



WEINLANDER FITZHUGH

REESE PUBLIC SCHOOLS
REESE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 10
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	13
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balance	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Fiduciary Funds:	
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	17
Notes to Financial Statements	18 - 31
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	32
Other Supplemental Information	
Combining Balance Sheet - Nonmajor Governmental Funds	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	34
Schedules of Bonded Indebtedness	35 - 36

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	37 - 38
Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	39 - 40
Schedule of Findings and Questioned Costs	41
Schedule of Expenditures of Federal Awards	42 - 43
Notes to the Schedule of Expenditures of Federal Awards	44



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIRER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA
RENAE M. CLEVINGER, CPA

INDEPENDENT AUDITORS' REPORT

August 28, 2012

Board of Education
Reese Public Schools
Reese, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Reese Public Schools (School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Reese Public Schools as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2012, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

1600 CENTER AVENUE
POST OFFICE BOX 775
BAY CITY, MI 48707-0775
989-893-5577
800-624-2400
FAX: 989-895-5842
www.wf-cpas.com

OFFICES IN: BAY CITY, CLARE,
GLADWIN AND WEST BRANCH

An Independently Owned Member
MCGGLADREY ALLIANCE



McGladrey



WEINLANDER FITZHUGH

Board of Education
Reese Public Schools
August 28, 2012
Page 2

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information, as noted 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 U.S. generally accepted auditing standards, 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 the School District's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Weinlander Fitzhugh

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Our discussion and analysis of Reese Public Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

The School District's net assets increased by \$269,246 or 10%. Program revenues were \$1,845,180 or 20% of total revenues, and general revenues were \$7,302,691 or 80%.

The General Fund reported a positive fund balance of \$1,058,322.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-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 district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Capital Projects Fund with all other funds presented in one column as nonmajor 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. The following summarizes the presentation included in this annual financial report.

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

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the 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. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2012 and 2011:

Exhibit A	Governmental Activities	
	2012	2011
Assets		
Current and other assets	\$ 3,346,553	\$ 3,499,305
Capital assets - net of accumulated depreciation	8,513,765	8,286,016
Total assets	11,860,318	11,785,321
Liabilities		
Current liabilities	1,697,931	1,596,355
Long-term liabilities	7,108,000	7,403,825
Total liabilities	8,805,931	9,000,180
Net Assets		
Investment in capital assets - net of related debt	1,219,940	726,944
Restricted	812,802	931,250
Unrestricted	1,021,645	1,126,947
Total net assets	\$ 3,054,387	\$ 2,785,141

The analysis above focuses on net assets (see Exhibit A). The School District's net assets were \$3,054,387 at June 30, 2012. Investment in property and equipment, net of related debt totaling \$1,219,940, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

The \$1,021,645 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net assets for the years ended June 30, 2012 and 2011.

Exhibit B	Governmental Activities	
	2012	2011
Revenues		
Program revenue:		
Charges for services	\$ 304,468	\$ 272,703
Grants and categoricals	1,540,712	1,546,207
General revenue:		
Property taxes	1,377,186	1,340,640
State foundation allowance	5,850,096	6,024,066
Other	75,409	34,517
Total revenues	9,147,871	9,218,133
Function/Program Expenses		
Instruction	4,998,653	5,099,515
Support services	2,583,396	2,610,192
Community services	35,494	33,560
Food services	406,760	385,045
Athletics	241,680	223,013
Interest on long-term debt	320,481	330,715
Amortization of bond issuance costs (unallocated)	4,581	4,581
Depreciation (unallocated)	287,580	265,143
Total expenses	8,878,625	8,951,764
Increase in Net Assets	\$ 269,246	\$ 266,369

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$8,878,625. Certain activities were partially funded from those who benefited from the programs, \$304,468, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$1,540,712. We paid for the remaining "public benefit" portion of our governmental activities with \$1,377,186 in taxes, \$5,850,096 in State Foundation Allowance and with our other revenues, such as interest and entitlements.

The School District had an increase in net assets of \$269,246. The major reason was the classification of bond payments and the capitalization of replacement and updates done with our buildings, grounds and equipment. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

The School District's Funds

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 other provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of \$1,932,125, which is below last year's total of \$2,146,294. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

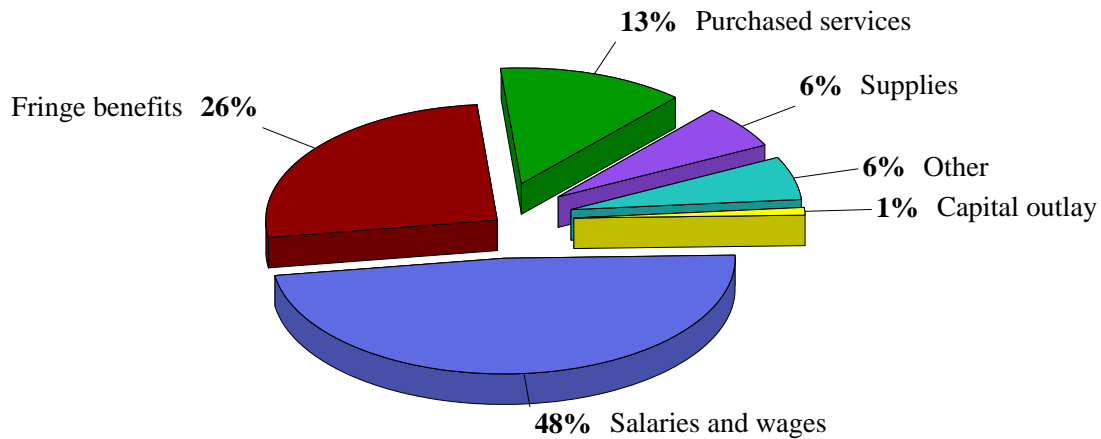
	Fund Balance 6/30/2012	Fund Balance 6/30/2011	Increase (Decrease)
General	\$ 1,058,322	\$ 1,074,592	\$ (16,270)
Capital Projects	588,050	771,537	(183,487)
Special Revenue	75,953	76,453	(500)
Debt Service	209,800	223,712	(13,912)
	<u>\$ 1,932,125</u>	<u>\$ 2,146,294</u>	<u>\$ (214,169)</u>

- Our General Fund decrease is mainly attributable to a decrease in students as well as a cut in the foundation allowance. This year we also purchased a school bus.
- Our Special Revenue Funds decreased mainly due to an increase in equipment repairs.
- Our Debt Service Funds decreased due to taxes collected being close to debt payments due.
- Our Capital Projects Fund decreased due to sinking fund projects being done. A new boiler was put in the high school. New bleachers were purchased at the athletic fields. Updates were done at the track and softball complex.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.

Expenditures



	2012	2011
Expenditures by Object		
Salaries and wages	\$ 3,830,264	\$ 4,337,592
Fringe benefits	2,067,874	2,363,298
Purchased services	1,042,077	696,778
Supplies	439,371	521,537
Capital outlay	106,287	37,616
Other	448,545	41,902
Total	<u>\$ 7,934,418</u>	<u>\$ 7,998,723</u>

Expenditures have decreased by \$64,305 from the prior year mainly due to the freeze in salaries and changing insurance benefits. Our secretaries and custodians were also outsourced.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased due to federal flow-thru dollars received in 2012.
- State sources were increased due to an increase in students.
- Final budgeted expenditures for 2012 were reduced due to outsourcing of secretaries and custodians. Also a pay freeze was negotiated as well as a change in insurance.

Capital Assets

At June 30, 2012, the School District had \$8,513,765 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of 3% from last year.

	<u>2012</u>	<u>2011</u>
Land	\$ 519,823	\$ 519,823
Construction in progress	1,572	8,280
Buildings and improvements	12,980,990	12,534,832
Buses and other vehicles	871,898	796,019
Furniture and equipment	<u>227,301</u>	<u>227,301</u>
Total capital assets	14,601,584	14,086,255
Less accumulated depreciation	<u>6,087,819</u>	<u>5,800,239</u>
Net capital assets	<u><u>\$ 8,513,765</u></u>	<u><u>\$ 8,286,016</u></u>

This year's additions of \$522,037 were for new bleachers, bus, boiler, and athletic complex upgrades. No debt was issued for these additions.

We anticipate capital additions will continue with the upgrading of boilers, bleachers, roofs and building systems. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$7,293,825 in bonds outstanding versus \$7,559,072 in the previous year - a decrease of 4%.

	<u>2012</u>	<u>2011</u>
1998 Durant Bonds	\$ 28,825	\$ 34,072
2005 Improvement Bonds	7,265,000	7,525,000
	<u><u>\$ 7,293,825</u></u>	<u><u>\$ 7,559,072</u></u>

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Factors Expected to have an Effect on Future Operations

Our elected Board and administration considered many factors when setting the School District's 2013 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2013 fiscal year budget was adopted in June 2012, based on an estimate of students that will be enrolled in September 2012. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2012-2013 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2013 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation until 2012-2013.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Reese Public Schools
1696 VanBuren
Reese, MI 48757

REESE PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 1,962,981
Receivables - net:	
Taxes	9,661
Due from other governmental units	1,272,033
Accounts receivable	1,386
Prepaid expenses	209
Deposits	18,960
Bond issuance costs less accumulated amortization of \$33,215	81,323
Capital assets less accumulated depreciation \$6,087,819	<u>8,513,765</u>
Total assets	<u>11,860,318</u>
<u>Liabilities</u>	
Accounts payable	8,037
Deferred revenue	9,235
Accrued payroll and other liabilities	615,833
State aid anticipation note payable	700,000
Accrued interest payable	61,001
Long-term liabilities:	
Due within one year	303,825
Due in more than one year	<u>7,108,000</u>
Total liabilities	<u>8,805,931</u>
<u>Net Assets</u>	
Restricted for capital projects	588,050
Investment in capital assets - net of related debt	1,219,940
Restricted for debt service	148,799
Restricted for food service	75,953
Unrestricted	<u>1,021,645</u>
Total net assets	<u><u>\$ 3,054,387</u></u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2012

		<u>Program Revenues</u>		<u>Governmental</u>
				<u>Activities</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net (Expense)</u>
		<u>Services</u>	<u>Grants/</u>	<u>Revenue and</u>
			<u>Contributions</u>	<u>Changes in Net</u>
				<u>Assets</u>
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 4,998,653	\$ 68,212	\$ 1,198,146	\$ (3,732,295)
Support services	2,583,396	0	67,948	(2,515,448)
Community services	35,494	23,567	0	(11,927)
Food services	406,760	131,622	274,618	(520)
Athletics	241,680	81,067	0	(160,613)
Interest on long-term debt	320,481	0	0	(320,481)
Amortization of bond issuance costs (unallocated)	4,581	0	0	(4,581)
Depreciation (unallocated)	287,580	0	0	(287,580)
Total governmental activities	<u>\$ 8,878,625</u>	<u>\$ 304,468</u>	<u>\$ 1,540,712</u>	<u>(7,033,445)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				545,455
Property taxes, levied for capital projects				262,713
Property taxes, levied for debt service				569,018
State aid				5,850,096
Interest and investment earnings				693
Other				74,716
Total general revenues				<u>7,302,691</u>
Change in net assets				269,246
Net assets - beginning of year				<u>2,785,141</u>
Net assets - end of year				<u>\$ 3,054,387</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<u>Assets</u>				
Cash and investments	\$ 1,089,632	\$ 582,447	\$ 290,902	\$ 1,962,981
Receivables - net:				
Taxes	1,315	5,603	2,743	9,661
Due from other governmental units	1,269,543	0	2,490	1,272,033
Accounts receivable	1,386	0	0	1,386
Prepaid expenditures	209	0	0	209
Deposits	18,960	0	0	18,960
	<u>\$ 2,381,045</u>	<u>\$ 588,050</u>	<u>\$ 296,135</u>	<u>\$ 3,265,230</u>
Total assets				
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 0	\$ 0	\$ 8,037	\$ 8,037
Deferred revenue	6,890	0	2,345	9,235
Accrued payroll and other liabilities	615,833	0	0	615,833
State aid anticipation note payable	700,000	0	0	700,000
	<u>1,322,723</u>	<u>0</u>	<u>10,382</u>	<u>1,333,105</u>
Total liabilities				
<u>Fund Balance</u>				
Nonspendable- prepaid expenditures	209	0	0	209
Restricted for debt service	0	0	209,800	209,800
Restricted for capital projects	0	588,050	0	588,050
Restricted for food service	0	0	75,953	75,953
Unassigned	1,058,113	0	0	1,058,113
	<u>1,058,322</u>	<u>588,050</u>	<u>285,753</u>	<u>1,932,125</u>
Total fund balance				
Total liabilities and fund balance	<u>\$ 2,381,045</u>	<u>\$ 588,050</u>	<u>\$ 296,135</u>	<u>\$ 3,265,230</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Total fund balance - governmental funds	\$ 1,932,125
---	--------------

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds

Cost of the capital assets	14,601,584
Accumulated depreciation	(6,087,819)

Other assets used in governmental activities are not financial
resources and therefore are not reported in governmental
funds:

Bond issuance costs	114,538
Accumulated amortization	(33,215)

Long-term liabilities are not due and payable in the current
period and are not reported in the funds:

Bonds payable	(7,293,825)
Compensated absences	(118,000)

Accrued interest payable is not included as a liability in
governmental activities

(61,001)

Total net assets - governmental activities	<u>\$ 3,054,387</u>
--	---------------------

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Revenues</u>				
Local sources	\$ 751,834	\$ 262,853	\$ 700,699	\$ 1,715,386
State sources	6,343,305	0	17,781	6,361,086
Federal sources	781,332	0	248,389	1,029,721
Interdistrict and other sources	41,677	0	0	41,677
Total revenues	<u>7,918,148</u>	<u>262,853</u>	<u>966,869</u>	<u>9,147,870</u>
<u>Expenditures</u>				
Current:				
Instruction	4,990,653	0	0	4,990,653
Support services	2,652,384	0	0	2,652,384
Community services	35,494	0	0	35,494
Athletics	241,680	0	0	241,680
Food services	0	0	406,760	406,760
Capital outlay	0	446,340	0	446,340
Debt service:				
Principal	0	0	265,247	265,247
Interest and other	0	0	323,481	323,481
Total expenditures	<u>7,920,211</u>	<u>446,340</u>	<u>995,488</u>	<u>9,362,039</u>
Excess (deficiency) of revenues over expenditures	<u>(2,063)</u>	<u>(183,487)</u>	<u>(28,619)</u>	<u>(214,169)</u>
<u>Other Financing Sources</u>				
Operating transfers in	0	0	14,207	14,207
Operating transfers out	(14,207)	0	0	(14,207)
Total other financing sources	<u>(14,207)</u>	<u>0</u>	<u>14,207</u>	<u>0</u>
Net change in fund balance	(16,270)	(183,487)	(14,412)	(214,169)
Fund balance - beginning of year	<u>1,074,592</u>	<u>771,537</u>	<u>300,165</u>	<u>2,146,294</u>
Fund balance - end of year	<u>\$ 1,058,322</u>	<u>\$ 588,050</u>	<u>\$ 285,753</u>	<u>\$ 1,932,125</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Net change in fund balance - total governmental funds	\$ (214,169)
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(287,580)
Capital outlay	515,329
Repayment of bonds	265,247
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the Statement of Activities	
Amortization expense	(4,581)
Decreases in compensated absences are reported as an addition in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6	(8,000)
Decreases in accrued interest are reported as a reduction in expenditures on the Statement of Activities	<u>3,000</u>
Change in net assets of governmental activities	<u><u>\$ 269,246</u></u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2012

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
<u>Assets</u>		
Cash and investments	\$ <u>133,439</u>	\$ <u>122,053</u>
<u>Liabilities</u>		
Due to student groups	\$ <u>133,439</u>	<u>0</u>
<u>Net Assets</u>		
Held in trust for scholarships		\$ <u>122,053</u>

REESE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012

	<u>Private Purpose Trusts</u>
<u>Additions</u>	
Contributions and investment income	\$ 8,471
<u>Deductions</u>	
Scholarships	<u>5,250</u>
Change in net assets	3,221
Net assets - beginning of year	<u>118,832</u>
Net assets - end of year	\$ <u>122,053</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Reese Public Schools (the "School District") conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected 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 and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items that are not properly included among program revenues are reported as general revenue.

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based 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 government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, 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 provided for in other funds. Included are all transactions related to the approved current operating budget.

Capital Projects Fund - The Capital Projects Fund is used to account for the recording of transactions relative to the improvement of the facilities of the School District.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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-type assets.

Buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Property taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid - For the fiscal year ended June 30, 2012, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2012, the foundation allowance was based on the average pupil membership counts taken in February and September of 2011.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2011 - August 2012. The local revenue is recognized as outlined in Note 1. Amounts received from the State of Michigan at June 30, 2012 relating to state aid is \$1,142,220.

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

Events Occurring After Reporting Date

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditors' report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 2 - BUDGETS (CONTINUED)

Reese Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

During the year ended June 30, 2012, the School District recognized revenues in certain budgetary funds which were under the amounts estimated to be earned as follows:

<u>Fund/Function</u>	<u>Budgeted Revenues</u>	<u>Revenues</u>	<u>Variance</u>
Revenues:			
General Fund:			
Local sources	\$ 754,525	\$ 751,834	\$ (2,691)
Federal sources	804,537	781,332	(23,205)
Interdistrict and other sources	45,000	41,677	(3,323)

NOTE 3 - CASH AND INVESTMENTS

Some 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. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Investments	<u>\$ 1,962,981</u>	<u>\$ 255,492</u>	<u>\$ 2,218,473</u>

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Deposits (checking and savings accounts, certificates of deposit)	\$ 2,115,305
Investment in interlocal agreement investment pools (i.e. MILAF) with a weighted average maturity not to exceed 60 days	102,018
Petty cash and cash on hand	<u>1,150</u>
Total	<u>\$ 2,218,473</u>

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2012, the School District's investment in the investment pool was rated AAA by Standard & Poor's.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2012, \$642,447, of the School District's bank balance of \$1,984,509 was exposed to custodial credit risk because it was uninsured and uncollateralized.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2011	Additions	Disposals and Adjustments	Balance June 30, 2012
Assets not being depreciated:				
Land	\$ 519,823	\$ 0	\$ 0	\$ 519,823
Construction in progress	8,280	1,572	(8,280)	1,572
Subtotal	528,103	1,572	(8,280)	521,395
Capital assets being depreciated:				
Buildings and improvements	12,534,832	446,158	0	12,980,990
Buses and other vehicles	796,019	75,879	0	871,898
Furniture and equipment	227,301	0	0	227,301
Subtotal	13,558,152	522,037	0	14,080,189
Accumulated depreciation:				
Buildings and improvements	4,740,087	244,848	0	4,984,935
Buses and other vehicles	705,358	32,444	0	737,802
Furniture and equipment	354,794	10,288	0	365,082
Subtotal	5,800,239	287,580	0	6,087,819
Net capital assets being depreciated	7,757,913	234,457	0	7,992,370
Net capital assets	<u>\$ 8,286,016</u>	<u>\$ 236,029</u>	<u>\$ 0</u>	<u>\$ 8,513,765</u>

Depreciation expense for fiscal year ended June 30, 2012 was \$287,580. 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 TRANSFERS AND BALANCES

A summary of inter-fund transfers made during the year ended June 30, 2012 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 14,207
Special Revenue		
Summer Food	14,207	0
	<u>\$ 14,207</u>	<u>\$ 14,207</u>

Transfers are used to reflect federal revenues received for food program .

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 6 - RECEIVABLES

Receivables at June 30, 2012 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 1,142,220
Federal grants	111,260
ISD	18,553
	<u>\$ 1,272,033</u>

NOTE 7 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$9,235.

NOTE 8 - SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District's cash flow obligation to operating expenses precede the collection of state aid.

Beginning Balance	Issued	Redeemed	Ending Balance
<u>\$ 500,000</u>	<u>\$ 700,000</u>	<u>\$ 500,000</u>	<u>\$ 700,000</u>

NOTE 9 - LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements and Payments	Balance June 30, 2012	Amount Due Within One Year
Bonds	\$ 7,559,072	\$ 0	\$ 265,247	\$ 7,293,825	\$ 303,825
Compensated absences	110,000	8,000	0	118,000	0
	<u>\$ 7,669,072</u>	<u>\$ 8,000</u>	<u>\$ 265,247</u>	<u>\$ 7,411,825</u>	<u>\$ 303,825</u>

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Bonds payable at June 30, 2012 is comprised of the following issues:

\$82,018 Durant Non-Plaintiff serial bonds due in one installment \$28,825 by May 15, 2013; original stated interest at 4.76%	\$ 28,825
\$8,000,000 School Building & Site bonds due in annual installments of \$275,000 to \$570,000 through May 1, 2030; interest at 4.00% to 4.55%	<u>7,265,000</u>
Total Bonded Debt	<u><u>\$ 7,293,825</u></u>

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described in the preceding paragraph.

Compensated absences include unused sick pay and vacation pay. Unused sick pay is calculated using the termination payoff rate of \$45 for eligible employees times the number of unused days (maximum 150 days). Vacation payouts are computed using an average daily rate using 220 days. At June 30, 2012, the amount of \$118,000 has been recorded in the district-wide financial statements.

The annual requirements to amortize bonds outstanding as of June 30, 2012, including interest payments, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 303,825	\$ 320,215	\$ 624,040
2014	290,000	299,343	589,343
2015	300,000	287,742	587,742
2016	315,000	275,743	590,743
2017	325,000	263,142	588,142
2018 - 2022	1,850,000	1,107,943	2,957,943
2023 - 2027	2,275,000	683,082	2,958,082
2028 - 2030	1,635,000	151,060	1,786,060
	<u><u>\$ 7,293,825</u></u>	<u><u>\$ 3,388,270</u></u>	<u><u>\$ 10,682,095</u></u>

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description - The School District participates in the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement, survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the School District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, MI 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining into the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

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

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the School District is required to match 50% up to 1% of the employee's contribution in the Pension Plus plan. The contribution requirements of plan members and the School District are established and may be amended by the MPSERS Board of Trustees. The School District contributions to MPSERS were equal to the required contributions for those years.

The School District's contributions to MPSERS were as follows:

<u>Contribution Period</u>	<u>Contribution Rate</u>	
	<u>Member</u>	<u>Pension Plus Member</u>
October 1, 2011 - September 30, 2012	24.46%	23.23%
November 1, 2010 - September 30, 2011	20.66%	19.16%
October 1, 2010 - October 31, 2010	19.41%	17.91%
October 1, 2009 - September 30, 2010	16.94%	0%
July 1, 2010 - September 30, 2010	0%	15.44%

<u>Fiscal Year Ending June 30,</u>	<u>Contributions to</u>	
	<u>MPSERS</u>	
2012	\$	891,536
2011	\$	824,110
2010	\$	741,361

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Other Post-employment Benefits - Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums are paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 required each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account.

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree health care trust at MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus members. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State has appealed the ruling to the Michigan Court of Appeals. The Court of Appeals has accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the court. Should the plaintiffs prevail in the litigation, the escrowed funds will be returned to the state employees.

Pension recipients are generally eligible for fully paid Master Health Insurance Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing coverage.

The School District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

NOTE 12 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 13 - ECONOMIC DEPENDENCY

The School District received approximately 80% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 14 - BOND AND SINKING FUND COMPLIANCE

The School District passed a sinking fund levy at 1.5 mills. The activity related to the sinking fund is recorded in the Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2012.

For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

REESE PUBLIC SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 697,100	\$ 754,525	\$ 751,834	\$ (2,691)
State sources	6,164,733	6,334,519	6,343,305	8,786
Federal sources	512,432	804,537	781,332	(23,205)
Interdistrict and other sources	38,500	45,000	41,677	(3,323)
Total revenues	<u>7,412,765</u>	<u>7,938,581</u>	<u>7,918,148</u>	<u>(20,433)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	4,403,256	4,125,452	4,077,027	48,425
Added needs	755,322	922,430	913,626	8,804
Support services:				
Pupil	199,214	372,799	366,465	6,334
Instructional staff	136,069	136,970	129,488	7,482
General administrative	198,466	201,205	197,514	3,691
School administrative	587,654	488,718	483,083	5,635
Business services	192,395	194,353	189,790	4,563
Operations and maintenance	867,981	742,598	721,451	21,147
Transportation	352,419	433,128	423,467	9,661
Information services	141,088	145,499	141,126	4,373
Community services	36,209	38,223	35,494	2,729
Athletics	239,716	243,755	241,680	2,075
Total expenditures	<u>8,109,789</u>	<u>8,045,130</u>	<u>7,920,211</u>	<u>124,919</u>
Excess (deficiency) of revenues over expenditures	<u>(697,024)</u>	<u>(106,549)</u>	<u>(2,063)</u>	<u>104,486</u>
<u>Other Financing Sources</u>				
Operating transfers out	<u>(26,740)</u>	<u>(20,674)</u>	<u>(14,207)</u>	<u>6,467</u>
Net change in fund balance	(723,764)	(127,223)	(16,270)	110,953
Fund balance - beginning of year	<u>1,074,592</u>	<u>1,074,592</u>	<u>1,074,592</u>	<u>0</u>
Fund balance - end of year	<u>\$ 350,828</u>	<u>\$ 947,369</u>	<u>\$ 1,058,322</u>	<u>\$ 110,953</u>

REESE PUBLIC SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

		<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		
		<u>Cafeteria</u>	<u>Summer Food Program</u>	<u>2005 Debt Retirement</u>	<u>1998 School Improvement Bonds</u>	<u>Total</u>
<u>Assets</u>						
Cash and investments		\$ 83,845	\$ 0	\$ 207,057	\$ 0	\$ 290,902
Receivables - net:						
Taxes		0	0	2,743	0	2,743
Due from other governmental units		2,490	0	0	0	2,490
Total assets		<u>\$ 86,335</u>	<u>\$ 0</u>	<u>\$ 209,800</u>	<u>\$ 0</u>	<u>\$ 296,135</u>
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accounts payable		\$ 8,037	\$ 0	\$ 0	\$ 0	\$ 8,037
Deferred revenue		2,345	0	0	0	2,345
Total liabilities		<u>10,382</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,382</u>
<u>Fund Balance</u>						
Restricted for debt service		0	0	209,800	0	209,800
Restricted for food service		75,953	0	0	0	75,953
Total fund balance		<u>75,953</u>	<u>0</u>	<u>209,800</u>	<u>0</u>	<u>285,753</u>
Total liabilities and fund balance		<u>\$ 86,335</u>	<u>\$ 0</u>	<u>\$ 209,800</u>	<u>\$ 0</u>	<u>\$ 296,135</u>

REESE PUBLIC SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		
	<u>Cafeteria</u>	<u>Summer Food Program</u>	<u>2005 Debt Retirement</u>	<u>1998 School Improvement Bonds</u>	<u>Total</u>
<u>Revenues</u>					
Local sources	\$ 131,642	\$ 0	\$ 569,057	\$ 0	\$ 700,699
State sources	12,022	0	0	5,759	17,781
Federal sources	248,389	0	0	0	248,389
Total revenues	<u>392,053</u>	<u>0</u>	<u>569,057</u>	<u>5,759</u>	<u>966,869</u>
<u>Expenditures</u>					
Current:					
Food services	392,553	14,207	0	0	406,760
Debt service:					
Principal	0	0	260,000	5,247	265,247
Interest and other	0	0	322,969	512	323,481
Total expenditures	<u>392,553</u>	<u>14,207</u>	<u>582,969</u>	<u>5,759</u>	<u>995,488</u>
<u>Other Financing Sources</u>					
Operating transfers in	0	14,207	0	0	14,207
Total other financing sources	<u>0</u>	<u>14,207</u>	<u>0</u>	<u>0</u>	<u>14,207</u>
Net change in fund balance	(500)	0	(13,912)	0	(14,412)
Fund balance - beginning of year	76,453	0	223,712	0	300,165
Fund balance - end of year	<u>\$ 75,953</u>	<u>\$ 0</u>	<u>\$ 209,800</u>	<u>\$ 0</u>	<u>\$ 285,753</u>

<u>PURPOSE</u>	The bonds were issued for the purpose of improvement to existing school facilities		
<u>DATE OF ISSUE</u>	November 24, 1998		
<u>INTEREST PAYABLE</u>	May 15 of each year		
<u>AMOUNT OF ISSUE</u>		\$	82,018
<u>AMOUNT REDEEMED</u>			
	During prior years	\$	47,946
	During current year		5,247
			<u>53,193</u>
<u>BALANCE OUTSTANDING - June 30, 2012</u>		\$	<u>28,825</u>

<u>Fiscal Year</u>	<u>Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 28,825	\$ 9,873	\$ 38,698

REESE PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2005 Bond Refunding
For the Year Ended June 30, 2012

PURPOSE

The 2000 bonds were refunded, the original bonds were issued for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, refurbishing and re-equipping the Reese Elementary, Middle and High School buildings, acquiring and installing educational technology, and developing and improving the sites.

DATE OF ISSUE

March 30, 2005

INTEREST PAYABLE

May 1 and November 1 of each year

AMOUNT OF ISSUE

\$ 8,000,000

AMOUNT REDEEMED

During prior years	\$	475,000		
During current year		260,000	735,000	

BALANCE OUTSTANDING - June 30, 2012

\$ 7,265,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4.00%	\$ 275,000	\$ 310,342	\$ 585,342
2014	4.00%	290,000	299,343	589,343
2015	4.00%	300,000	287,742	587,742
2016	4.00%	315,000	275,743	590,743
2017	4.00%	325,000	263,142	588,142
2018	4.00%	340,000	250,143	590,143
2019	4.00%	355,000	236,542	591,542
2020	4.00%	370,000	222,343	592,343
2021	4.20%	385,000	207,542	592,542
2022	4.20%	400,000	191,373	591,373
2023	4.30%	415,000	174,572	589,572
2024	4.35%	435,000	156,728	591,728
2025	4.45%	455,000	137,805	592,805
2026	4.45%	475,000	117,557	592,557
2027	4.45%	495,000	96,420	591,420
2028	4.55%	520,000	74,393	594,393
2029	4.55%	545,000	50,732	595,732
2030	4.55%	570,000	25,935	595,935
		<u>\$ 7,265,000</u>	<u>\$ 3,378,397</u>	<u>\$ 10,643,397</u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIERER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA
RENAE M. CLEVINGER, CPA

August 28, 2012

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Reese Public Schools
Reese, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Reese Public Schools, as of and for the year ended June 30, 2012, which collectively comprise Reese Public Schools' basic financial statements and have issued our report thereon dated August 28, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Reese Public Schools is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Reese Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Reese Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Reese Public Schools' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

1600 CENTER AVENUE
POST OFFICE BOX 775
BAY CITY, MI 48707-0775
989-893-5577
800-624-2400
FAX: 989-895-5842
www.wf-cpas.com

OFFICES IN: BAY CITY, CLARE,
GLADWIN AND WEST BRANCH

An Independently Owned Member
MCGLADREY ALLIANCE



McGladrey



WEINLANDER FITZHUGH

Board of Education
Reese Public Schools
August 28, 2012
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reese Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Board of Education, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

August 28, 2012

WALTER G. WEINLANDER, CPA
ROY A. SCHAIERER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA
RENAE M. CLEVINGER, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Reese Public Schools
Reese, Michigan

Compliance

We have audited Reese Public Schools' compliance with the types of compliance requirements described in OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Reese Public Schools' major federal programs are identified in the summary of auditor's results section in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Reese Public Schools' management. Our responsibility is to express an opinion on Reese Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Reese Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Reese Public Schools' compliance with those requirements.

In our opinion, Reese Public Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

1600 CENTER AVENUE
POST OFFICE BOX 775
BAY CITY, MI 48707-0775
989-893-5577
800-624-2400
FAX: 989-895-5842
www.wf-cpas.com

OFFICES IN: BAY CITY, CLARE,
GLADWIN AND WEST BRANCH

An Independently Owned Member
MCGGLADREY ALLIANCE



McGladrey



WEINLANDER FITZHUGH

Board of Education
Reese Public Schools
August 28, 2012
Page 2

Internal Control over Compliance

Management of Reese Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Reese Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Reese Public Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh

REESE PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiency(ies) identified? ☐ YES ☒ NO

Noncompliance material to financial statements noted?

☐ YES ☒ NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiency(ies) identified? ☐ YES ☒ NO

Type of auditor's report issued on compliance of major programs:

Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?

☐ YES ☒ NO

Identification of major programs:

CFDA Number(s)
84.011
10.553, 10.555,
10.559

Name of Federal Program or Cluster
Migrant Education
Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☒ YES ☐ NO

SECTION II - Financial Statement Findings

There are no matters reported.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

REESE PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 01, 2011	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2012
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education:								
ECIA Title I								
Educationally Deprived	84.010							
1115301011		\$ 161,258	\$ 143,597	\$ 34,822	\$ 0	\$ 34,822	\$ 0	\$ 0
1215301112		181,881	0	0	0	139,841	177,061	37,220
			143,597	34,822	0	174,663	177,061	37,220
ECIA Title I								
Migrant Education	84.011							
1118302011		263,451	10,175	10,175	0	211,755	201,580	0
1218302012		268,365	0	0	0	0	13,909	13,909
			10,175	10,175	0	211,755	215,489	13,909
Title II								
Improving Teacher Quality	84.367							
1105201011		60,035	45,449	37,845	0	37,845	56,019	56,019
Edu Jobs	84.410							
1125451112		16,661	0	0	0	16,661	16,661	0
Passed through Tuscola ISD								
ARRA- Special Ed	84.027A							
1004551011		289,968	0	0	0	289,967	289,967	0
Total U.S. Department of Education			199,221	82,842	0	730,891	755,197	107,148
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
School Breakfast Program	10.553							
Cash Assistance		57,208	0	0	0	57,208	57,208	0
National School Lunch Program	10.555							
Cash Assistance		161,752	0	0	0	161,752	161,752	0
Non- Cash Assistance(Commodities)								
Entitlement		22,560	0	0	0	22,560	22,560	0
Bonus		6,869	0	0	0	6,869	6,869	0
National School Lunch Program Subtotal			0	0	0	191,181	191,181	0

See accompanying notes to Schedule of Expenditures of Federal Awards

REESE PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 01, 2011	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2012
Summer Food Service Program for Children	10.559							
Cash Assistance								
Project 110900		14,159	\$ 6,950	\$ 6,950	\$ 0	\$ 14,159	\$ 8,673	\$ 1,464
Project 111900		15,623	0	0	0	1,464	4,112	2,648
Non-Cash Assistance (Commodities)								
Entitlement		1,421	0	0	0	1,421	1,421	0
Total Child Nutrition Cluster			6,950	6,950	0	17,044	14,206	4,112
Total Child Nutrition Cluster			6,950	6,950	0	265,433	262,595	4,112
<u>Federal Communications Commission</u>								
Passed through AT&T:								
Communications information and assistance	32.xxx	11,541	0	0	0	11,541	11,541	0
Passed through Qwest:								
Communications information and assistance	32.xxx	388	0	0	0	388	388	0
Total Federal Communications Commission			0	0	0	11,929	11,929	0
			\$ 206,171	\$ 89,792	\$ 0	\$ 1,008,253	\$ 1,029,721	\$ 111,260

See accompanying notes to Schedule of Expenditures of Federal Awards

REESE PUBLIC SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Reese Public Schools and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.