

***Fund Financial Statements***

***Notes to the Basic Financial Statements***

***(Required Supplemental Information)***  
***Budgetary Information for General Fund***

***Other Supplemental Information***

**Marcellus Community Schools**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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**Reporting the School District as a Whole – Government-wide Financial Statements**

The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the School District's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**Reporting the School District's Most Significant Funds – Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in Governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.



**Marcellus Community Schools**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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**The School District as Trustee-Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2010 and 2009.

TABLE 1

	Governmental Activities	
	2010	2009
<b>Assets</b>		
Current and other assets	\$ 2,352,849	\$ 2,948,161
Property and equipment	4,320,736	4,406,359
Total assets	6,673,585	7,354,520
<b>Liabilities</b>		
Current liabilities	1,344,182	1,974,205
Long-term liabilities	5,926,448	6,602,251
Total liabilities	7,270,630	8,576,456
<b>Net Assets</b>		
Invested in property and equipment – Net of related debt	(1,462,858)	(1,972,608)
Restricted	432,995	459,366
Unrestricted	432,818	291,306
Total net assets (deficit)	\$ (597,045)	\$ (1,221,936)

The above analysis focuses on the net assets (see Table 1).

**Marcellus Community Schools**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the sources of revenue for the fiscal year 2009/10 and fiscal year 2008/09.

TABLE 2	Governmental Activities	
	2010	2009
<b>Revenue</b>		
Program Revenue		
Charges for services	\$ 156,507	\$ 169,851
Operating grants	1,343,021	1,348,633
General revenue		
Property taxes	1,672,283	1,643,196
State foundation allowance	5,468,298	5,660,989
Other	74,310	56,817
Total Revenue	8,714,419	8,879,486
<b>Functions/Program Expenses</b>		
Instruction	4,351,191	4,386,109
Support services	2,648,111	2,924,067
Food services	394,214	388,413
Athletic activities	188,961	242,012
Community services	20,400	20,246
Depreciation	178,533	179,498
Interest on long-term debt	308,118	285,864
Total Expenses	8,089,528	8,426,209
<b>Increase in net assets</b>	\$ 624,891	\$ 453,277

Property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources. The Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**Marcellus Community Schools**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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**The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may provide more insight into the School District's overall financial health.

In the General Fund, our fund balance increased \$73,030 to \$538,959. The increase in fund balance is due to the reduction of expenses and the receipt of Federal Stimulus funding. However, we are extremely cautious about the economic downturn that continues within the state and local economy. The economic downturn has resulted in a loss of tax base and a loss of students due to less employment opportunities in the State of Michigan. We will continue to tighten controls on expenditures and find new ways to increase our revenue streams to balance our budget.

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June of 2010. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information section of these financial statements.

We continued to make budget amendments during this year, in order to adjust for changes in state economic conditions and changes in expenses and revenues.

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2010, the School District had \$10,882,583 invested in capital assets, including land, buildings, and furniture and equipment.

	<u>2010</u>	<u>2009</u>
Assets not being depreciated – Land	\$ 100,000	\$ 100,000
Building and building improvements	7,165,933	7,165,933
Furniture and equipment	2,839,264	2,785,354
Buses and other vehicles	<u>777,386</u>	<u>792,676</u>
Total capital assets	10,882,583	10,843,963
Less accumulated depreciation	<u>(6,561,847)</u>	<u>(6,437,604)</u>
Net capital assets	\$ <u>4,320,736</u>	\$ <u>4,406,359</u>

**Marcellus Community Schools**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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**Debt**

At the end of this year, the School District had \$5,645,000 in General Obligation Bonds outstanding versus \$6,215,000 last year – a decrease of 9.17 percent.

The School District's General Obligation Bond rating continues to be "AAA" from Standard & Poor's Corporation and "AAA" from Moody's Investor Services. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt," that is debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$5,645,000 is below this \$19,084,951 statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration considered many factors when setting the School District's 2010/11 fiscal year budget. There are many important factors affecting the budget, two of which are our student count and state per-pupil foundation allowance. This year our student count dipped to a blended count of 926. This was a reduction of approximately 9 students, and equates to a loss of approximately \$65,000, which is 1.1 percent of the total General Fund revenue allowance. Other factors are the rising cost of utilities (3%), health care and employee benefits (9.5%). As a result, the School District's funding is heavily dependent on the State's ability to fund increases in operational costs. Enrollment projections for the 2010/11 school year suggest that we are still facing declining student enrollment. The enrollment lost is projected to only 20 FTE's, which is significantly less than 2009/10. After the final student count and related per pupil state funding is validated, we will reassess the budget if actual resources are not sufficient to fund original appropriations.

The Board of Education is aware that cuts or new revenue streams would need to be in place to absorb budget shortfalls. The Board and Administration responded similarly with actions and plans reducing over all budget resources by \$400,000 over a 2 year period. This was done by eliminating positions, not replacing staff positions through attrition, and looking at consolidation opportunities with our ISD and other sources. These steps would help in stabilizing our budget and provide opportunity to maintain or increase our future fund balance.

Management projects a decrease in total revenue for the 2010-2011 school year based on the projected loss of 20 FTE's of state funding. Hopefully, a \$155 per student increase from the Federal Jobs bill will help offset this loss. We also are planning to receive full Pre-School funding allocation of \$122,400. However, the Board expects it will still consume fund equity, but is committed to finding ways to balance the budget. The Board of Education continues to look for strategies to reduce spending and increase revenues to maintain the fiscal health of the School District.

**Marcellus Community Schools  
Management's Discussion and Analysis  
June 30, 2010**

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**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's office at 305 W. Arbor, Marcellus, Michigan 49067.

**Marcellus Community Schools**  
**Statement of Net Assets**  
**June 30, 2010**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 984,127
Due from other governmental units	1,248,786
Inventory	37,439
Other assets	82,497
Capital assets not being depreciated	100,000
Capital assets - net of accumulated depreciation	4,220,736
Total assets	6,673,585
<b>Liabilities</b>	
Accounts payable	256,638
State aid anticipation note payable	110,000
Due to other governmental units	103,758
Payroll deductions and withholdings	40,632
Accrued expenditures	284,694
Accrued salaries payable	548,460
Noncurrent liabilities	
Due within one year	658,316
Due in more than one year	5,268,132
Total liabilities	7,270,630
<b>Net Assets (Deficit)</b>	
Invested in capital assets, net of related debt	(1,462,858)
Restricted for:	
Debt service	432,995
Unrestricted	432,818
Total net assets (deficit)	\$ (597,045)

See Accompanying Notes to Financial Statements

**Marcellus Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

	Program Revenues			Net Revenue (Expense) and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions		
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 4,351,191	\$ -	\$ 990,968	\$ (3,360,223)
Supporting services	2,648,111	-	77,929	(2,570,182)
Food services	394,214	110,498	267,434	(16,282)
Athletic activities	188,961	46,009	6,690	(136,262)
Community services	20,400	-	-	(20,400)
Depreciation	178,533	-	-	(178,533)
Interest on long-term debt	308,118	-	-	(308,118)
	<u>\$ 8,089,528</u>	<u>\$ 156,507</u>	<u>\$ 1,343,021</u>	<u>(6,590,000)</u>
General revenues				
				862,955
				809,328
				5,468,298
				5,915
				5,400
				62,995
				7,214,891
				624,891
				(1,221,936)
				\$ (597,045)

See Accompanying Notes to Financial Statements

**Marcellus Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2010**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash	\$ 550,897	\$ 433,230	\$ 984,127
Due from other governmental units	1,241,586	7,200	1,248,786
Inventory	<u>33,047</u>	<u>4,392</u>	<u>37,439</u>
Total assets	<u>\$ 1,825,530</u>	<u>\$ 444,822</u>	<u>\$ 2,270,352</u>
<b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts payable	\$ 247,196	\$ 9,442	\$ 256,638
State aid anticipation note payable	110,000	-	110,000
Due to other governmental units	103,758	-	103,758
Payroll deductions and withholdings	40,632	-	40,632
Accrued expenditures	236,525	-	236,525
Accrued salaries payable	<u>548,460</u>	<u>-</u>	<u>548,460</u>
Total liabilities	<u>1,286,571</u>	<u>9,442</u>	<u>1,296,013</u>
Fund Balance			
Reserved for inventory	33,047	4,392	37,439
Reserved for debt service	-	432,995	432,995
Other undesignated	<u>505,912</u>	<u>(2,007)</u>	<u>503,905</u>
Total fund balance	<u>538,959</u>	<u>435,380</u>	<u>974,339</u>
Total liabilities and fund balance	<u>\$ 1,825,530</u>	<u>\$ 444,822</u>	<u>\$ 2,270,352</u>

See Accompanying Notes to Financial Statements



**Marcellus Community Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**June 30, 2010**

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<b>Total fund balances for governmental funds</b>	\$ 974,339
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	100,000
Capital assets - net of accumulated depreciation	4,220,736
Other long-term assets are not deferred in the governmental funds	
Bond issuance costs	82,497
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(48,169)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(142,854)
Bonds payable	(5,727,576)
Other loans payable and liabilities	<u>(56,018)</u>
<b>Net assets (deficit) of governmental activities</b>	<u>\$ (597,045)</u>

**Marcellus Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2010**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 892,560	\$ 973,556	\$ 1,866,116
State sources	5,912,510	25,479	5,937,989
Federal sources	624,685	246,629	871,314
 Total revenues	 <u>7,429,755</u>	 <u>1,245,664</u>	 <u>8,675,419</u>
<b>Expenditures</b>			
Current			
Education			
Instruction	4,435,926	-	4,435,926
Supporting services	2,667,895	-	2,667,895
Food services	-	393,823	393,823
Athletic activities	-	188,961	188,961
Community services	20,400	-	20,400
Capital outlay	56,385	-	56,385
Debt service			
Principal	46,172	573,880	620,052
Interest and other expenditures	19,933	267,132	287,065
 Total expenditures	 <u>7,246,711</u>	 <u>1,423,796</u>	 <u>8,670,507</u>
 Excess (deficiency) of revenues over expenditures	 <u>183,044</u>	 <u>(178,132)</u>	 <u>4,912</u>

See Accompanying Notes to Financial Statements

**Marcellus Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	39,000	-	39,000
Transfers in	-	149,014	149,014
Transfers out	<u>(149,014)</u>	<u>-</u>	<u>(149,014)</u>
Total other financing sources (uses)	<u>(110,014)</u>	<u>149,014</u>	<u>39,000</u>
Net change in fund balance	73,030	(29,118)	43,912
Fund balance - beginning	<u>465,929</u>	<u>464,498</u>	<u>930,427</u>
Fund balance - ending	<u>\$ 538,959</u>	<u>\$ 435,380</u>	<u>\$ 974,339</u>

See Accompanying Notes to Financial Statements

**Marcellus Community Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2010**

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**Net change in fund balances - Total governmental funds** \$ 43,912

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(178,533)
Capital outlay	92,910

Expenses are recorded when incurred in the statement of activities.

Interest	3,626
Special termination benefits	100,000
Compensated absences	(19,570)

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayments of long-term debt	588,563
Amortization of premiums	6,810
Amortization bond issuance costs	<u>(12,827)</u>

**Change in net assets of governmental activities** **\$ 624,891**

**Marcellus Community Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2010**

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	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash	\$ 51,112	\$ 44,523
<b>Liabilities</b>		
Due to agency fund activities	-	\$ 44,523
<b>Net Assets</b>		
Reserved for scholarships and loans	<u>\$ 51,112</u>	

See Accompanying Notes to Financial Statements

**Marcellus Community Schools**  
**Fiduciary Funds**  
**Private Purpose Trust Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2010**

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	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Interest and investment earnings	\$ <u>412</u>
<b>Deductions</b>	
Scholarships	<u>1,000</u>
Change in net assets	(588)
Net assets - beginning	<u>51,700</u>
Net assets - ending	<u>\$ 51,112</u>

See Accompanying Notes to Financial Statements

**Marcellus Community Schools**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 1 - Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

**District-wide Financial Statements**

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

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

**Fund Financial Statements**

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

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

**Marcellus Community Schools**  
**Notes to Financial Statements**  
**June 30, 2010**

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to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The School District reports the following major governmental funds:

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

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

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

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of

results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Assets, Liabilities and Equity**

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2009, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence exemption	17.58720
Commercial personal property	5.58720
Debt Service Funds	5.20000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the Counties of Cass, St. Joseph and Van Buren and remitted to the School District by May 15.



**Marcellus Community Schools**  
**Notes to Financial Statements**  
**June 30, 2010**

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Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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

Early Retirement Incentive – The liability for early retirement incentives reported in the district-wide financial statements consists of earned but unpaid termination benefits. An expenditure for these amounts is reported in governmental funds as it comes due for payment.

Compensated Absences – Sick days are earned by teachers and administrators. Retiring employees who meet certain years of service requirements are paid for accumulated sick days up to a maximum numbers of days and at a rate determined by their contracts. There is no contractual provision for payment of unused vacation. They may be used for vacation only.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible

to receive termination payments. The amount reported is salary-related and includes fringe benefits.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

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

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

**Comparative Data**

Comparative data is not included in the School District's financial statements.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified.

Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Marcellus Community Schools**  
**Notes to Financial Statements**  
**June 30, 2010**

**Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The new definition of special revenue funds will affect which activities the District will report in special revenue funds, as the Athletics Fund may no longer meet the definition for a special revenue fund. This statement is effective for the year ending June 30, 2011.

**Note 2 - Stewardship, Compliance, Accountability**

**Budgetary Information**

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

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

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

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

Appropriations lapse at yearend and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

**Excess of Expenditures over Appropriations**

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs	\$ 477,136	\$ 502,983	\$ 25,847
General administration	510,845	522,309	11,464
Business	29,088	49,396	20,308
Pupil transportation services	301,774	403,875	102,101
Central	73,506	79,285	5,779

**Note 3 - Deposits and Investments**

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 984,127</u>	<u>\$ 95,635</u>	<u>\$ 1,079,762</u>

**Marcellus Community Schools**  
**Notes to Financial Statements**  
**June 30, 2010**

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

Deposits (checking, savings accounts,  
 money markets, certificates of deposit)      \$ 1,079,762

*Interest rate risk* – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

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

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

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of yearend, all of the District's bank balances of \$1,087,941 were federally insured.

**Note 4 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Total capital assets not being depreciated	100,000	-	-	100,000
Capital assets being depreciated				
Buildings and additions	7,165,933	-	-	7,165,933
Equipment and furniture	2,785,354	53,910	-	2,839,264
Buses and other vehicles	792,676	39,000	54,290	777,386
Total capital assets being depreciated	10,743,963	92,910	54,290	10,782,583
Less accumulated depreciation for				
Buildings and additions	3,280,209	109,681	-	3,389,890
Equipment and furniture	2,464,278	41,224	-	2,505,502
Buses and other vehicles	693,117	27,628	54,290	666,455
Total accumulated depreciation	6,437,604	178,533	54,290	6,561,847
Net capital assets being depreciated	4,306,359	(85,623)	-	4,220,736
Net capital assets	<u>\$ 4,406,359</u>	<u>\$ (85,623)</u>	<u>\$ -</u>	<u>\$ 4,320,736</u>

Depreciation for the fiscal year ended June 30, 2010 amounted to \$178,533. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**Marcellus Community Schools**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 5 - Interfund Receivable, Payable, Transfers**

Interfund transfers were made during the year are as follows:

		<u>Transfers Out</u>		
		General		
		Fund		
<b>Transfers in</b>				
Athletics Fund	\$	134,909		
Food Service Fund		14,105		
	\$	149,014		

Transfers to the Athletics and Food Service funds were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities.

**Note 6 - State Aid Anticipation Note**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ 1,000,000	\$ 1,100,000	\$ 1,990,000	\$ 110,000

**Note 7 - Long-Term Debt**

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

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 6,215,000	\$ -	\$ 570,000	\$ 5,645,000	\$ 620,000
Deferred amount on refunding	(115,124)	-	(13,683)	(101,441)	-
Premium on bonds	172,793	-	20,493	152,300	-
	6,272,669	-	576,810	5,695,859	620,000
Other bonds	35,597	-	3,880	31,717	4,065
Installment notes	70,701	33,600	48,283	56,018	34,251
Compensated absences	123,284	19,570	-	142,854	-
Retirement incentives	100,000	-	100,000	-	-
	\$ 6,602,251	\$ 53,170	\$ 728,973	\$ 5,926,448	\$ 658,316

**Marcellus Community Schools**  
**Notes to Financial Statements**  
**June 30, 2010**

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

General obligation bonds payable at yearend consists of the following:

\$5,550,000 serial bond due in annual installments of \$220,000 to \$2,500,000 through May 1, 2013 , interest at 4.25% to 5.0%	\$	890,000
\$2,960,000 serial bond due in annual installments of \$225,000 to \$1,840,000 through May 1, 2015, interest at 2.5% to 4.0%		1,840,000
\$2,915,000 serial bond due in annual installments of \$190,000 to \$2,725,000 through May 1, 2019, interest at 4.0% to 5.25%		<u>2,915,000</u>
Total general obligation bonded debt	<u>\$</u>	<u>5,645,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 620,000	\$ 242,220	\$ 862,220
2012	670,000	217,772	887,772
2013	695,000	191,002	886,002
2014	585,000	161,900	746,900
2015	600,000	138,500	738,500
2016-2019	<u>2,475,000</u>	<u>270,450</u>	<u>2,745,450</u>
Total	<u>\$ 5,645,000</u>	<u>\$ 1,221,844</u>	<u>\$ 6,866,844</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$432,995 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$66,560 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 31,717</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	4,065	609	\$ 4,674
2012	23,191	8,214	31,405
2013	<u>4,461</u>	<u>212</u>	<u>4,673</u>
Total	<u>\$ 31,717</u>	<u>\$ 9,035</u>	<u>\$ 40,752</u>

**Installment Notes**

Installment notes payable at June 30, 2010 consist of the following:

\$150,000 Northrup property installment note payable due in monthly installments of \$1,584 through October 15, 2012, interest at 4.90%	\$ 38,907
\$33,600 School bus installment note payable due in bi-annual installments of \$8,796 through May 1, 2011 interest at 3.74%	<u>17,111</u>
Total installment notes payable	<u>\$ 56,018</u>

**Marcellus Community Schools**  
**Notes to Financial Statements**  
**June 30, 2010**

Future principal and interest requirements for installment notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 34,251	\$ 2,541	\$ 36,792
2012	18,197	1,003	19,200
2013	3,570	88	3,658
Total	<u>\$ 56,018</u>	<u>\$ 3,632</u>	<u>\$ 59,650</u>

**Compensated Absences**

Accrued compensated absences at year end, consists of \$142,854 of accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$19,933 and \$267,132 respectively.

**Defeased Debt**

In the prior year, the School District had defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 2015 for the 2005 refunding bonds. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is \$2,075,000.

The final payment date is May 2019 for the 2007 refunding bonds. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is \$2,945,000.

The final payment date is August 20, 2010 for the 2009 state aid anticipation note. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is \$990,000.

**Note 8 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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

**Note 9 - Defined Benefit Pension Plan**

**Plan Description**

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

**Marcellus Community Schools**  
**Notes to Financial Statements**  
**June 30, 2010**

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

MPSERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

**Funding Policy**

The School is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The School's actual contributions match the required contributions. Additionally, employees participating in the Member Investment Plan contributed 3% to 6.4% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS pension funding for the three-year period beginning July 1, 2007 through June 30, 2010.

	2010	2009	2008
Funding percentage range	9.73 - 10.13%	9.73 - 10.17%	10.17 - 11.19%
Total payroll	4,065,151	4,471,672	4,301,245
Total covered payroll	4,007,882	4,323,949	4,263,672
School pension contributions	401,226	431,098	451,234
Employee MIP contributions	134,037	145,324	140,152

**Trend Information**

Ten-year historical trend information is presented in the September 30, 2009, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2009, the latest date for which information is available, approximates \$ 41.8 billion and \$ 35.2 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2009.

**Post Employment Benefits**

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

The following table discloses pertinent information relative to MPSERS post employment benefits funding for the three-year period beginning July 1, 2007 through June 30, 2010.

	2010	2009	2008
Funding percentage range	6.81%	6.55 - 6.81%	6.55%
School post employment benefits contributions	272,417	286,029	272,656

**Marcellus Community Schools**  
**Notes to Financial Statements**  
**June 30, 2010**

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**Note 10 - Contingent Liabilities**

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

**Note 11 - Upcoming Property Tax Levies**

On May 4, 2010, the residents of Cass County approved a sinking fund millage for Marcellus Community Schools for the 2010 tax year. The millage is 1.25 mills for 5 years and will be used to fund school property repairs, maintenance, and renovations. The voters also approved a proposal to restore the statutory rate of 18 mills on Non-principal Residence property for the 2010 tax year.

**Note 12 - Subsequent Events**

Subsequent to June 30, 2010, the District has paid the balance of \$110,000 and accrued interest on the short-term state aid anticipation note borrowed in August 2009 and has subsequently borrowed \$1,100,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. The interest rate on this note was 0.80%.



**Marcellus Community Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 825,303	\$ 907,733	\$ 892,560	\$ (15,173)
State sources	6,409,761	5,698,524	5,912,510	213,986
Federal sources	<u>276,238</u>	<u>601,132</u>	<u>624,685</u>	<u>23,553</u>
Total revenues	<u>7,511,302</u>	<u>7,207,389</u>	<u>7,429,755</u>	<u>222,366</u>
<b>Expenditures</b>				
Instruction				
Basic programs	3,887,133	3,949,880	3,932,943	(16,937)
Added needs	565,006	477,136	502,983	25,847
Supporting services				
Pupil	430,200	209,862	279,302	69,440
Instructional staff	41,232	32,681	26,532	(6,149)
General administration	514,520	510,845	522,309	11,464
School administration	598,924	659,186	626,623	(32,563)
Business	45,657	29,088	49,396	20,308
Operations and maintenance	746,286	765,325	680,573	(84,752)
Pupil transportation services	369,982	301,774	403,875	102,101
Central	59,269	73,506	79,285	5,779
Community services	20,000	20,524	20,400	(124)
Capital outlay	51,300	82,591	56,385	(26,206)
Debt service				
Principal	33,108	46,172	46,172	-
Interest and fiscal charges	<u>7,950</u>	<u>24,241</u>	<u>19,933</u>	<u>(4,308)</u>
Total expenditures	<u>7,370,567</u>	<u>7,182,811</u>	<u>7,246,711</u>	<u>63,900</u>
Excess (deficiency) of revenues over expenditures	<u>140,735</u>	<u>24,578</u>	<u>183,044</u>	<u>158,466</u>

**Marcellus Community Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ 39,000	\$ 39,000	\$ -
Transfers out	<u>(157,000)</u>	<u>(133,409)</u>	<u>(149,014)</u>	<u>15,605</u>
Total other financing uses	<u>(157,000)</u>	<u>(94,409)</u>	<u>(110,014)</u>	<u>15,605</u>
Net change in fund balance	(16,265)	(69,831)	73,030	142,861
Fund balance - beginning	<u>465,929</u>	<u>465,929</u>	<u>465,929</u>	<u>-</u>
Fund balance - ending	<u>\$ 449,664</u>	<u>\$ 396,098</u>	<u>\$ 538,959</u>	<u>\$ 142,861</u>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2010**

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>2001 Debt</u>	<u>2005 Debt</u>	<u>2007 Debt</u>	
<b>Assets</b>						
Cash	\$ 235	\$ -	\$ 272,716	\$ 87,580	\$ 72,699	\$ 433,230
Due from other governmental units	7,200	-	-	-	-	7,200
Inventory	<u>4,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,392</u>
 Total assets	<u>\$ 11,827</u>	<u>\$ -</u>	<u>\$ 272,716</u>	<u>\$ 87,580</u>	<u>\$ 72,699</u>	<u>\$ 444,822</u>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	<u>\$ 9,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,442</u>
 <b>Fund Balance</b>						
Reserved for inventory	4,392	-	-	-	-	4,392
Reserved for debt service	-	-	272,716	87,580	72,699	432,995
Other undesignated	<u>(2,007)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,007)</u>
 Total fund balance	<u>2,385</u>	<u>-</u>	<u>272,716</u>	<u>87,580</u>	<u>72,699</u>	<u>435,380</u>
 Total liabilities and fund balance	<u>\$ 11,827</u>	<u>\$ -</u>	<u>\$ 272,716</u>	<u>\$ 87,580</u>	<u>\$ 72,699</u>	<u>\$ 444,822</u>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2010**

	Special Revenue Funds		Debt Service Funds			Total Nonmajor Governmental Funds
	Food Service	Athletics	2001 Debt	2005 Debt	2007 Debt	
<b>Revenues</b>						
Local sources	\$ 110,708	\$ 52,881	\$ 306,999	\$ 375,483	\$ 127,485	\$ 973,556
State sources	20,805	-	-	4,674	-	25,479
Federal sources	246,629	-	-	-	-	246,629
<b>Total revenues</b>	<b>378,142</b>	<b>52,881</b>	<b>306,999</b>	<b>380,157</b>	<b>127,485</b>	<b>1,245,664</b>
<b>Expenditures</b>						
Current						
Education						
Food services	393,823	-	-	-	-	393,823
Athletic activities	-	188,961	-	-	-	188,961
Debt service						
Principal	-	-	260,000	313,880	-	573,880
Interest and other expenditures	-	-	53,499	80,820	132,813	267,132
<b>Total expenditures</b>	<b>393,823</b>	<b>188,961</b>	<b>313,499</b>	<b>394,700</b>	<b>132,813</b>	<b>1,423,796</b>
<b>Excess (deficiency) of   revenues over expenditures</b>	<b>(15,681)</b>	<b>(136,080)</b>	<b>(6,500)</b>	<b>(14,543)</b>	<b>(5,328)</b>	<b>(178,132)</b>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2010**

	Special Revenue Funds		Debt Service Funds			Total Nonmajor Governmental Funds
	Food Service	Athletics	2001 Debt	2005 Debt	2007 Debt	
<b>Other Financing Sources</b>						
Transfers in	14,105	134,909	-	-	-	149,014
Net change in fund balance	(1,576)	(1,171)	(6,500)	(14,543)	(5,328)	(29,118)
Fund balance - beginning	<u>3,961</u>	<u>1,171</u>	<u>279,216</u>	<u>102,123</u>	<u>78,027</u>	<u>464,498</u>
Fund balance - ending	<u>\$ 2,385</u>	<u>\$ -</u>	<u>\$ 272,716</u>	<u>\$ 87,580</u>	<u>\$ 72,699</u>	<u>\$ 435,380</u>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2010**

	2010	2009
<b>Assets</b>		
Cash	\$ 550,897	\$ 1,102,885
Due from other governmental units	1,241,586	1,215,137
Inventory	33,047	42,090
Total assets	\$ 1,825,530	\$ 2,360,112
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 247,196	\$ 50,750
State aid anticipation note payable	110,000	1,000,000
Due to other governmental units	103,758	102,001
Payroll deductions and withholdings	40,632	35,995
Accrued expenditures	221,125	234,927
Accrued salaries payable	563,860	470,510
Total liabilities	1,286,571	1,894,183
<b>Fund Balance</b>		
Reserved for inventory	33,047	42,090
Other undesignated	505,912	423,839
Total fund balance	538,959	465,929
Total liabilities and fund balance	\$ 1,825,530	\$ 2,360,112

**Marcellus Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Revenues Compared to Budget**  
**For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue from local sources</b>				
Property tax levy	\$ 777,003	\$ 874,889	\$ 862,955	\$ (11,934)
Tuition	-	(50)	2,375	2,425
Transportation fees	600	2,000	1,329	(671)
Earnings on investments	6,000	1,200	210	(990)
Student activities	1,500	1,038	298	(740)
Community service activities	200	240	228	(12)
Other local revenues	<u>40,000</u>	<u>28,416</u>	<u>25,165</u>	<u>(3,251)</u>
Total revenues from local sources	<u>825,303</u>	<u>907,733</u>	<u>892,560</u>	<u>(15,173)</u>
<b>Revenues from state sources</b>				
Grants - unrestricted	5,897,679	5,399,697	5,468,298	68,601
Grants - restricted	<u>512,082</u>	<u>298,827</u>	<u>444,212</u>	<u>145,385</u>
Total revenues from state sources	<u>6,409,761</u>	<u>5,698,524</u>	<u>5,912,510</u>	<u>213,986</u>
<b>Revenues from federal sources</b>				
Grants	<u>276,238</u>	<u>601,132</u>	<u>624,685</u>	<u>23,553</u>
<b>Other financing sources</b>				
Proceeds from sale of capital assets	<u>-</u>	<u>39,000</u>	<u>39,000</u>	<u>-</u>
Total revenue	<u>\$ 7,511,302</u>	<u>\$ 7,246,389</u>	<u>\$ 7,468,755</u>	<u>\$ 222,366</u>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - elementary</b>				
Salaries	\$ 746,163	\$ 891,305	\$ 928,976	\$ 37,671
Employee benefits	470,284	630,070	511,440	(118,630)
Supplies and materials	33,050	24,596	22,752	(1,844)
Other	2,000	600	1,386	786
Total elementary	<u>1,251,497</u>	<u>1,546,571</u>	<u>1,464,554</u>	<u>(82,017)</u>
<b>Basic program - middle school</b>				
Salaries	504,059	422,743	492,608	69,865
Employee benefits	311,715	314,511	304,773	(9,738)
Supplies and materials	18,000	5,000	9,434	4,434
Other	5,400	3,781	2,957	(824)
Total middle school	<u>839,174</u>	<u>746,035</u>	<u>809,772</u>	<u>63,737</u>
<b>Basic program - high school</b>				
Salaries	1,034,579	1,000,701	1,036,949	36,248
Employee benefits	568,395	534,124	516,293	(17,831)
Supplies and materials	32,600	15,324	19,165	3,841
Other	47,163	33,314	18,478	(14,836)
Total high school	<u>1,682,737</u>	<u>1,583,463</u>	<u>1,590,885</u>	<u>7,422</u>



**Marcellus Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - pre-school</b>				
Salaries	\$ 64,508	\$ 41,265	\$ 38,796	\$ (2,469)
Employee benefits	46,667	29,646	26,964	(2,682)
Purchased services	300	-	-	-
Supplies and materials	1,800	900	80	(820)
Other	450	2,000	1,892	(108)
Total pre-school	<u>113,725</u>	<u>73,811</u>	<u>67,732</u>	<u>(6,079)</u>
<b>Added needs - special education</b>				
Salaries	140,496	141,861	142,230	369
Employee benefits	68,998	67,753	68,115	362
Purchased services	4,300	7,023	3,433	(3,590)
Supplies and materials	1,050	2,277	3,827	1,550
Other	250	(1,200)	-	1,200
Total special education	<u>215,094</u>	<u>217,714</u>	<u>217,605</u>	<u>(109)</u>
<b>Added needs - compensatory education</b>				
Salaries	191,197	147,169	134,788	(12,381)
Employee benefits	83,115	38,930	80,201	41,271
Supplies and materials	1,000	355	355	-
Other	-	500	116	(384)
Total compensatory education	<u>275,312</u>	<u>186,954</u>	<u>215,460</u>	<u>28,506</u>
<b>Added needs - career and technical education</b>				
Supplies and materials	-	468	468	-
Other	74,600	72,000	69,450	(2,550)
Total career and technical education	<u>74,600</u>	<u>72,468</u>	<u>69,918</u>	<u>(2,550)</u>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - guidance services</b>				
Salaries	\$ 110,455	\$ 68,229	\$ 103,509	\$ 35,280
Employee benefits	70,705	65,354	84,084	18,730
Supplies and materials	2,750	1,600	1,773	173
Other	500	(2,100)	30	2,130
Total guidance services	<u>184,410</u>	<u>133,083</u>	<u>189,396</u>	<u>56,313</u>
<b>Pupil - health services</b>				
Other	-	1,016	1,246	230
<b>Pupil - speech services</b>				
Salaries	54,129	35,945	39,080	3,135
Employee benefits	30,957	21,059	19,589	(1,470)
Supplies and materials	300	6,831	6,831	-
Other	200	50	109	59
Total speech services	<u>85,586</u>	<u>63,885</u>	<u>65,609</u>	<u>1,724</u>
<b>Pupil - social work services</b>				
Salaries	-	(7,956)	-	7,956
Employee benefits	-	4,760	4,690	(70)
Other	-	-	543	543
Total social work services	<u>-</u>	<u>(3,196)</u>	<u>5,233</u>	<u>8,429</u>
<b>Pupil - other support services</b>				
Salaries	95,800	28,404	14,611	(13,793)
Employee benefits	64,404	(13,330)	3,207	16,537
Total other pupil support services	<u>160,204</u>	<u>15,074</u>	<u>17,818</u>	<u>2,744</u>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Instructional staff - improvement of education</b>				
Salaries	\$ 775	\$ 275	\$ -	\$ (275)
Other	4,000	9,824	8,735	(1,089)
Total improvement of education	<u>4,775</u>	<u>10,099</u>	<u>8,735</u>	<u>(1,364)</u>
<b>Instructional staff - educational media services</b>				
Salaries	14,840	19,077	13,547	(5,530)
Employee benefits	13,917	5,260	1,439	(3,821)
Supplies and materials	6,100	(600)	1,975	2,575
Other	1,600	(605)	836	1,441
Total educational media services	<u>36,457</u>	<u>23,132</u>	<u>17,797</u>	<u>(5,335)</u>
<b>Instructional staff - technology assisted instruction</b>				
Other	-	(550)	-	550
<b>General administration - board of education</b>				
Supplies and materials	250	(250)	-	250
Other	42,214	45,149	47,459	2,310
Total board of education	<u>42,464</u>	<u>44,899</u>	<u>47,459</u>	<u>2,560</u>
<b>General administration - executive administration</b>				
Salaries	175,708	173,819	169,843	(3,976)
Employee benefits	188,729	188,260	221,990	33,730
Supplies and materials	2,500	750	984	234
Other	105,119	103,117	82,033	(21,084)
Total executive administration	<u>472,056</u>	<u>465,946</u>	<u>474,850</u>	<u>8,904</u>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>School administration - office of the principal</b>				
Salaries	\$ 377,936	\$ 397,970	\$ 373,811	\$ (24,159)
Employee benefits	183,538	220,639	205,332	(15,307)
Supplies and materials	7,900	3,955	7,729	3,774
Other	29,550	36,622	39,751	3,129
Total office of the principal	<u>598,924</u>	<u>659,186</u>	<u>626,623</u>	<u>(32,563)</u>
<b>Business - other</b>				
Other	<u>45,657</u>	<u>29,088</u>	<u>49,396</u>	<u>20,308</u>
<b>Operations and maintenance - operating building services</b>				
Salaries	265,962	266,070	241,724	(24,346)
Employee benefits	108,606	123,122	102,554	(20,568)
Supplies and materials	60,000	50,000	56,474	6,474
Other	311,718	326,133	279,821	(46,312)
Total operating building services	<u>746,286</u>	<u>765,325</u>	<u>680,573</u>	<u>(84,752)</u>
<b>Pupil transportation services</b>				
Salaries	186,326	177,613	180,305	2,692
Employee benefits	75,156	71,349	102,296	30,947
Supplies and materials	34,300	(9,498)	37,090	46,588
Other	74,200	62,310	84,184	21,874
Total transportation services	<u>369,982</u>	<u>301,774</u>	<u>403,875</u>	<u>102,101</u>
<b>Central - staff/personnel services</b>				
Other	<u>600</u>	<u>653</u>	<u>653</u>	<u>-</u>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Central - support services technology</b>				
Salaries	\$ 35,000	\$ 27,900	\$ 28,666	\$ 766
Employee benefits	18,319	17,329	20,315	2,986
Other	5,350	27,624	29,651	2,027
Total support services technology	<u>58,669</u>	<u>72,853</u>	<u>78,632</u>	<u>5,779</u>
<b>Community services - custody and care of children</b>				
Salaries	20,000	19,524	19,409	(115)
Employee benefits	-	1,000	991	(9)
Total custody and care of children	<u>20,000</u>	<u>20,524</u>	<u>20,400</u>	<u>(124)</u>
<b>Capital outlay</b>				
Basic program - elementary	500	(500)	-	500
Basic program - middle school	3,000	(2,800)	344	3,144
Basic program - high school	9,000	15,323	7,746	(7,577)
Instructional staff - educational media services	600	(600)	-	600
General administration - executive administration	2,000	1,000	-	(1,000)
School administration - office of the principal	10,200	9,090	8,217	(873)
Operations and maintenance - operating building services	1,000	(4,000)	-	4,000
Pupil transportation services	25,000	64,000	39,000	(25,000)
Other support services	-	1,078	1,078	-
Total capital outlay	<u>51,300</u>	<u>82,591</u>	<u>56,385</u>	<u>(26,206)</u>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2010**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Debt service</b>				
Principal	\$ 33,108	\$ 46,172	\$ 46,172	\$ -
Interest and other expenditures	<u>7,950</u>	<u>24,241</u>	<u>19,933</u>	<u>(4,308)</u>
Total debt service	<u>41,058</u>	<u>70,413</u>	<u>66,105</u>	<u>(4,308)</u>
<b>Other financing uses</b>				
Transfers out	<u>157,000</u>	<u>133,409</u>	<u>149,014</u>	<u>15,605</u>
Total expenditures and financing uses	<u><u>\$ 7,527,567</u></u>	<u><u>\$ 7,316,220</u></u>	<u><u>\$ 7,395,725</u></u>	<u><u>\$ 79,505</u></u>

**Marcellus Community Schools**  
**Other Supplemental Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2010**

	Due to (from) Student Groups June 30, 2009	Cash Receipts	Cash Disbursements	Due to (from) Student Groups June 30, 2010
Administration	\$ (14,467)	\$ 120	\$ -	\$ (14,347)
ES Girls on the Run	-	2,415	2,415	-
ES Library	1,013	7,379	7,952	440
ES Principal	4,074	11,611	9,310	6,375
ES School Success	289	137	256	170
HS Band	3,342	19,659	18,121	4,880
HS Band Trip	2,149	42,892	43,299	1,742
HS Boys' Basketball	1,759	1,900	2,630	1,029
HS Cheerleading	413	-	-	413
HS Class of 2007	477	100	478	99
HS Class of 2008	455	-	-	455
HS Class of 2009	655	30	428	257
HS Class of 2010	528	3,654	4,013	169
HS Class of 2011	1,346	7,547	8,444	449
HS Class of 2012	572	462	55	979
HS Class of 2013	100	-	-	100
HS Football	196	3,055	1,900	1,351
HS Girls' Basketball	-	1,460	1,337	123
HS Golf	285	-	-	285
HS Greenhouse	2,504	2,622	2,621	2,505
HS Industrial Arts	596	-	-	596
HS National Honor Society	6,182	4,351	7,773	2,760
HS Principal	998	1,533	2,141	390
HS Ski Club	61	4,458	4,459	60
HS Soccer	65	19,818	17,298	2,585
HS Spanish Honor Society	28	530	442	116
HS Student Council	3,720	1,107	1,831	2,996
HS Volleyball	959	1,514	911	1,562
HS Wrestling	-	915	892	23

**Marcellus Community Schools**  
**Other Supplemental Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2010**

	Due to (from) Student Groups June 30, 2009	Cash Receipts	Cash Disbursements	Due to (from) Student Groups June 30, 2010
HS Yearbook	\$ 67	\$ 14,793	\$ 11,078	\$ 3,782
MS Camp	223	-	-	223
MS Fundraiser	891	4,335	3,201	2,025
MS Leadership	1,893	2,097	1,807	2,183
MS Principal	895	9,214	7,645	2,464
MS Stars	1,314	-	133	1,181
MS Student Council	2,049	2,642	1,860	2,831
MS Sunshine	17	-	-	17
Volinia Maple	7,390	7,864	5,289	9,965
Volinia Principal	-	1,819	771	1,048
Volinia Prom	31	-	-	31
Volinia Student Council	133	-	-	133
Volinia Tech	28	50	-	78
	<u>33,230</u>	<u>182,083</u>	<u>170,790</u>	<u>44,523</u>
Total	<u>\$ 33,230</u>	<u>\$ 182,083</u>	<u>\$ 170,790</u>	<u>\$ 44,523</u>



**Marcellus Community Schools**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2010**

<u>Year Ending June 30,</u>	<u>2001 Building &amp; Site Principal</u>	<u>Durant Principal</u>	<u>2005 Refunding Principal</u>	<u>2007 Refunding Principal</u>	<u>Total</u>
2011	\$ 275,000	\$ 4,065	\$ 345,000	\$ -	\$ 624,065
2012	295,000	23,191	375,000	-	693,191
2013	320,000	4,461	375,000	-	699,461
2014	-	-	395,000	190,000	585,000
2015	-	-	350,000	250,000	600,000
2016	-	-	-	620,000	620,000
2017	-	-	-	620,000	620,000
2018	-	-	-	620,000	620,000
2019	-	-	-	615,000	615,000
Total	<u>\$ 890,000</u>	<u>\$ 31,717</u>	<u>\$ 1,840,000</u>	<u>\$ 2,915,000</u>	<u>\$ 5,676,717</u>
Principal payments due the first day of	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	
Interest rate	4.25% -5.0%	4.76%	2.5% - 4.0%	4.0% - 5.25%	
Original issue	<u>\$ 5,550,000</u>	<u>\$ 66,560</u>	<u>\$ 2,960,000</u>	<u>\$ 2,915,000</u>	