

**Marcellus Community Schools
Marcellus, Michigan**

**Annual Financial Statements
and
Independent Auditors' Report**

June 30, 2011

Table of Contents

| Section | Page | |
|----------|--|--------|
| 1 | Members of the Board of Education and Administration | 1 - 1 |
| 2 | Independent Auditors' Report | 2 - 1 |
| 3 | Management's Discussion and Analysis | 3 - 1 |
| 4 | Basic Financial Statements | |
| | District-wide Financial Statements | |
| | Statement of Net Assets | 4 - 1 |
| | Statement of Activities | 4 - 2 |
| | Fund Financial Statements | |
| | Governmental Funds | |
| | Balance Sheet | 4 - 3 |
| | Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 4 - 4 |
| | Statement of Revenues, Expenditures and Changes in Fund Balances | 4 - 5 |
| | Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 4 - 7 |
| | Fiduciary Funds | |
| | Statement of Fiduciary Net Assets | 4 - 8 |
| | Statement of Changes in Fiduciary Net Assets | 4 - 9 |
| | Notes to Financial Statements | 4 - 10 |
| 5 | Required Supplemental Information | |
| | Budgetary Comparison Schedule – General Fund | 5 - 1 |

| Section | Page |
|---|-------------|
| 6 Other Supplemental Information | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet | 6 - 1 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance | 6 - 2 |
| General Fund | |
| Comparative Balance Sheet | 6 - 3 |
| Schedule of Revenues Compared to Budget | 6 - 4 |
| Schedule of Expenditures Compared to Budget | 6 - 5 |
| Fiduciary Funds | |
| Statement of Changes in Amounts Due to Student Groups | 6 - 12 |
| Schedule of Outstanding Bonded Indebtedness | 6 - 14 |

Marcellus Community Schools
Members of the Board of Education and Administration
June 30, 2011

Members of the Board of Education

Timothy Henry – President

Christine Nofsinger – Vice President

Jane Butcbaker – Treasurer

Donna Brown – Secretary

Hugh Fair – Trustee

Jeff Steinkraus – 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



710 E. Milham
Kalamazoo, MI 49002
Phone (269) 329-7007 / (800) 375-3968
Fax (269) 329-0626

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, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marcellus Community Schools' financial statements as a whole. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Yeo & Yeo, P.C.

Kalamazoo, Michigan
August 31, 2011

Marcellus Community Schools
Management's Discussion and Analysis
June 30, 2011

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, 2011. 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, 2011

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 Fund, for example) 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, 2011

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, 2011 and 2010.

TABLE 1

| | Governmental Activities | |
|--|-------------------------|--------------|
| | 2011 | 2010 |
| Assets | | |
| Current and other assets | \$ 2,313,876 | \$ 2,352,849 |
| Property and equipment | 4,190,721 | 4,320,736 |
| Total assets | 6,504,597 | 6,673,585 |
| Liabilities | | |
| Current liabilities | 1,876,938 | 1,344,182 |
| Long-term liabilities | 4,537,300 | 5,926,448 |
| Total liabilities | 6,414,238 | 7,270,630 |
| Net Assets | | |
| Invested in property and equipment – Net of related debt | (928,847) | (1,462,858) |
| Restricted | | |
| Debt service | 380,386 | 432,995 |
| Capital projects | 129,343 | - |
| Unrestricted | 509,477 | 432,818 |
| Total net assets (deficit) | \$ 90,359 | \$ (597,045) |

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

Marcellus Community Schools
Management's Discussion and Analysis
June 30, 2011

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 2010/11 and fiscal year 2009/10.

| TABLE 2 | Governmental Activities | |
|-----------------------------------|-------------------------|-------------------|
| | 2010 | 2010 |
| Revenue | | |
| Program Revenue | | |
| Charges for services | \$ 143,703 | \$ 156,507 |
| Operating grants | 1,310,790 | 1,343,021 |
| General revenue | | |
| Property taxes | 1,852,155 | 1,672,283 |
| State foundation allowance | 5,249,478 | 5,468,298 |
| Other | 47,250 | 74,310 |
| Insurance recoveries | 90,348 | - |
| Total Revenue | <u>8,693,724</u> | <u>8,714,419</u> |
| Functions/Program Expenses | | |
| Instruction | 4,327,653 | 4,351,191 |
| Support services | 2,879,133 | 2,837,072 |
| Food services | 371,307 | 394,214 |
| Community services | - | 20,400 |
| Depreciation | 182,731 | 178,533 |
| Interest on long-term debt | 245,496 | 308,118 |
| Total Expenses | <u>8,006,320</u> | <u>8,089,528</u> |
| Increase in net assets | <u>\$ 687,404</u> | <u>\$ 624,891</u> |

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, 2011

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 \$538,959 to \$611,905. 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 2011. 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.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011, the School District had \$10,925,159 invested in capital assets, including land, buildings, and furniture and equipment.

| | <u>2011</u> | <u>2010</u> |
|------------------------------------|---------------------|---------------------|
| Assets not being depreciated | | |
| Land | \$ 100,000 | \$ 100,000 |
| Construction in progress | 47,524 | - |
| Building and building improvements | 7,165,933 | 7,165,933 |
| Furniture and equipment | 2,839,264 | 2,839,264 |
| Buses and other vehicles | 772,438 | 777,386 |
| Total capital assets | <u>10,925,159</u> | <u>10,882,583</u> |
| Less accumulated depreciation | <u>(6,734,438)</u> | <u>(6,561,847)</u> |
| Net capital assets | <u>\$ 4,190,721</u> | <u>\$ 4,320,736</u> |

Marcellus Community Schools
Management's Discussion and Analysis
June 30, 2011

Long Term Debt and Other Obligations

At the end of this year, the School District had \$5,025,000 in General Obligation Bonds outstanding versus \$5,645,000 last year – a decrease of 10.98 percent. 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

The economy in the State of Michigan continues to lag behind the national economic recovery. Basic foundation revenues will, at best, be \$6,846 per pupil (a \$300 per pupil reduction from the 2010-2011 school year). The combination of decreasing revenues, decreasing K-12 enrollments, and rapidly increasing costs for state retirement and health insurance will continue to challenge the District's resources. With virtually no incoming cash during the August 20 through October 20 period, borrowing against state aid is \$1,100,000 for the 2011-2012 fiscal year. However, providing quality educational programs will continue to be the District's highest priority.

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, 2011

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash | \$ 1,073,991 |
| Due from other governmental units | 1,141,707 |
| Inventory | 28,508 |
| Other assets | 69,670 |
| Capital assets not being depreciated | 147,524 |
| Capital assets - net of accumulated depreciation | 4,043,197 |
| Total assets | 6,504,597 |
| Liabilities | |
| Accounts payable | 90,545 |
| State aid anticipation note payable | 118,776 |
| Due to other governmental units | 102,001 |
| Payroll deductions and withholdings | 39,296 |
| Accrued expenditures | 301,155 |
| Accrued salaries payable | 513,680 |
| Noncurrent liabilities | |
| Due in one year | 711,485 |
| Due in more than one year | 4,537,300 |
| Total liabilities | 6,414,238 |
| Net Assets (Deficit) | |
| Invested in capital assets, net of related debt | (928,847) |
| Restricted for: | |
| Debt service | 380,386 |
| Capital projects | 129,343 |
| Unrestricted | 509,477 |
| Total net assets | \$ 90,359 |

See Accompanying Notes to Financial Statements

Marcellus Community Schools
Statement of Activities
For the Year Ended June 30, 2011

| | Program Revenues | | |
|---|----------------------|------------------------------------|---|
| Expenses | Charges for Services | Operating Grants and Contributions | Net Revenue (Expense) and Changes in Net Assets |
| Functions/Programs | | | |
| Governmental activities | | | |
| Instruction | \$ 4,327,653 | \$ - | \$ 970,950 |
| Supporting services | 2,879,133 | 47,517 | 65,701 |
| Food services | 371,307 | 96,186 | 274,139 |
| Depreciation | 182,731 | - | - |
| Interest on long-term debt | 245,496 | - | - |
| | <u>\$ 8,006,320</u> | <u>\$ 143,703</u> | <u>\$ 1,310,790</u> |
| Total governmental activities | | | |
| | <u>\$ 8,006,320</u> | <u>\$ 143,703</u> | <u>\$ 1,310,790</u> |
| General revenues | | | |
| Property taxes, levied for general purposes | | | 846,851 |
| Property taxes, levied for debt service | | | 810,347 |
| Property taxes, levied for sinking fund | | | 194,957 |
| State aid - unrestricted | | | 5,249,478 |
| Interest and investment earnings | | | 7,690 |
| Gain on sale of capital assets | | | 426 |
| Other | | | 39,134 |
| Insurance recoveries | | | 90,348 |
| | | | <u>7,239,231</u> |
| | | | 7,239,231 |
| | | | 687,404 |
| | | | (597,045) |
| | | | <u>(597,045)</u> |
| | | | 90,359 |
| | | | <u>\$ 90,359</u> |

See Accompanying Notes to Financial Statements

Marcellus Community Schools
Governmental Funds
Balance Sheet
June 30, 2011

| | General Fund | Debt Service Fund 2001 Debt | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 559,524 | \$ 252,284 | \$ 262,183 | \$ 1,073,991 |
| Due from other funds | - | - | 3,397 | 3,397 |
| Due from other governmental units | 1,141,707 | - | - | 1,141,707 |
| Inventory | 26,863 | - | 1,645 | 28,508 |
| Total assets | <u>1,728,094</u> | <u>252,284</u> | <u>267,225</u> | <u>2,247,603</u> |
| Liabilities and Fund Balance | | | | |
| Liabilities | | | | |
| Accounts payable | 81,979 | - | 8,566 | 90,545 |
| State aid anticipation note payable | 118,776 | - | - | 118,776 |
| Due to other funds | 3,397 | - | - | 3,397 |
| Due to other governmental units | 102,001 | - | - | 102,001 |
| Payroll deductions and withholdings | 39,296 | - | - | 39,296 |
| Accrued expenditures | 257,060 | - | - | 257,060 |
| Accrued salaries payable | 513,680 | - | - | 513,680 |
| Total liabilities | <u>1,116,189</u> | <u>-</u> | <u>8,566</u> | <u>1,124,755</u> |
| Fund Balance | | | | |
| Non-spendable | | | | |
| Inventory | 26,863 | - | 1,214 | 28,077 |
| Restricted for: | | | | |
| Debt service | - | 252,284 | 128,102 | 380,386 |
| Capital projects | - | - | 129,343 | 129,343 |
| Unassigned | 585,042 | - | - | 585,042 |
| Total fund balance | <u>611,905</u> | <u>252,284</u> | <u>258,659</u> | <u>1,122,848</u> |
| Total liabilities and fund balance | <u>\$ 1,728,094</u> | <u>\$ 252,284</u> | <u>\$ 267,225</u> | <u>\$ 2,247,603</u> |

Marcellus Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2011

| | |
|---|-------------------------|
| Total fund balances for governmental funds | \$ 1,122,848 |
| 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 | 147,524 |
| Capital assets - net of accumulated depreciation | 4,043,197 |
| Other long-term assets are not deferred in the governmental funds | |
| Bond issuance costs | 69,670 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (44,095) |
| 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 | (129,217) |
| Bonds payable | (5,096,701) |
| Other loans payable and liabilities | <u>(22,867)</u> |
| Net assets (deficit) of governmental activities | <u>\$ 90,359</u> |

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

| | <u>General Fund</u> | <u>2001 Debt Service Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|-----------------------------------|--|---|
| Revenues | | | | |
| Local sources | \$ 941,721 | \$ 296,115 | \$ 806,830 | \$ 2,044,666 |
| State sources | 5,709,220 | - | 23,259 | 5,732,479 |
| Federal sources | <u>570,251</u> | <u>-</u> | <u>255,554</u> | <u>825,805</u> |
| Total revenues | <u>7,221,192</u> | <u>296,115</u> | <u>1,085,643</u> | <u>8,602,950</u> |
| Expenditures | | | | |
| Current | | | | |
| Education | | | | |
| Instruction | 4,338,290 | - | - | 4,338,290 |
| Supporting services | 2,829,248 | - | - | 2,829,248 |
| Food services | - | - | 371,580 | 371,580 |
| Capital outlay | 26,330 | - | 66,171 | 92,501 |
| Debt service | | | | |
| Principal | 33,817 | 275,000 | 349,065 | 657,882 |
| Interest and other expenditures | <u>11,335</u> | <u>41,547</u> | <u>202,832</u> | <u>255,714</u> |
| Total expenditures | <u>7,239,020</u> | <u>316,547</u> | <u>989,648</u> | <u>8,545,215</u> |
| Excess (deficiency) of revenues over expenditures | <u>(17,828)</u> | <u>(20,432)</u> | <u>95,995</u> | <u>57,735</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, 2011

| | <u>General Fund</u> | <u>2001 Debt Service Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|-------------------------|-----------------------------------|--|---|
| Other Financing Sources | | | | |
| Insurance recoveries | \$ 90,348 | \$ - | \$ - | \$ 90,348 |
| Proceeds from sale of capital assets | 426 | - | - | 426 |
| Total other financing sources | <u>90,774</u> | <u>-</u> | <u>-</u> | <u>90,774</u> |
| Net change in fund balance | 72,946 | (20,432) | 95,995 | 148,509 |
| Fund balance - beginning | <u>538,959</u> | <u>272,716</u> | <u>162,664</u> | <u>974,339</u> |
| Fund balance - ending | <u>\$ 611,905</u> | <u>\$ 252,284</u> | <u>\$ 258,659</u> | <u>\$ 1,122,848</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, 2011

Net change in fund balances - Total governmental funds \$ 148,509

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 | (182,731) |
| Capital outlay | 52,716 |

Expenses are recorded when incurred in the statement of activities.

| | |
|----------------------|--------|
| Interest | 4,074 |
| Compensated absences | 13,637 |

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 | 657,216 |
| Amortization of premiums | 6,810 |
| Amortization bond issuance costs | <u>(12,827)</u> |

Change in net assets of governmental activities **\$ 687,404**

Marcellus Community Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2011

| | <u>Private Purpose Trust Funds</u> | <u>Agency Funds</u> |
|-------------------------------------|--|-------------------------|
| Assets | | |
| Cash | \$ 50,101 | \$ 61,499 |
| Liabilities | | |
| Due to agency fund activities | - | \$ 61,499 |
| Net Assets | | |
| Reserved for scholarships and loans | <u>\$ 50,101</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, 2011

| | <u>Private Purpose Trust Funds</u> |
|----------------------------------|--|
| Additions | |
| Interest and investment earnings | \$ <u>244</u> |
| Deductions | |
| Scholarships | 1,250 |
| Dues and fees | <u>5</u> |
| Total deductions | <u>1,255</u> |
| Change in net assets | (1,011) |
| Net assets - beginning | <u>51,112</u> |
| Net assets - ending | <u><u>\$ 50,101</u></u> |

See Accompanying Notes to Financial Statements

Marcellus Community Schools
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Marcellus Community Schools (the "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 non-fiduciary 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, 2011

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.

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.

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 the Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Sinking Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction or repair of school buildings.

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, 2010, the rates are as follows per \$1,000 of assessed value.

| | |
|-----------------------------------|----------|
| General Fund | |
| Non principal residence exemption | 18.00000 |
| Commercial personal property | 6.00000 |
| Debt Service Funds | 5.20000 |
| Sinking Fund | 1.25000 |

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

Marcellus Community Schools
Notes to Financial Statements
June 30, 2011

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.

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

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

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

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

Compensated Absences – 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 fund balance in the following categories:

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

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

Marcellus Community Schools
Notes to Financial Statements
June 30, 2011

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

Assigned – amounts intended to be used for specific purposes, as determined by the board of education. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

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

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

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

Eliminations and Reclassifications

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

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

Adoption of New Accounting Standard

The Government Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District adopted effective July 1, 2010. The new

standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund.

There is no effect of this change on beginning fund balances as the Athletic Fund had a fund balance of \$0 at June 30, 2010.

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 canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

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

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

Marcellus Community Schools
Notes to Financial Statements
June 30, 2011

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 | \$ 642,348 | \$ 664,844 | \$ 22,496 |
| Instructional staff | 28,610 | 52,643 | 24,033 |
| Pupil transportation services | 384,834 | 391,785 | 6,951 |
| Central | 78,258 | 85,009 | 6,751 |
| Athletics Fund | 199,224 | 203,646 | 4,422 |
| Capital outlay | 15,319 | 26,330 | 11,011 |

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 | \$ 1,073,991 | \$ 111,600 | \$ 1,185,591 |

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

| | |
|--|--------------|
| Deposits (checking, savings accounts, money markets, certificates of deposit) | \$ 1,185,591 |
|--|--------------|

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 year-end, \$674,692 of the District's bank balances were federally uninsured and uncollateralized.

Marcellus Community Schools
Notes to Financial Statements
June 30, 2011

Note 4 - Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------|---------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 100,000 | \$ - | \$ - | \$ 100,000 |
| Construction in progress | - | 47,524 | - | 47,524 |
| Total capital assets not being depreciated | 100,000 | 47,524 | - | 147,524 |
| Capital assets being depreciated | | | | |
| Buildings and additions | 7,165,933 | - | - | 7,165,933 |
| Equipment and furniture | 2,839,264 | - | - | 2,839,264 |
| Buses and other vehicles | 777,386 | 5,192 | 10,140 | 772,438 |
| Total capital assets being depreciated | 10,782,583 | 5,192 | 10,140 | 10,777,635 |
| Less accumulated depreciation for | | | | |
| Buildings and additions | 3,389,890 | 109,681 | - | 3,499,571 |
| Equipment and furniture | 2,505,502 | 47,041 | - | 2,552,543 |
| Buses and other vehicles | 666,455 | 26,009 | 10,140 | 682,324 |
| Total accumulated depreciation | 6,561,847 | 182,731 | 10,140 | 6,734,438 |
| Net capital assets being depreciated | 4,220,736 | (177,539) | - | 4,043,197 |
| Net capital assets | <u>\$ 4,320,736</u> | <u>\$ (130,015)</u> | <u>\$ -</u> | <u>\$ 4,190,721</u> |

Depreciation for the fiscal year ended June 30, 2011 amounted to \$182,731. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Note 5 - Interfund Receivable, Payable, Transfers

Individual interfund receivable and payable balances at year-end were:

| Due From Fund | Due to Fund | Amount |
|---------------|-------------------|-----------------|
| General Fund | Food Service Fund | <u>\$ 3,397</u> |

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

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

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 30th.

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

| | Beginning Balance | Proceeds | Repayments | Ending Balance |
|-----------------------------|----------------------|---------------------|---------------------|-------------------|
| State aid anticipation note | <u>\$ 110,000</u> | <u>\$ 1,100,000</u> | <u>\$ 1,091,224</u> | <u>\$ 118,776</u> |

The state aid anticipation note agreement includes an irrevocable set-aside of \$981,224 at year-end that is considered defeased debt and not included in the ending balance.

Marcellus Community Schools
Notes to Financial Statements
June 30, 2011

Long-Term Debt

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

Long-term obligation activity is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|------------------------------|---------------------|-------------|-------------------|---------------------|----------------------------|
| Government obligation bonds | \$ 5,645,000 | \$ - | \$ 620,000 | \$ 5,025,000 | \$ 670,000 |
| Deferred amount on refunding | (101,441) | - | (13,683) | (87,758) | - |
| Premium on bonds | 152,300 | - | 20,493 | 131,807 | - |
| | <u>5,695,859</u> | <u>-</u> | <u>626,810</u> | <u>5,069,049</u> | <u>670,000</u> |
| Other bonds | 31,717 | - | 4,065 | 27,652 | 23,191 |
| Installment notes | 56,018 | - | 33,151 | 22,867 | 18,294 |
| Compensated absences | 142,854 | - | 13,637 | 129,217 | - |
| Total | <u>\$ 5,926,448</u> | <u>\$ -</u> | <u>\$ 677,663</u> | <u>\$ 5,248,785</u> | <u>\$ 711,485</u> |

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

General obligation bonds payable at year-end 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% | \$ 615,000 |
| \$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% | 1,495,000 |
| \$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>\$ 5,025,000</u> |

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|---------------------|-------------------|---------------------|
| 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 | 620,000 | 114,500 | 734,500 |
| 2017-2019 | <u>1,855,000</u> | <u>155,950</u> | <u>2,010,950</u> |
| Total | <u>\$ 5,025,000</u> | <u>\$ 979,624</u> | <u>\$ 6,004,624</u> |

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$380,386 to pay this debt. Future debt and interest will be payable from future tax levies.

Marcellus Community Schools
Notes to Financial Statements
June 30, 2011

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

| | |
|----|--------|
| \$ | 27,652 |
|----|--------|

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-----------|----------|-----------|
| 2012 | \$ 23,191 | \$ 8,214 | \$ 31,405 |
| 2013 | 4,461 | 212 | 4,673 |
| Total | \$ 27,652 | \$ 8,638 | \$ 36,290 |

Installment Notes

Installment notes payable at June 30, 2011 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%

| | |
|----|--------|
| \$ | 22,867 |
|----|--------|

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-----------|----------|-----------|
| 2012 | \$ 18,294 | \$ 713 | \$ 19,007 |
| 2013 | 4,573 | 37 | 4,610 |
| Total | \$ 22,867 | \$ 750 | \$ 23,617 |

Compensated Absences

Accrued compensated absences at year-end consist of \$129,217 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 \$11,335 and \$244,379, 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 \$1,785,000.

Marcellus Community Schools
Notes to Financial Statements
June 30, 2011

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.

Note 7 - 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 \$8,180 of unemployment compensation expense for the year ended June 30, 2011. No provision has been made for possible future claims.

Note 8 - Pension Plans and Post Employment Benefits

Plan Description

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

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

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, who has the authority to establish and amend benefit provisions. The Michigan

Department of Technology, Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for 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>.

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

Funding Policy

The District is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The District'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 retirement plan funding for the three-year period beginning July 1, 2008 through June 30, 2011

| | 2011 | 2010 | 2009 |
|------------------------------|--------------|---------------|---------------|
| Funding percentage range | 8.63- 12.16% | 9.73 - 10.13% | 9.73 - 10.17% |
| Total payroll | 4,037,695 | 4,065,151 | 4,471,672 |
| Total covered payroll | 3,961,102 | 4,007,882 | 4,323,949 |
| School pension contributions | 440,116 | 401,226 | 431,098 |
| Employee MIP contributions | 227,385 | 134,037 | 145,324 |

Marcellus Community Schools
Notes to Financial Statements
June 30, 2011

Defined Contribution Savings Plan

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

| | School District | Participants |
|--|--------------------|--------------|
| Contributions to the Pension Plus Savings Plan | \$ 531 | \$ 1,062 |

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 (MPERS). 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 MPERS post employment benefits funding for the three-year period beginning July 1, 2008 through June 30, 2011.

| | 2011 | 2010 | 2009 |
|--------------------------|---------------|---------|--------------|
| Funding percentage range | 6.81 – 8.50 % | 6.81% | 6.55 - 6.81% |
| Employer contribution | 318,033 | 272,417 | 286,029 |
| Employee contribution | 108,763 | - | - |

Note 9 - 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 10 - Subsequent Events

Subsequent to June 30, 2011, the District has borrowed \$1,100,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. The interest rate on this note was 0.60% and matures on August 20, 2012.

Marcellus Community Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Over (Under) Budget</u> |
|---|-------------------------|------------------|------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Local sources | \$ 924,650 | \$ 931,416 | \$ 941,721 | \$ 10,305 |
| State sources | 6,113,196 | 5,749,440 | 5,709,220 | (40,220) |
| Federal sources | <u>231,624</u> | <u>559,392</u> | <u>570,251</u> | <u>10,859</u> |
| Total revenues | <u>7,269,470</u> | <u>7,240,248</u> | <u>7,221,192</u> | <u>(19,056)</u> |
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs | 3,954,467 | 3,710,125 | 3,673,446 | (36,679) |
| Added needs | 439,085 | 642,348 | 664,844 | 22,496 |
| Supporting services | | | | |
| Pupil | 298,893 | 356,496 | 350,999 | (5,497) |
| Instructional staff | 30,835 | 28,610 | 52,643 | 24,033 |
| General administration | 337,669 | 253,449 | 249,746 | (3,703) |
| School administration | 651,124 | 669,815 | 644,929 | (24,886) |
| Business | 136,392 | 183,486 | 171,614 | (11,872) |
| Operations and maintenance | 693,202 | 701,111 | 678,877 | (22,234) |
| Pupil transportation services | 411,951 | 384,834 | 391,785 | 6,951 |
| Central | 77,245 | 78,258 | 85,009 | 6,751 |
| Athletic activities | 165,364 | 199,224 | 203,646 | 4,422 |
| Capital outlay | 66,690 | 15,319 | 26,330 | 11,011 |
| Debt service | | | | |
| Principal | 38,566 | 34,500 | 33,817 | (683) |
| Interest and fiscal charges | <u>16,609</u> | <u>11,800</u> | <u>11,335</u> | <u>(465)</u> |
| Total expenditures | <u>7,318,092</u> | <u>7,269,375</u> | <u>7,239,020</u> | <u>(30,355)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(48,622)</u> | <u>(29,127)</u> | <u>(17,828)</u> | <u>11,299</u> |

Marcellus Community Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Over (Under) Budget</u> |
|---------------------------------------|-------------------------|-------------------|-------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Other Financing Sources (Uses) | | | | |
| Insurance recoveries | \$ - | \$ 90,688 | \$ 90,348 | \$ (340) |
| Proceeds from sale of capital assets | - | 426 | 426 | - |
| Transfers out | <u>(123,514)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing uses | <u>(123,514)</u> | <u>91,114</u> | <u>90,774</u> | <u>(340)</u> |
| Net change in fund balance | (172,136) | 61,987 | 72,946 | 10,959 |
| Fund balance - beginning | <u>538,959</u> | <u>538,959</u> | <u>538,959</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 366,823</u> | <u>\$ 600,946</u> | <u>\$ 611,905</u> | <u>\$ 10,959</u> |

Marcellus Community Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

| | Food Service | Debt Service Funds | | Capital Projects | Total Nonmajor Governmental Funds |
|-------------------------------------|-----------------|--------------------|------------------|---------------------|--|
| | | 2005 Debt | 2007 Debt | | |
| Assets | | | | | |
| Cash | \$ 4,738 | \$ 63,350 | \$ 64,752 | \$ 129,343 | \$ 262,183 |
| Due from other funds | 3,397 | - | - | - | 3,397 |
| Inventory | <u>1,645</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,645</u> |
| Total assets | <u>\$ 9,780</u> | <u>\$ 63,350</u> | <u>\$ 64,752</u> | <u>\$ 129,343</u> | <u>\$ 267,225</u> |
| Liabilities and Fund Balance | | | | | |
| Liabilities | | | | | |
| Accounts payable | <u>\$ 8,566</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,566</u> |
| Fund Balance | | | | | |
| Non-spendable | | | | | |
| Inventory | 1,214 | - | - | - | 1,214 |
| Restricted for: | | | | | |
| Debt service | - | 63,350 | 64,752 | - | 128,102 |
| Capital projects | <u>-</u> | <u>-</u> | <u>-</u> | <u>129,343</u> | <u>129,343</u> |
| Total fund balance | <u>1,214</u> | <u>63,350</u> | <u>64,752</u> | <u>129,343</u> | <u>258,659</u> |
| Total liabilities and fund balance | <u>\$ 9,780</u> | <u>\$ 63,350</u> | <u>\$ 64,752</u> | <u>\$ 129,343</u> | <u>\$ 267,225</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, 2011

| | Food Service | Debt Service Funds | | Capital Projects | Total Nonmajor Governmental Funds |
|--|-----------------|--------------------|------------------|---------------------|--|
| | | 2005 Debt | 2007 Debt | | |
| Revenues | | | | | |
| Local sources | \$ 96,270 | \$ 390,303 | \$ 124,739 | \$ 195,518 | \$ 806,830 |
| State sources | 18,585 | 4,674 | - | - | 23,259 |
| Federal sources | 255,554 | - | - | - | 255,554 |
| Total revenues | <u>370,409</u> | <u>394,977</u> | <u>124,739</u> | <u>195,518</u> | <u>1,085,643</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Education | | | | | |
| Food services | 371,580 | - | - | - | 371,580 |
| Capital outlay | - | - | - | 66,171 | 66,171 |
| Debt service | | | | | |
| Principal | - | 349,065 | - | - | 349,065 |
| Interest and other expenditures | - | 70,142 | 132,686 | 4 | 202,832 |
| Total expenditures | <u>371,580</u> | <u>419,207</u> | <u>132,686</u> | <u>66,175</u> | <u>989,648</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,171)</u> | <u>(24,230)</u> | <u>(7,947)</u> | <u>129,343</u> | <u>95,995</u> |
| Fund balance - beginning | <u>2,385</u> | <u>87,580</u> | <u>72,699</u> | <u>-</u> | <u>162,664</u> |
| Fund balance - ending | <u>\$ 1,214</u> | <u>\$ 63,350</u> | <u>\$ 64,752</u> | <u>\$ 129,343</u> | <u>\$ 258,659</u> |

Marcellus Community Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2011

| | 2011 | 2010 |
|-------------------------------------|--------------|--------------|
| Assets | | |
| Cash | \$ 559,524 | \$ 550,897 |
| Due from other governmental units | 1,141,707 | 1,241,586 |
| Inventory | 26,863 | 33,047 |
| Total assets | \$ 1,728,094 | \$ 1,825,530 |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 81,979 | \$ 247,196 |
| State aid anticipation note payable | 118,776 | 110,000 |
| Due to other funds | 3,397 | - |
| Due to other governmental units | 102,001 | 103,758 |
| Payroll deductions and withholdings | 39,296 | 40,632 |
| Accrued expenditures | 257,060 | 221,125 |
| Accrued salaries payable | 513,680 | 563,860 |
| Total liabilities | 1,116,189 | 1,286,571 |
| Fund Balance | | |
| Non-spendable | | |
| Inventory | 26,863 | 33,047 |
| Unassigned | 585,042 | 505,912 |
| Total liabilities and fund balance | 611,905 | 538,959 |
| | \$ 1,728,094 | \$ 1,825,530 |

Marcellus Community Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Final Budget</u> |
|--------------------------------------|----------------------------|-------------------------|---------------------|--|
| Revenue from local sources | | | | |
| Property tax levy | \$ 848,785 | \$ 835,383 | \$ 846,851 | \$ 11,468 |
| Tuition | 1,000 | 150 | 850 | 700 |
| Transportation fees | 1,400 | 700 | 915 | 215 |
| Earnings on investments | 200 | 1,000 | 1,117 | 117 |
| Student activities | 42,150 | 56,383 | 55,919 | (464) |
| Community service activities | 200 | 1,000 | 998 | (2) |
| Other local revenues | <u>30,915</u> | <u>36,800</u> | <u>35,071</u> | <u>(1,729)</u> |
| Total revenues from local sources | <u>924,650</u> | <u>931,416</u> | <u>941,721</u> | <u>10,305</u> |
| Revenues from state sources | | | | |
| Grants - unrestricted | 5,730,136 | 5,272,220 | 5,249,478 | (22,742) |
| Grants - restricted | <u>383,060</u> | <u>477,220</u> | <u>459,742</u> | <u>(17,478)</u> |
| Total revenues from state sources | <u>6,113,196</u> | <u>5,749,440</u> | <u>5,709,220</u> | <u>(40,220)</u> |
| Revenues from federal sources | | | | |
| Grants | <u>231,624</u> | <u>559,392</u> | <u>570,251</u> | <u>10,859</u> |
| Other financing sources | | | | |
| Insurance recoveries | - | 90,688 | 90,348 | (340) |
| Proceeds from sale of capital assets | <u>-</u> | <u>426</u> | <u>426</u> | <u>-</u> |
| Total other financing sources | <u>-</u> | <u>91,114</u> | <u>90,774</u> | <u>(340)</u> |
| Total revenue | <u>\$ 7,269,470</u> | <u>\$ 7,331,362</u> | <u>\$ 7,311,966</u> | <u>\$ (19,396)</u> |

Marcellus Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|--------------------------------------|--------------------|------------------|------------------|---------------------------------|
| Basic program - elementary | | | | |
| Salaries | \$ 873,166 | \$ 777,512 | \$ 835,181 | \$ 57,669 |
| Employee benefits | 516,489 | 470,417 | 472,790 | 2,373 |
| Supplies and materials | 30,264 | 28,659 | 28,175 | (484) |
| Other | 5,336 | 2,570 | 2,556 | (14) |
| Total elementary | <u>1,425,255</u> | <u>1,279,158</u> | <u>1,338,702</u> | <u>59,544</u> |
| Basic program - middle school | | | | |
| Salaries | 537,901 | 526,399 | 458,620 | (67,779) |
| Employee benefits | 330,009 | 345,091 | 349,344 | 4,253 |
| Supplies and materials | 14,500 | 12,467 | 12,181 | (286) |
| Other | 4,000 | 4,371 | 4,371 | - |
| Total middle school | <u>886,410</u> | <u>888,328</u> | <u>824,516</u> | <u>(63,812)</u> |
| Basic program - high school | | | | |
| Salaries | 985,690 | 909,517 | 908,674 | (843) |
| Employee benefits | 538,312 | 462,341 | 442,097 | (20,244) |
| Supplies and materials | 32,700 | 31,822 | 33,982 | 2,160 |
| Other | 24,900 | 29,241 | 29,541 | 300 |
| Total high school | <u>1,581,602</u> | <u>1,432,921</u> | <u>1,414,294</u> | <u>(18,627)</u> |
| Basic program - pre-school | | | | |
| Purchased services | 61,200 | - | - | - |
| Other | - | 108,800 | 95,016 | (13,784) |
| Total pre-school | <u>61,200</u> | <u>108,800</u> | <u>95,016</u> | <u>(13,784)</u> |

Marcellus Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---|--------------------|-----------------|---------|---------------------------------|
| Basic program - summer school | | | | |
| Salaries | \$ - | \$ 738 | \$ 738 | \$ - |
| Employee benefits | - | 180 | 180 | - |
| Total summer school | - | 918 | 918 | - |
| Added needs - special education | | | | |
| Salaries | 130,372 | 142,860 | 145,094 | 2,234 |
| Employee benefits | 67,059 | 87,292 | 90,303 | 3,011 |
| Purchased services | 2,700 | 4,400 | 4,107 | (293) |
| Supplies and materials | 850 | 300 | 1,018 | 718 |
| Other | 250 | 60 | 50 | (10) |
| Total special education | 201,231 | 234,912 | 240,572 | 5,660 |
| Added needs - compensatory education | | | | |
| Salaries | 121,737 | 201,451 | 214,007 | 12,556 |
| Employee benefits | 43,517 | 147,233 | 151,541 | 4,308 |
| Purchased services | 2,200 | 1,632 | 1,664 | 32 |
| Supplies and materials | 400 | 300 | 240 | (60) |
| Total compensatory education | 167,854 | 350,616 | 367,452 | 16,836 |
| Added needs - career and technical education | | | | |
| Other | 70,000 | 56,820 | 56,820 | - |

Marcellus Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---------------------------------------|--------------------|-----------------|----------------|---------------------------------|
| Pupil - guidance services | | | | |
| Salaries | \$ 110,841 | \$ 44,070 | \$ 61,299 | \$ 17,229 |
| Employee benefits | 82,272 | 31,798 | 36,846 | 5,048 |
| Supplies and materials | 2,250 | 750 | 667 | (83) |
| Other | 100 | - | - | - |
| Total guidance services | <u>195,463</u> | <u>76,618</u> | <u>98,812</u> | <u>22,194</u> |
| Pupil - health services | | | | |
| Other | - | 110 | 110 | - |
| Pupil - speech services | | | | |
| Salaries | 39,080 | 54,278 | 54,278 | - |
| Employee benefits | 23,194 | 32,637 | 33,145 | 508 |
| Supplies and materials | 1,000 | 700 | 644 | (56) |
| Other | 200 | 75 | 67 | (8) |
| Total speech services | <u>63,474</u> | <u>87,690</u> | <u>88,134</u> | <u>444</u> |
| Pupil - social work services | | | | |
| Salaries | 5,944 | 89,634 | 65,987 | (23,647) |
| Employee benefits | 3,402 | 66,015 | 61,057 | (4,958) |
| Total social work services | <u>9,346</u> | <u>155,649</u> | <u>127,044</u> | <u>(28,605)</u> |
| Pupil - other support services | | | | |
| Salaries | 26,416 | 28,485 | 29,524 | 1,039 |
| Employee benefits | 4,194 | 7,944 | 7,375 | (569) |
| Total other pupil support services | <u>30,610</u> | <u>36,429</u> | <u>36,899</u> | <u>470</u> |

Marcellus Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---|--------------------|-----------------|---------------|---------------------------------|
| Instructional staff - improvement of education | | | | |
| Salaries | \$ 5,000 | \$ 5,500 | \$ 5,435 | \$ (65) |
| Employee benefits | 383 | 1,534 | 1,535 | 1 |
| Purchased services | - | - | 4,553 | 4,553 |
| Other | 5,108 | 2,149 | - | (2,149) |
| Total improvement of education | <u>10,491</u> | <u>9,183</u> | <u>11,523</u> | <u>2,340</u> |
| Instructional staff - educational media services | | | | |
| Salaries | 11,446 | 11,946 | 13,539 | 1,593 |
| Employee benefits | 2,548 | 3,331 | 13,553 | 10,222 |
| Supplies and materials | 5,350 | 4,150 | 4,028 | (122) |
| Other | 1,000 | - | 100 | 100 |
| Total educational media services | <u>20,344</u> | <u>19,427</u> | <u>31,220</u> | <u>11,793</u> |
| Instructional staff - supervision and direction of instructional staff | | | | |
| Salaries | - | - | 7,240 | 7,240 |
| Employee benefits | - | - | 2,660 | 2,660 |
| Total supervision and direction of instructional staff | <u>-</u> | <u>-</u> | <u>9,900</u> | <u>9,900</u> |
| General administration - board of education | | | | |
| Supplies and materials | 1,000 | 23 | 23 | - |
| Other | 47,000 | 38,953 | 39,131 | 178 |
| Total board of education | <u>48,000</u> | <u>38,976</u> | <u>39,154</u> | <u>178</u> |

Marcellus Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|--|--------------------|-----------------|----------------|---------------------------------|
| General administration - executive administration | | | | |
| Salaries | \$ 89,948 | \$ 89,948 | \$ 90,939 | \$ 991 |
| Employee benefits | 100,102 | 48,060 | 44,288 | (3,772) |
| Purchased services | - | 450 | 450 | - |
| Supplies and materials | 1,000 | 2,050 | 2,027 | (23) |
| Other | 98,619 | 73,965 | 72,888 | (1,077) |
| Total executive administration | <u>289,669</u> | <u>214,473</u> | <u>210,592</u> | <u>(3,881)</u> |
| School administration - office of the principal | | | | |
| Salaries | 371,777 | 386,460 | 384,129 | (2,331) |
| Employee benefits | 227,680 | 248,244 | 227,263 | (20,981) |
| Supplies and materials | 6,800 | 7,575 | 7,645 | 70 |
| Other | 44,867 | 27,536 | 25,892 | (1,644) |
| Total office of the principal | <u>651,124</u> | <u>669,815</u> | <u>644,929</u> | <u>(24,886)</u> |
| Business - fiscal services | | | | |
| Salaries | 73,838 | 73,838 | 69,128 | (4,710) |
| Employee benefits | - | 46,082 | 46,959 | 877 |
| Purchased services | 25,400 | 25,400 | 19,575 | (5,825) |
| Total fiscal services | <u>99,238</u> | <u>145,320</u> | <u>135,662</u> | <u>(9,658)</u> |
| Business - other | | | | |
| Other | 37,154 | 38,166 | 35,952 | (2,214) |

Marcellus Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---|--------------------|-----------------|----------------|---------------------------------|
| Operations and maintenance - operating building services | | | | |
| Salaries | \$ 244,488 | \$ 246,481 | \$ 243,130 | \$ (3,351) |
| Employee benefits | 104,769 | 118,414 | 116,526 | (1,888) |
| Supplies and materials | 50,000 | 60,000 | 53,744 | (6,256) |
| Other | 293,945 | 276,216 | 265,477 | (10,739) |
| Total operating building services | <u>693,202</u> | <u>701,111</u> | <u>678,877</u> | <u>(22,234)</u> |
| Pupil transportation services | | | | |
| Salaries | 179,220 | 184,141 | 189,280 | 5,139 |
| Employee benefits | 109,876 | 99,144 | 100,269 | 1,125 |
| Supplies and materials | 52,700 | 31,150 | 32,530 | 1,380 |
| Other | 70,155 | 70,399 | 69,706 | (693) |
| Total transportation services | <u>411,951</u> | <u>384,834</u> | <u>391,785</u> | <u>6,951</u> |
| Central - staff/personnel services | | | | |
| Salaries | - | - | 4,710 | 4,710 |
| Employee benefits | - | - | 1,313 | 1,313 |
| Total staff/personnel services | <u>-</u> | <u>-</u> | <u>6,023</u> | <u>6,023</u> |
| Central - support services technology | | | | |
| Salaries | 32,000 | 27,951 | 28,089 | 138 |
| Employee benefits | 19,895 | 21,325 | 21,115 | (210) |
| Purchased services | - | - | - | - |
| Other | 25,350 | 28,982 | 29,782 | 800 |
| Total support services technology | <u>77,245</u> | <u>78,258</u> | <u>78,986</u> | <u>728</u> |

Marcellus Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|--|---------------------|---------------------|---------------------|---------------------------------|
| Athletics | | | | |
| Salaries | \$ 92,286 | \$ 103,707 | \$ 107,703 | \$ 3,996 |
| Employee benefits | 25,928 | 39,596 | 40,522 | 926 |
| Purchased services | 22,500 | 19,569 | 19,452 | (117) |
| Supplies and materials | 15,500 | 18,452 | 18,400 | (52) |
| Other | 9,150 | 17,900 | 17,569 | (331) |
| Total athletic activities | <u>165,364</u> | <u>199,224</u> | <u>203,646</u> | <u>4,422</u> |
| Capital outlay | | | | |
| Basic program - elementary | 5,845 | 958 | 958 | - |
| Basic program - middle school | 500 | 759 | 759 | - |
| Basic program - high school | 9,645 | 4,602 | 4,327 | (275) |
| Basic program - pre-school | - | - | 3,884 | 3,884 |
| General administration - executive administration | - | - | 7,260 | 7,260 |
| School administration - office of the principal | 10,200 | 9,000 | 9,142 | 142 |
| Operations and maintenance - operating building services | 500 | - | - | - |
| Pupil transportation services | 40,000 | - | - | - |
| Total capital outlay | <u>66,690</u> | <u>15,319</u> | <u>26,330</u> | <u>11,011</u> |
| Debt service | | | | |
| Principal | 38,566 | 34,500 | 33,817 | (683) |
| Interest and other expenditures | 16,609 | 11,800 | 11,335 | (465) |
| Total debt service | <u>55,175</u> | <u>46,300</u> | <u>45,152</u> | <u>(1,148)</u> |
| Other financing uses | | | | |
| Transfers out | 123,514 | - | - | - |
| Total expenditures and financing uses | <u>\$ 7,441,606</u> | <u>\$ 7,269,375</u> | <u>\$ 7,239,020</u> | <u>\$ (30,355)</u> |

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

| | Due to (from) Student Groups June 30, 2010 | Cash Receipts | Cash Disbursements | Due to (from) Student Groups June 30, 2011 |
|---------------------------|--|------------------|-----------------------|--|
| Administration | \$ (14,347) | \$ 225 | \$ 185 | \$ (14,307) |
| ES Girls on the Run | - | 1,670 | 1,670 | - |
| ES Library | 440 | 5,920 | 5,143 | 1,217 |
| ES Principal | 6,375 | 10,196 | 10,121 | 6,450 |
| ES School Success | 170 | 200 | 332 | 38 |
| HS Band | 4,880 | 13,848 | 12,730 | 5,998 |
| HS Band Trip | 1,742 | - | 3 | 1,739 |
| HS Boys' Basketball | 1,029 | 610 | 907 | 732 |
| HS Cheerleading | 413 | - | - | 413 |
| HS Class of 2008 | 455 | - | 3 | 452 |
| HS Class of 2009 | 257 | - | 3 | 254 |
| HS Class of 2010 | 169 | - | 169 | - |
| HS Class of 2011 | 449 | 2,303 | 2,151 | 601 |
| HS Class of 2012 | 979 | 8,289 | 7,954 | 1,314 |
| HS Class of 2013 | 100 | 1,163 | 746 | 517 |
| HS Class of 2014 | 99 | 748 | 3 | 844 |
| HS Football | 1,351 | 1,560 | 1,813 | 1,098 |
| HS Girls' Basketball | 123 | 2,911 | 2,743 | 291 |
| HS Golf | 285 | - | - | 285 |
| HS Greenhouse | 2,505 | 2,469 | 2,504 | 2,470 |
| HS Industrial Arts | 596 | - | - | 596 |
| HS National Honor Society | 2,760 | 4,031 | 2,803 | 3,988 |
| HS Principal | 390 | 6,674 | 1,588 | 5,476 |
| HS Ski Club | 60 | 5,793 | 5,789 | 64 |
| HS Soccer | 2,585 | 15,440 | 17,235 | 790 |

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

| | Due to (from) Student Groups June 30, 2010 | Cash Receipts | Cash Disbursements | Due to (from) Student Groups June 30, 2011 |
|--------------------------|--|-------------------|-----------------------|--|
| HS Spanish Honor Society | \$ 116 | \$ 391 | \$ 295 | \$ 212 |
| HS Student Council | 2,996 | 1,001 | 1,486 | 2,511 |
| HS Volleyball | 1,562 | - | - | 1,562 |
| HS Wrestling | 23 | 405 | 193 | 235 |
| HS Yearbook | 3,782 | 7,809 | 930 | 10,661 |
| MS Camp | 223 | - | - | 223 |
| MS Fundraiser | 2,025 | 4,383 | 5,461 | 947 |
| MS Leadership | 2,183 | 2,229 | 2,141 | 2,271 |
| MS Principal | 2,464 | 6,550 | 6,544 | 2,470 |
| MS Stars | 1,181 | - | 156 | 1,025 |
| MS Student Council | 2,831 | 3,419 | 2,738 | 3,512 |
| MS Sunshine | 17 | - | 17 | - |
| Volinia Maple | 9,965 | 8,219 | 7,038 | 11,146 |
| Volinia Principal | 1,048 | 1,200 | 570 | 1,678 |
| Volinia Prom | 31 | - | - | 31 |
| Volinia Student Council | 133 | - | 30 | 103 |
| Volinia Tech | 78 | 1,517 | 3 | 1,592 |
| | <u>\$ 44,523</u> | <u>\$ 121,173</u> | <u>\$ 104,197</u> | <u>\$ 61,499</u> |

Marcellus Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

| <u>Year Ending June 30,</u> | <u>2001 Building & Site Principal</u> | <u>Durant Principal</u> | <u>2005 Refunding Principal</u> | <u>2007 Refunding Principal</u> | <u>Total</u> |
|---|---|-----------------------------|-------------------------------------|-------------------------------------|---------------------|
| 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>\$ 615,000</u> | <u>\$ 27,652</u> | <u>\$ 1,495,000</u> | <u>\$ 2,915,000</u> | <u>\$ 5,052,652</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> | |