

Belding Area Schools

**Financial Statements
With Supplemental Information**
June 30, 2011

Belding Area Schools

June 30, 2011

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government - Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Fund Balances of Governmental Funds to Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Fiduciary Fund:	
Statement of 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 Balances – Nonmajor Governmental Funds	34
General Fund:	
Schedule of Revenues, Expenditures and changes in Fund balances– Budget and Actual	35

Belding Area Schools

June 30, 2011

Contents

	<u>Page</u>
Special Revenue Funds:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	36
Agency Funds:	
Statement of Changes in Assets and Liabilities	37
Schedules of Indebtedness	38-44
 Federal Programs	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and on other Matters Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards	45-46
Independent Auditor's Report on Compliance with Requirements That Could have a Direct or Material Effect on Each Major Program And Internal Control Over Compliance in Accordance with OMB Circular A-133	47-48
Schedule of Findings and Questioned Costs	49
Schedule of Expenditures of Federal Awards	50-51
Notes to Schedule of Expenditures of Federal Awards	52
Summary Schedule of Prior Audit Findings	53

Independent Auditor's Report

Independent Auditor's Report

To the Board of Education
Belding Area Schools
Belding, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area 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 Belding Area School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the 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 Belding Area 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 described in Note 1 to the financial statements, the School District implemented Governmental Accounting Standards Board (GASB) statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Belding Area School's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 basic financial statements of Belding Area Schools. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

November 7, 2011

Management's Discussion and Analysis

Belding Area Schools

Management's Discussion and Analysis

June 30, 2011

This section of the Belding Area Schools' annual financial report represents our discussion and analysis of the School District's financial performance and is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2011.

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 Belding Area 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 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 and parents. The annual report is organized as follows:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

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

One of the most important questions asked about the School District is, "Is the School District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Belding Area Schools

Management's Discussion and Analysis

June 30, 2011

These two statements report the School District's net assets- the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are one indicator 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 nonfinancial 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, supporting 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 (like the Food Service Fund) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. 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 the 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 a* reconciliation.

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.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2011

The School District As A Whole

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
Current and other assets	\$ 41,800,407	\$ 44,023,162
Capital assets	20,955,276	17,165,352
Total assets	62,755,683	61,188,514
Current and other liabilities	\$ 5,224,633	\$ 3,672,183
Long-term liabilities	56,427,585	56,376,567
Total liabilities	61,652,218	60,048,750
Net assets		
Invested in capital assets, net of related debt	(37,054,037)	(40,586,128)
Restricted for capital projects	34,004,129	38,101,006
Restricted for debt service	833,084	48,828
Restricted for food service	74,070	204,007
Unrestricted	3,246,219	3,372,051
Total expenses	\$ 1,103,465	\$ 1,139,764

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$1,103,465 at June 30, 2011. Invested in capital assets, net of related debt totaling \$(37,054,037) compares the original cost, 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-approval property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. Net assets restricted for debt service totaled \$34,837,213. The remaining amount of net assets, \$3,320,289, was unrestricted.

The \$3,320,289 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.

Belding Area 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 (Table 2), which shows the changes in net assets for fiscal year 2011 and 2010.

Table 2:

Statement of Activities Summary

	Governmental Activities	
	2011	2010
Revenues		
Program revenues		
Charges for services	\$ 513,572	\$ 541,850
Grants and Categoricals	4,612,074	5,172,763
General Revenues		
Property taxes	3,753,489	3,855,393
State foundation allowance	13,504,322	13,328,855
Other general revenues	2,017,386	124,760
Total revenues	24,400,843	23,023,621
Functions/Program Expenses		
Instruction	12,447,452	12,436,979
Support services	7,126,965	7,656,743
Food services	997,402	994,311
Community service	101,704	94,242
Interest on long-term debt	3,166,975	912,575
Depreciation (unallocated)	596,644	645,147
Total expenses	24,437,142	22,739,997
Increase (decrease) in net assets	\$ (36,299)	\$ 283,624

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$24,437,142. Certain activities were partially funded from those who benefited from the program (\$513,572) or by governments and organizations that subsidized certain programs with grants and categorical (\$4,612,074). We paid for the remaining "public benefit" portion of our governmental activities with \$3,753,489 in taxes, \$13,504,322 in state Foundation Allowance, and with our other revenues, like interest and general entitlements.

The School District experienced a decrease in net assets of \$36,299. The key reason for the change in net assets was interest on new bonds sold May, 2010.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since 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.

Belding Area 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 you consider whether the School District is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the School District's overall financial health.

As the School District completed this year; our governmental funds reported a combined fund balance of \$38,663,764 which is a decrease of \$3,697,631 from last year. The primary reasons for these are:

Our general fund is our principal operating fund. The fund balance in the general fund decreased \$256,790 to \$3,463,375. The decrease is due to declining revenues.

Our special revenue fund showed a net decrease of \$129,938.

The debt service funds showed an increase of \$785,974. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

The capital projects fund had excess expenditures of \$4,096,877 as projects from the 2010 bonds got underway.

General Fund Budgetary Highlights

The Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming year prior to July 1.

Over the course of the year, the district's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

Budget revenues were increased \$43,600 from the original budget. These were various amendments to properly reflect revenues based on more current information.

Budget expenditures were decreased \$23,920 to more closely reflect program expenditures.

Belding Area Schools
 Management's Discussion and Analysis
 June 30, 2011

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011, the School District had \$19,938,178 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$3,894,007, or 24.3%, from last year.

Capital Assets at Year-End

	June 30, 2011	June 30, 2010
Land	\$ 243,585	\$ 243,585
Construction in process	3,375,858	150,436
Buildings	14,854,107	14,716,753
Buses and other vehicles	341,442	393,778
Furniture and equipment	1,123,186	539,619
Total capital assets	\$ 19,938,178	\$ 16,044,171

This year's additions are various improvements mostly related to the 2010 bond projects.

Debt

At the end of this year, the School District had \$55,660,265 in bonds outstanding versus \$57,295,639 last year - a decrease of \$1,635,374. Those bonds consisted of:

Outstanding Debt at Year-End

	June 30, 2011	June 30, 2010
General obligation bonds	\$ 55,660,265	\$ 57,295,639

Belding Area Schools

Management's Discussion and Analysis

June 30, 2011

The School District's general obligation bond rating was increased to A+ rating in 2010. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e. debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding general obligation debt of \$55,660,265 is below the statutory imposed limit. Other obligations include termination benefits.

The borrowings and accrued interest owed to the School Bond Loan fund were increased during the year. The balance at the end of the year is \$1,995,734

We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2011-2012 fiscal year budget and tax rates. 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. Approximately 90% of total general fund revenue is from the Foundation Allowance.

Under State law, the School District cannot access additional property tax revenue for general operations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data, we anticipate that the fall student count will be approximately 140 less students which includes 70 less already in the 2011-2012 budget. This unexpected student loss will require a budget amendment.

Personnel levels have been reduced for the 2011-2012 budget. 3.5 in elementary and 3.5 middle school positions were eliminated. These positions were eliminated through retirement and attrition. An administrative position was also eliminated as well as the build a home program

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 of Michigan's economy continues to struggle. The District has currently planned for a foundation allowance of \$6,846 per pupil, which is a \$470 decrease from the previous year. The District has also budgeted for a reduction of 70 students from the 2010-2011 school year. The district has been notified by the local ISD that property values are still declining and to anticipate less in special education millage funding. In addition to revenue reductions, the retirement contribution rate increased from 20.66% to 24.46% on October 1, 2011 and is expected to increase to 27.37% on October 1, 2012.

The District has a contract with the Belding Education Support Personnel Association and Belding Education Association that expires June 30, 2012.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2011

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and 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:

Mary Beth Rogers
Finance Director
Belding Area Schools
1975 Orchard Street
Belding, MI 48809
(616) 794-4707

Government-Wide Financial Statements

Belding Area Schools
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 37,547,749
Accounts receivable	75,069
Accrued interest	52,405
Due from other governments	3,280,892
Inventory	810,905
Prepaid expense	33,387
Total current assets	41,800,407
Noncurrent Assets	
Deferred charges, net of amortization	1,017,098
Capital assets	33,049,221
Less: accumulated depreciation	(13,111,043)
Total noncurrent assets	20,955,276
Total Assets	\$ 62,755,683
Liabilities	
Current Liabilities	
Accounts payable	\$ 2,228,136
Salaries and withholdings payable	575,522
Accrued interest payable	521,249
Deferred revenue	100,842
Long-term liabilities due within one year	
Bonds payable- due within one year	1,798,884
Total Current Liabilities	5,224,633
Noncurrent Liabilities	
Bonds and other loans payable	56,221,846
Compensated absences, not due within one year	205,739
Total Noncurrent Liabilities	56,427,585
Total Liabilities	61,652,218
Net Assets	
Investment in capital assets- net of related debt	(37,054,037)
Restricted for:	
Capital projects	34,004,129
Debt service	833,084
Food service	57,948
Unrestricted	3,262,341
Total Net Assets	\$ 1,103,465

See accompanying notes to financial statements

Belding Area Schools
Statement of Activities
June 30, 2011

	Program Revenues			Governmental Activities
Expenses	Charges for Service	Operating Grants	Net (Expenses) Revenues and Changes in Net Assets	
Governmental activities:				
Instruction	\$ 12,447,452	\$ 15,035	\$ 3,627,941	\$ (8,804,476)
Support services	7,126,965	195,290	212,790	(6,718,885)
Food service	997,402	172,330	771,343	(53,729)
Community services	101,704	130,917	0	29,213
Interest on long- term debt	3,166,975	0	0	(3,166,975)
Depreciation (unallocated)	596,644	0	0	(596,644)
Total governmental activities	\$ 24,437,142	\$ 513,572	\$ 4,612,074	(19,311,496)
General revenues:				
Taxes				
Property taxes, levied for general purpose				1,538,495
Property taxes, levied for debt service				2,214,994
State aid not restricted to specific purposes				13,504,322
Interest and investment earnings				1,944,475
Other				72,911
			Total general revenues	19,275,197
Changes in Net Assets				(36,299)
Net Assets- Beginning of year				1,139,764
Net Assets-End of year				\$ 1,103,465

See accompanying notes to financial statements

Fund Financial Statements

Belding Area Schools
Governmental Funds
Balance Sheet
June 30, 2011

	General	Capital Projects	Other Non-Major Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 1,530,052	\$ 34,871,878	\$ 1,145,819	\$ 37,547,749
Accounts receivable	25,069	0	50,000	75,069
Accrued interest receivable	0	35,005	17,400	52,405
Due from other funds	54,183	0	101,122	155,305
Due from other governments	3,039,003	0	9,746	3,048,749
Inventory	794,783	0	16,122	810,905
Prepaid expenses	33,387	0	0	33,387
	<u>\$ 5,476,477</u>	<u>\$ 34,906,883</u>	<u>\$ 1,340,209</u>	<u>\$ 41,723,569</u>
 Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 1,346,699	\$ 856,814	\$ 24,623	\$ 2,228,136
Salaries and withholdings payable	573,362	0	2,160	575,522
Due to other funds	0	45,940	109,365	155,305
Deferred revenue	93,041	0	7,801	100,842
	<u>2,013,102</u>	<u>902,754</u>	<u>143,949</u>	<u>3,059,805</u>
 Fund Equity				
Fund balances				
Non-spendable for:				
Inventory	794,783	0	16,122	810,905
Prepaid expenditures	33,387	0	0	33,387
Restricted	0	34,004,129	1,180,138	35,184,267
Assigned - Compensated Absenses	205,739	0	0	205,739
Unassigned	2,429,466	0	0	2,429,466
	<u>3,463,375</u>	<u>34,004,129</u>	<u>1,196,260</u>	<u>38,663,764</u>
Total fund equity	<u>3,463,375</u>	<u>34,004,129</u>	<u>1,196,260</u>	<u>38,663,764</u>
 Total liabilities and fund equity	<u>\$ 5,476,477</u>	<u>\$ 34,906,883</u>	<u>\$ 1,340,209</u>	<u>\$ 41,723,569</u>

Belding Area Schools
 Governmental Funds
 Reconciliation of Balance Sheet of Governmental Funds to Net Assets
 June 30, 2011

Total fund Balances- Governmental Funds **\$ 38,663,764**

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

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

Deferred charges, net of amortization	\$	1,017,098	
Capital assets cost:		33,049,221	
Accumulated depreciation:		<u>(13,111,043)</u>	
Net Capital Assets			20,955,276

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

Bonds and other loans payable		(58,020,730)	
Accrued Interest-net		(289,106)	
Compensated absences		<u>(205,739)</u>	

Net Assets of Governmental Activities **\$ 1,103,465**

Belding Area Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 1,956,041	\$ 598,336	\$ 3,730,070	\$ 6,284,447
State sources	14,796,003	0	95,812	14,891,815
Federal sources	1,992,762	0	696,257	2,689,019
Other	535,562	0	0	535,562
Total revenues	19,280,368	598,336	4,522,139	24,400,843
Expenditures				
Instruction				
Basic programs	9,183,172	0	0	9,183,172
Added needs	3,267,945	0	0	3,267,945
Adult and continuing education	68,273	0	0	68,273
Support services				
Pupil	925,327	0	0	925,327
Instructional staff	645,204	0	0	645,204
General administration	394,998	0	0	394,998
School administration	1,189,036	0	0	1,189,036
Business and central services	3,349,990	0	0	3,349,990
Athletics	447,260	0	0	447,260
Food service	0	0	1,004,179	1,004,179
Community services	101,704	0	0	101,704
Other transactions	34,249	0	0	34,249
Capital outlay-bonds	0	4,695,213	0	4,695,213
Debt services				
Redemption of bonds/notes	0	0	1,663,027	1,663,027
Interest and fiscal charges	0	0	3,113,214	3,113,214
Total expenditures	19,607,158	4,695,213	5,780,420	30,082,791
Excess (deficiency) of revenues over expenditures	(326,790)	(4,096,877)	(1,258,281)	(5,681,948)
Other financing sources (uses)				
Proceeds from SLRF	0	0	1,984,317	1,984,317
Operating transfers in	70,000	0	0	70,000
Operating transfers out	0	0	(70,000)	(70,000)
Total other financing sources (uses)	70,000	0	1,914,317	1,984,317
Excess (deficiency) of revenues over expenditures and other sources (uses)	(256,790)	(4,096,877)	656,036	(3,697,631)
Fund balances at beginning of year, as restated	3,720,165	38,101,006	540,224	42,361,395
Fund balances at end of year	\$ 3,463,375	\$ 34,004,129	\$ 1,196,260	\$ 38,663,764

Belding Area Schools
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to Statement of Activities
 Year Ended June 30, 2011

Net Change in fund Balances- Total Governmental funds **\$ (3,697,631)**

Amount reported for governmental activities in the statement of activities are different because:

Governmental funds reported capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(856,140)
Capital outlay	4,750,147

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(13,134)
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Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities)

Principal repayment/transfer to escrow agent	1,663,027
Proceeds from debt issuances	(1,984,317)
Amortization of premiums on debt issuances	63,457
Amortization of bond issuance costs	(65,256)
Amortization of deferred amounts on bond refundings	(38,827)

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

Change in accrued compensated absences	82,375
Change in accrued voluntary severance plan liability	<u>60,000</u>

Net Change in Net Assets- Governmental Activities	<u><u>\$ (36,299)</u></u>
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Belding Area Schools
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds- Student Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$ 191,941</u>
Liabilities	
Due to Student groups	<u>\$ 191,941</u>

See accompanying notes to financial statements

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Belding Area Schools conform to accounting principles generally accepted in the United States of America (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 Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary 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 the 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 segment 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 not properly included among program revenues are reported instead as general revenue.

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

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements – The government-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.

The district does not allocate indirect costs.

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

The District first utilizes restricted resources to finance qualifying activities.

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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, 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.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

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

Capital Projects fund is used to account for the construction of fixed assets.

The government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Fund maintained by the School District is the Food Services Fund.

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects funds are used to account for the construction of fixed assets.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. 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.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes assessed as of December 31 and the related property taxes are levied and become a lien on December 1. These taxes are billed on December 1st and are due February 15th. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain 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.

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. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as revenue and expensed when received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

The General Fund inventory also includes the construction cost of any unsold trade skills homes and street improvement costs allocated to unused building sites, which are held for sale by the district. The amount at June 30, 2011 is \$720,367.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences – The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated annual vacation and sick pay 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.

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.

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.

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.

The effect of this change on beginning fund balances is:

Belding Area Schools
Notes to Financial Statements
June 30, 2011

	As Originally Reported	Adjustment	As Restated
Beginning fund balance			
General Fund	\$ 3,661,848	\$ 58,317	\$ 3,720,165
Nonmajor Funds	\$ 598,540	\$ (58,317)	\$ 540,223

Note 1 – Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications – Comparative data is not included in the district’s financial statements.

Use of Estimates- The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds – The school district did not have significant expenditure budget variances.

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 3 – Deposits and Investments

As of June 30, 2011, the District had the following investments:

Investment type	Fair Value	Weighted Average Maturity (years)	Standard & Poor's Rating	Portfolio %
Government Money Market funds	\$ 3,356,098	0.0027	AAAm	9.55%
Government National Mortgage Assoc (GNMA)	10,355,168	1.4934	AAAm	29.46%
Federal Home Loan Bank Notes (FHLB)	700,288	1.8300	AAAm	1.99%
Federal Home Loan Mortgage Corp Notes (FHLMC)	12,411,848	1.3557	AAAm	35.31%
Federal National Mortgage Assoc Notes (FNMA)	7,412,724	1.4341	AAAm	21.09%
United States Treasury Bonds	916,599	14.6800	AAA	2.61%
Total Fair Value	<u>\$ 35,152,725</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>1.64</u>		

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

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).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

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, 2011, none of the School District's bank balance of \$2,689,482 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Custodial credit risk- investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 3 – Deposits and Investments (Continued)

The District will minimize custodial control credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

Reconciliation of cash and investments:

Deposits-including Fiduciary Funds of \$191,941	\$ 2,585,265
Petty cash	1,700
Investments	<u>35,152,725</u>
Total	<u><u>\$ 37,739,690</u></u>

The above amounts are reported in the financial statements as follows:

Cash-Fiduciary Fund	\$ 191,941
Cash and investments-District Wide	<u>37,547,749</u>
Total	<u><u>\$ 37,739,690</u></u>

Note 4 – Receivables

Receivables as of year-end for the school district's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Non-major and Other Funds</u>	<u>Total</u>
Receivables:			
Various	\$ 25,069	\$ 50,000	\$ 75,069
Intergovernmental	<u>3,039,003</u>	<u>9,746</u>	<u>3,048,749</u>
Net Receivables	<u><u>\$ 3,064,072</u></u>	<u><u>\$ 59,746</u></u>	<u><u>\$ 3,123,818</u></u>

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, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Payments received prior to meeting all eligibility requirements:	<u>\$100,842</u>

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 5 – Capital Assets

Capital asset activity of the school district's Governmental activities was as follows:

	Balance June 30, 2010	Additions	Disposals and Adjustments	Balance June 30, 2011
Assets not being depreciated:				
Land	\$ 243,585	\$ 0	\$ 0	\$ 243,585
Work in Process	150,436	3,225,422	0	3,375,858
Subtotal	394,021	3,225,422	0	3,619,443
Capital assets being depreciated:				
Building and building improvements	25,079,816	856,865	0	25,936,681
Buses and other vehicles	1,334,955	22,498	0	1,357,453
Furniture and equipment	1,809,058	645,362	318,776	2,135,644
Subtotal	28,223,829	1,524,725	318,776	29,429,778
Accumulated depreciaton:				
Building and building improvements	10,363,063	719,511	0	11,082,574
Buses and other vehicles	941,177	74,834	0	1,016,011
Furniture and equipment	1,269,439	61,795	318,776	1,012,458
Subtotal	12,573,679	856,140	318,776	13,111,043
Net capital assets being depreciated	15,650,150	668,585	0	16,318,735
Net capital assets	\$ 16,044,171	\$ 3,894,007	\$ 0	\$ 19,938,178

Depreciation expense was charged to activities of the school as follows:

Governmental Activities

Instruction	\$ 7,192
Support Services	247,681
Food Services	4,623
Unallocated	<u>596,644</u>
	<u>\$ 856,140</u>

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 6 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due From	Fund Due To		Total
	General Fund	Other Nonmajor Funds	
General Fund	\$ -	\$ -	\$ -
Capital Projects Fund	45,940	0	45,940
Other Nonmajor Funds	8,243	101,122	109,365
Total	\$ 54,183	\$ 101,122	\$ 155,305

	Transfer Out		Total
	General Fund	Food Service	
Transfer in:			
General Fund-Administration	\$ -	\$ 70,000	\$ 70,000
	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 70,000</u>

Note 7 – Long-Term Debt

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include severance pay, school bond loan fund payable and two leases.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 57,751,480	\$ 0	\$ 1,726,484	\$ 56,024,996	\$ 1,798,884
Total bonds payable	57,751,480	0	1,726,484	56,024,996	1,798,884
School Bond Loan Fund	0	1,995,734	0	1,995,734	0
Severance Plan	60,000	0	60,000	0	0
Compensated Absences	288,114	0	82,375	205,739	0
Total other obligation	348,114	1,995,734	142,375	2,201,473	0
Total	\$ 58,099,594	\$ 1,995,734	\$ 1,868,859	\$ 58,226,469	\$ 1,798,884

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 7 – Long-Term Debt (Continued)

Annual debt service requirements, to maturity for the above bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2012	\$ 1,798,884	\$ 1,783,362	\$ 3,582,246
2013	2,018,728	1,699,440	3,718,168
2014	2,045,000	1,602,767	3,647,767
2015	2,190,000	1,533,762	3,723,762
2016	1,995,000	1,452,134	3,447,134
2017- 2021	8,145,000	6,232,028	14,377,028
2022- 2026	18,440,000	4,600,728	23,040,728
2027- 2031	10,000,000	2,626,426	12,626,426
2032- 2036	5,000,000	1,514,174	6,514,174
2037- 2040	4,000,000	433,550	4,433,550
Total	<u>\$ 55,632,612</u>	<u>\$ 23,478,371</u>	<u>\$ 79,110,983</u>

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 7 – Long-Term Debt (Continued)

General obligation bonds consist of:

\$9,370,000 bonded debt of February 19, 2008, due in annual installments of \$550,000 to \$1,090,000 through May 1, 2026, interest at 3.25% to 5.0%	\$ 9,370,000
\$3,725,000 bonded debt of March 2, 2006, due in annual installments of \$175,000 to \$295,000 through May 1, 2026; interest at 3.5% to 4.2%.	2,745,000
\$4,380,000 bonded debt of September 29, 2009, due in annual installments of \$170,000 to \$1,360,000 through May 1, 2016; interest at 1.38% to 4.29%.	3,695,000
\$2,650,000 bonded debt of September 23, 2009, due in annual installments of \$865,000 to \$900,000 through November 1, 2012; interest at 3.0% to 5.0%.	900,000
\$15,000,000 bonded debt of May 13, 2010, due in annual installments of \$5,000,000 beginning May 1, 2025 through May 1, 2027; interest at 6.5% to 6.7%.	15,000,000
\$23,800,000 bonded debt of May 13, 2010, due in annual installments of \$700,000 to \$1,000,000 beginning May 1, 2016 through May 1, 2040; interest at 4.41% to 6.67%.	23,800,000
Durant School Improvement Bonds of 1999 due in annual installments of \$13,104 to \$103,728 through May, 2013; variable interest rate. The State of Michigan is the only revenue source for making the annual debt service payment on the bonds. On or about, May 10, 2007, the State of Michigan refinanced these bonds to eliminate the annual payments due May 2007 through May 2008. A lump sum payment of \$103,728 is now scheduled for 2013.	<u>122,612</u>
Subtotal - Bonds Payable	55,632,612
Plus: Premiums on bond issuances (net)	<u>392,384</u>
Subtotal - Bonds Payable	<u><u>\$ 56,024,996</u></u>

Durant Non-Plaintiff Bond – Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$16,426 to \$103,728 associated with this Bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any District debt levy or utilization of any other District financial resources.

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 8 – Risk Management

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

Note 9 – Defined Benefit Pension Plan and Post Retirement Benefits

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each 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.

The pension benefit rate totaled 16.94 percent for the period from July 1, 2010 to September 30, 2010, 19.41% from October 1, 2010 to October 31, 2010, and 20.66 percent from November 1, 2010 through June 30, 2011, for the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 6.4 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2011, 2010, and 2009 were \$2,118,336, \$1,858,468 and \$1,830,646, respectively.

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 contribution rate for the pension plus members is 1.5% less than the base plan rate. In addition, the District is required to match 50% up to 1% of the employee's contribution in the pension plus plan.

Post Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision overages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

Belding Area Schools
Notes to Financial Statements
June 30, 2011

Note 9 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

Public Act 75 of 2010 requires each employed member of MPSERS after June 30, 2010 to contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. This requirement has been eliminated by court order which is being appealed by the State of Michigan.

Note 10 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any to be minimal.

Note 11 – Subsequent Event

Subsequent to year end, the District entered into an agreement to borrow \$1,300,000 as a state aid note maturing August, 2012. This note matures August 20, 2012. The note is secured by the full faith and credit of the District as well as pledged state aid.

Note 12 – Capital Projects

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the school district has complied with the applicable provisions of Sec. 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the Capital Projects Fund from the inception of the fund through the current fiscal year.

Revenue:	\$39,380,795
Expenditures:	\$ 5,376,666

Required Supplemental Information

Belding Area Schools
Required Supplemental Information
Budgetary Comparison Schedule- General Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Local sources	\$ 1,870,500	\$ 1,975,000	\$ 1,956,041	\$ (18,959)
State sources	14,789,500	14,888,100	14,796,003	(92,097)
Federal sources	1,459,000	2,039,500	1,992,762	(46,738)
Other	841,000	495,000	535,562	40,562
Total revenues	18,960,000	19,397,600	19,280,368	(117,232)
Expenditures				
Instruction				
Basic programs	9,085,300	9,193,050	9,183,172	9,878
Added needs	3,225,700	3,284,500	3,267,945	16,555
Adult and continuing education	69,700	74,700	68,273	6,427
Support services				
Pupil	872,800	938,300	925,327	12,973
Instructional staff	667,600	647,130	645,204	1,926
General administration	433,200	401,700	394,998	6,702
School administration	1,222,500	1,206,000	1,189,036	16,964
Business and central services	3,553,100	3,427,450	3,349,990	77,460
Athletics	430,000	450,000	447,260	2,740
Community services	95,550	106,800	101,704	5,096
Other transactions	35,000	35,000	34,249	751
Total expenditures	19,690,450	19,764,630	19,607,158	157,472
Excess (deficiency) of revenues over expenditures	(730,450)	(367,030)	(326,790)	40,240
Other financing sources (uses)				
Operating transfers in	70,000	70,000	70,000	0
Total other financing sources (uses)	70,000	70,000	70,000	0
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (660,450)</u>	<u>\$ (297,030)</u>	(256,790)	<u>\$ 40,240</u>
Fund balances at beginning of year, as restated			3,720,165	
Fund balances at end of year			<u>\$ 3,463,375</u>	

See accompanying note to financial statements

Other Supplemental Information

Belding Area Schools
 Other Supplemental Information
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue	Other Nonmajor Funds						Nonmajor Governmental Funds	
	Food Service	Durant	2006 Refunding Debt	2008 Refunding Debt	2009-A Refunding Debt	2009-B Refunding Debt	2010-A School & Site	2010-B School & Site	Total
Assets									
Cash and investments	\$ 41,028	\$ 0	\$ 12,537	\$ 74,532	\$ 0	\$ 0	1,014,442	3,280	\$ 1,145,819
Accounts Receivable	50,000	0	0	0	0	0	0	0	50,000
Accrued interest receivable	0	0	0	0	0	0	17,400	0	17,400
Due from other funds	0	0	63,651	37,471	0	0	0	0	101,122
Due from other governments	9,746	0	0	0	0	0	0	0	9,746
Inventory of supplies - at cost	16,122	0	0	0	0	0	0	0	16,122
Total Assets	<u>\$ 116,896</u>	<u>\$ 0</u>	<u>\$ 76,188</u>	<u>\$ 112,003</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,031,842</u>	<u>\$ 3,280</u>	<u>\$ 1,340,209</u>
Liabilities									
Accounts payable	\$ 24,623	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,623
Deferred Revenue	7,801	0	0	0	0	0	0	0	7,801
Due to other funds	8,242	0	0	0	0	0	97,843	3,280	109,365
Salaries payable	2,160	0	0	0	0	0	0	0	2,160
Total Liabilities	42,826	0	0	0	0	0	97,843	3,280	143,949
Fund Balance									
Non-spendable-Inventory	16,122	0	0	0	0	0	0	0	0
Restricted	57,948	0	76,188	112,003	0	0	933,999	0	1,180,138
Total Fund Balance	<u>74,070</u>	<u>0</u>	<u>76,188</u>	<u>112,003</u>	<u>0</u>	<u>0</u>	<u>933,999</u>	<u>0</u>	<u>1,180,138</u>
Total Liabilities and Fund Balance	<u>\$ 116,896</u>	<u>\$ 0</u>	<u>\$ 76,188</u>	<u>\$ 112,003</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,031,842</u>	<u>\$ 3,280</u>	<u>\$ 1,340,209</u>

See accompanying notes to financial statements

Belding Area Schools
Other Supplemental Information
Combining Statement of Revenue, Expenditures
and changes in fund balances
Non Major Governmental Funds
Year Ended June 30, 2011

	Special Revenue	Other Nonmajor Funds							Total Nonmajor Governmental Funds
	Food Service	Durant	2006 Refunding Debt	2008 Refunding Debt	2009-A Refunding Debt	2009-B Refunding Debt	2010-A School and Site	2010-B School and Site	
Revenues									
Local sources									
Property taxes	\$ 0	\$ 0	\$ 147,641	\$ 257,109	\$ 0	\$ 340,229	\$ 995,286	\$ 474,729	\$ 2,214,994
Lunch sales	172,330	0	0	0	0	0	0	0	172,330
Investment earnings	568	0	105	279	0	0	841,741	500,053	1,342,746
Total Local Sources	172,898	0	147,746	257,388	0	340,229	1,837,027	974,782	3,730,070
Federal and state sources									
State aid-matching funds	75,086	20,726	0	0	0	0	0	0	95,812
Federal aid	651,288	0	0	0	0	0	0	0	651,288
Federal commodities	44,969	0	0	0	0	0	0	0	44,969
Total Federal and State Sources	771,343	20,726	0	0	0	0	0	0	792,069
Total Revenues	944,241	20,726	147,746	257,388	0	340,229	1,837,027	974,782	4,522,139
Expenditures									
Food & supplies	520,979	0	0	0	0	0	0	0	520,979
Salaries & wages	235,271	0	0	0	0	0	0	0	235,271
Fringe benefits	66,989	0	0	0	0	0	0	0	66,989
Repairs & capital outlay	22,337	0	0	0	0	0	0	0	22,337
Other	158,603	0	0	0	0	0	0	0	158,603
Debt Service									
Redemption of Serial Bonds	0	18,027	265,000	0	515,000	865,000	0	0	1,663,027
Interest	0	2,699	119,975	374,463	133,612	88,250	961,833	1,428,625	3,109,457
Other	0	0	225	987	0	1,200	695	650	3,757
Total Expenditures	1,004,179	20,726	385,200	375,450	648,612	954,450	962,528	1,429,275	5,780,420
Excess (deficiency) of revenues over expenditures	(59,938)	0	(237,454)	(118,062)	(648,612)	(614,221)	874,499	(454,493)	(1,258,281)
Other financing sources (uses)									
Proceeds from SLRF	0	0	207,491	0	648,612	614,221	59,500	454,493	1,984,317
Operating transfers in (out)	(70,000)	0	0	0	0	0	0	0	(70,000)
Total Other Financing Sources	(70,000)	0	207,491	0	648,612	614,221	59,500	454,493	1,914,317
Excess (deficiency) of revenues over expenditures & other sources (uses)	(129,938)	0	(29,963)	(118,062)	0	0	933,999	0	656,036
Fund balances at beginning of year	204,008	0	106,151	230,065	0	0	0	0	540,224
Fund balances at end of year	\$ 74,070	\$ 0	\$ 76,188	\$ 112,003	\$ 0	\$ 0	\$ 933,999	\$ 0	\$ 1,196,260

Belding Area Schools
Other Supplemental Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Local sources	\$ 1,975,000	\$ 1,956,041	\$ (18,959)
State sources	14,888,100	14,796,003	(92,097)
Federal sources	2,039,500	1,992,762	(46,738)
Other	495,000	535,562	40,562
Total revenues	19,397,600	19,280,368	(117,232)
Expenditures			
Instruction			
Basic programs	9,193,050	9,183,172	9,878
Added needs	3,284,500	3,267,945	16,555
Adult and continuing education	74,700	68,273	6,427
Support services			
Pupil	938,300	925,327	12,973
Instructional staff	647,130	645,204	1,926
General administration	401,700	394,998	6,702
School administration	1,206,000	1,189,036	16,964
Business and central services	3,427,450	3,349,990	77,460
Athletics	450,000	447,260	2,740
Community services	106,800	101,704	5,096
Other transactions	35,000	34,249	751
Total expenditures	19,764,630	19,607,158	157,472
Excess (deficiency) of revenues over expenditures	<u>(367,030)</u>	<u>(326,790)</u>	<u>40,240</u>
Other financing sources (uses)			
Operating transfers in	<u>70,000</u>	<u>70,000</u>	<u>0</u>
Total other financing sources (uses)	<u>70,000</u>	<u>70,000</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u><u>\$ (297,030)</u></u>	<u>(256,790)</u>	<u><u>\$ 40,240</u></u>
Fund balances at beginning of year, as restated		<u>3,720,165</u>	
Fund balances at end of year		<u><u>\$ 3,463,375</u></u>	

See accompanying notes to financial statements

Belding Area Schools
Other Supplemental Information
Special Revenue Funds
Statement of Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual
Year Ended June 30, 2011

	Food Service		Difference
	Budget	Actual	
Revenues			
Local sources			
Lunch sales	\$ 194,400	\$ 172,330	\$ (22,070)
Interest	600	568	(32)
Total Local Sources	195,000	172,898	(22,102)
Federal and state sources			
State aid-matching funds	100,000	75,086	(24,914)
Federal aid	620,000	651,288	31,288
Federal commodities	60,000	44,969	(15,031)
Total Federal and State Sources	780,000	771,343	(8,657)
Total Revenues	975,000	944,241	(30,759)
Expenditures			
Food & supplies	523,270	520,979	2,291
Salaries & wages	246,800	235,271	11,529
Fringe benefits	65,300	66,989	(1,689)
Repairs & capital outlay	12,800	22,337	(9,537)
Other	146,830	158,603	(11,773)
Total Expenditures	995,000	1,004,179	(9,179)
Excess (deficiency) of revenues over expenditures	(20,000)	(59,938)	(39,938)
Other financing sources (uses)			
Operating transfers in(out)	(70,000)	(70,000)	0
Excess (deficiency) of revenues over expenditures & other sources (uses)	<u>\$ (90,000)</u>	(129,938)	<u>\$ (39,938)</u>
Fund balances at beginning of year		<u>204,008</u>	
Fund balances at end of year		<u>\$ 74,070</u>	

See accompanying notes to financial statements

Belding Area Schools
 Other Supplemental Information
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2011

Student Activity Funds

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Assets				
Cash And Cash Equivalents	<u>\$ 160,876</u>	<u>\$ 394,449</u>	<u>\$ 363,384</u>	<u>\$ 191,941</u>
Liabilities				
Due To Student Groups	<u>\$ 160,876</u>	<u>\$ 394,449</u>	<u>\$ 363,384</u>	<u>\$ 191,941</u>

See accompanying notes to financial statements

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2006 Refunding Bonds
June 30, 2011

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2012	4.00%	\$ 270,000	\$ 55,350	\$ 55,350	\$ 380,700
2013	4.00%	280,000	49,950	49,950	379,900
2014	4.00%	295,000	44,350	44,350	383,700
2015	4.00%	180,000	38,450	38,450	256,900
2016	4.00%	170,000	34,850	34,850	239,700
2017	4.00%	170,000	31,450	31,450	232,900
2018	4.00%	165,000	28,050	28,050	221,100
2019	4.00%	165,000	24,750	24,750	214,500
2020	4.00%	150,000	21,450	21,450	192,900
2021	4.00%	150,000	18,450	18,450	186,900
2022	4.00%	150,000	15,450	15,450	180,900
2023	4.10%	150,000	12,450	12,450	174,900
2024	4.10%	150,000	9,375	9,375	168,750
2025	4.20%	150,000	6,300	6,300	162,600
2026	4.20%	150,000	3,150	3,150	156,300
	Total	<u>\$ 2,745,000</u>	<u>\$ 393,825</u>	<u>\$ 393,825</u>	<u>\$ 3,532,650</u>

Purpose- To refund the 1996 Bonds. The purpose of the 1996 bonds was to erect, furnish and equip a new elementary school and playgrounds; to erect, furnish and equip and addition or additions to and/or partially remodel, refurbish and re-equip the Ellis Elementary School and the High School; partially remodel for and install educational technology in school facilities; partially remodel, refurbish and re-equip the Hallpark School for an athletic facility; acquire additional land for site purposes; construct, develop and improve sites, playgrounds, outdoor physical education fields and athletic facilities and refunding all of the 1992 construction bonds.

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2008 Refunding Bonds
June 30, 2011

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2012	4.85%	\$ 0	\$ 187,231	\$ 187,231	\$ 374,463
2013	4.90%	1,055,000	187,231	187,231	1,429,463
2014	4.95%	1,090,000	170,088	170,088	1,430,175
2015	5.00%	650,000	152,375	152,375	954,750
2016	5.00%	640,000	141,000	141,000	922,000
2017	5.00%	630,000	125,000	125,000	880,000
2018	5.00%	630,000	109,250	109,250	848,500
2019	5.00%	620,000	93,500	93,500	807,000
2020	5.00%	615,000	81,100	81,100	777,200
2021	5.00%	600,000	68,800	68,800	737,600
2022	5.00%	595,000	56,800	56,800	708,600
2023	5.00%	575,000	44,900	44,900	664,800
2024	5.00%	570,000	33,400	33,400	636,800
2025	5.00%	550,000	22,000	22,000	594,000
2026	5.00%	550,000	11,000	11,000	572,000
	Total	<u>\$ 9,370,000</u>	<u>\$ 1,483,675</u>	<u>\$ 1,483,675</u>	<u>\$ 12,337,350</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
 Other Supplemental Information
 Schedule of Bonded Debt
 2009 Refunding Bonds - Series A
 June 30, 2011

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>Principal May 1</u>	<u>Interest</u>		<u>Total Debt Requirement</u>
			<u>November 1</u>	<u>May 1</u>	
2012	2.38%	\$ 610,000	\$ 62,222	\$ 62,222	\$ 734,444
2013	2.70%	580,000	54,963	54,963	689,926
2014	3.30%	660,000	47,133	47,133	754,266
2015	3.80%	1,360,000	36,243	36,243	1,432,486
2016	4.29%	<u>485,000</u>	<u>10,404</u>	<u>10,404</u>	<u>505,808</u>
Total		<u>\$ 3,695,000</u>	<u>\$ 210,965</u>	<u>\$ 210,965</u>	<u>\$ 4,116,930</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
 Other Supplemental Information
 Schedule of Bonded Debt
 2009 Refunding Bonds - Series B
 June 30, 2011

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>Principal May 1</u>	<u>Interest</u>		<u>Total Debt Requirement</u>
			<u>November 1</u>	<u>May 1</u>	
2012	5.00%	<u>\$ 900,000</u>	<u>\$ 22,500</u>	<u>\$ 22,500</u>	<u>\$ 945,000</u>
	Total	<u><u>\$ 900,000</u></u>	<u><u>\$ 22,500</u></u>	<u><u>\$ 22,500</u></u>	<u><u>\$ 945,000</u></u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
 Other Supplemental Information
 Schedule of Bonded Debt
 2010 School Building and Site Bonds - Series A
 June 30, 2011

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2012			\$ 497,500	\$ 497,500	\$ 995,000
2013			497,500	497,500	995,000
2014			497,500	497,500	995,000
2015			497,500	497,500	995,000
2016			497,500	497,500	995,000
2017			497,500	497,500	995,000
2018			497,500	497,500	995,000
2019			497,500	497,500	995,000
2020			497,500	497,500	995,000
2021			497,500	497,500	995,000
2022			497,500	497,500	995,000
2023			497,500	497,500	995,000
2024			497,500	497,500	995,000
2025	6.50%	\$ 5,000,000	497,500	497,500	5,995,000
2026	6.70%	5,000,000	335,000	335,000	5,670,000
2027	6.70%	5,000,000	167,500	167,500	5,335,000
	Total	<u>\$ 15,000,000</u>	<u>\$ 7,467,500</u>	<u>\$ 7,467,500</u>	<u>\$ 19,985,000</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2010 School Building and Site Bonds - Series B
June 30, 2011

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2012			\$ 738,944	\$ 738,944	\$ 1,477,888
2013			738,944	738,944	1,477,888
2014			738,944	738,944	1,477,888
2015			738,944	738,944	1,477,888
2016	4.41%	\$ 700,000	738,944	738,944	2,177,888
2017	4.86%	800,000	723,509	723,509	2,247,018
2018	5.05%	825,000	704,069	704,069	2,233,138
2019	5.15%	850,000	683,237	683,237	2,216,474
2020	5.30%	875,000	661,350	661,350	2,197,700
2021	5.75%	900,000	638,162	638,162	2,176,324
2022	5.75%	925,000	612,287	612,287	2,149,574
2023	6.15%	950,000	585,694	585,694	2,121,388
2024	6.15%	975,000	556,481	556,481	2,087,962
2025	6.25%	1,000,000	526,500	526,500	2,053,000
2026	6.52%	1,000,000	495,250	495,250	1,990,500
2027	6.52%	1,000,000	462,650	462,650	1,925,300
2028	6.52%	1,000,000	430,050	430,050	1,860,100
2029	6.52%	1,000,000	397,450	397,450	1,794,900
2030	6.52%	1,000,000	364,850	364,850	1,729,700
2031	6.62%	1,000,000	332,250	332,250	1,664,500
2032	6.62%	1,000,000	299,150	299,150	1,598,300
2033	6.62%	1,000,000	266,050	266,050	1,532,100
2034	6.62%	1,000,000	232,950	232,950	1,465,900
2035	6.62%	1,000,000	199,850	199,850	1,399,700
2036	6.67%	1,000,000	166,750	166,750	1,333,500
2037	6.67%	1,000,000	133,400	133,400	1,266,800
2038	6.67%	1,000,000	100,050	100,050	1,200,100
2039	6.67%	1,000,000	66,700	66,700	1,133,400
2040	6.67%	1,000,000	33,350	33,350	1,066,700
	Total	<u>\$ 23,800,000</u>	<u>\$ 13,366,759</u>	<u>\$ 13,366,759</u>	<u>\$ 50,533,518</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
 Other Supplemental Information
 Schedule of Bonded Debt
 Durant Issue
 June 30, 2011

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Requirement</u>
5/15/2012	\$ 18,884	\$ 1,841	\$ 20,725
5/15/2013	103,728	35,525	139,253
	<u>\$ 122,612</u>	<u>\$ 37,366</u>	<u>\$ 159,978</u>

Purpose - For the purchase of two general use school buses, one special ed lift bus, roof replacement at Ellis Elementary and administration building, air conditioning for elementary computer lab, Middle school and high school time-out rooms, high school parking lot repair and gymnasium floor refurbishing, Washington carpet replacement and soffitt repair.

Federal Programs

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

Board of Education
Belding Area Schools
Belding, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area Schools, as of and for the year ended June 30, 2011, which collectively comprise the Belding Area Schools basic financial statements and have issued our report thereon dated November 7, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Belding Area School's 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 Belding Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Belding Area 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 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 above.

Board of Education
Belding Area Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belding Area School's 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, and the 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.

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

November 7, 2011

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

Board of Education
Belding Area Schools
Belding, Michigan

Compliance

We have audited the compliance of Belding Area Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Belding Area Schools' major federal programs for the year ended June 30, 2011. Belding Area Schools' major federal programs are identified in the summary of auditor's results section of 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 Belding Area Schools' management. Our responsibility is to express an opinion on Belding Area Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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. 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 Belding Area 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 Belding Area Schools' compliance with those requirements.

In our opinion, Belding Area Schools complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Belding Area 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 Belding Area Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our 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 Belding Area Schools' internal control over compliance.

Board of Education
Belding Area Schools

A deficiency in internal control over compliance 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 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 a 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 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, 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.

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

November 7, 2011

Belding Area Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Belding Area Schools.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Belding Area Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Belding Area Schools expresses an unqualified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in Part C of this Schedule. There are no findings for the year ended June 30, 2011.
7. The program tested as a major program include: CFDA #10.559, #10.555, #10.553, #84.010, #84.389, #84.011 and #84.410. Total expenditures were \$2,097,401.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Belding Area Schools was determined to be a low-risk auditee.

B. Findings--Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

Belding Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2010	(Memo Only) Prior Year Expenditures	Current-Year Expenditures	Current-Year Federal Revenue Received	Accrued or (Deferred) Revenue at June 30, 2011	Adjustments
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed through the Michigan Department of Education								
National School Lunch/Breakfast/Summer Program								
Summer	10.559	*						
Project number 110900		\$ 11,617	\$ 0	\$ 0	\$ 4,528	\$ 0	\$ 4,528	\$ 0
Project number 111900		1,225	0	0	28	0	28	0
Project number 101900		1,852	0	0	1,852	1,852	0	0
Project number 100900		14,062	(3,362)	0	14,062	10,700	0	0
Total Summer		28,756	(3,362)	0	20,470	12,552	4,556	0
Lunch-Cash	10.555	*						
Project number 111950		46,518	0	0	46,518	46,518	0	0
Project number 111960		283,940	0	0	283,940	283,940	0	0
Project number 106874		5,000	0	0	5,000	5,000	0	0
Project number 101950		57,209	0	51,637	5,572	5,572	0	0
Project number 101960		356,364	0	319,988	36,376	36,376	0	0
Total Lunch-Cash		749,031	0	371,625	377,406	377,406	0	0
Lunch-commodities								
Entitlement		44,845	0	0	44,845	44,845	0	0
Bonus		125	0	0	124	124	0	0
Total Commodities		44,970	0	0	44,969	44,969	0	0
Total lunch		794,001	0	371,625	422,375	422,375	0	0
Breakfast	10.553	*						
Project number 111970		196,399	0	0	196,399	196,399	0	0
Project number 101970		239,700	0	211,898	27,802	27,802	0	0
Total Breakfast		436,099	0	211,898	224,201	224,201	0	0
Total Child Nutrition Cluster		1,258,856	(3,362)	583,523	667,046	659,128	4,556	0
Child Care Food Program	10.558							
Project number 111920		9,005	0	0	9,005	9,005	0	0
Project number 101920		7,463	0	6,609	854	854	0	0
Project number 112010		469	0	0	541	469	72	0
Project number 102010		157	0	115	42	42	0	0
Total Child Care Food		17,094	0	6,724	10,442	10,370	72	0
Total U.S. Department of Agriculture		1,275,950	(3,362)	590,247	677,488	669,498	4,628	0
U.S. Department of Education								
Passed through Michigan								
Department of Education								
Title I, Part A Cluster								
Title I	84.010	*						
Project number 111530-1011		489,799	0	0	453,095	430,194	22,901	0
Project number 101530-0910		464,984	40,488	464,984	0	40,488	0	0
Title I - ARRA	84.389	*						
Project number 111535-1011		31,095	0	0	31,095	31,095	0	0
Project number 101535-0910		221,109	6,390	190,013	0	6,390	0	0
Total Title 1, Part A Cluster		1,206,987	46,878	654,997	484,190	508,167	22,901	0
State Fiscal Stabilization								
Fund Cluster								
State Stabilization Funds - ARRA	84.394							
Project number 112525-1011		260,527	0	0	260,527	260,527	0	0
Total State Fiscal Stabilization		260,527	0	0	260,527	260,527	0	0

Belding Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2010	(Memo Only) Prior Year Expenditures	Current-Year Expenditures	Current-Year Federal Revenue Received	Accrued or (Deferred) Revenue at June 30, 2011	Adjustments
Passed through Ionia ISD								
Special Education Cluster(IDEA)								
IDEA - ARRA	84.391							
Project number 100455		404,000	113,318	309,856	94,143	182,123	25,338	0
Total Special Education Cluster(IDEA)		404,000	113,318	309,856	94,143	182,123	25,338	0
Title 1 - Migrant								
Project number 111830-2010	84.011 *	150,692	0	0	26,847	0	26,847	0
Project number 101830-2010		181,432	12,037	12,108	169,324	181,361	0	0
Project number 111890-1011		281,652	0	0	250,457	219,243	31,214	0
Project number 101890-0910		170,632	9,202	170,632	0	9,202	0	0
Total Title 1 - Migrant		784,408	21,239	182,740	446,628	409,806	58,061	0
Title III LEP								
Project number 100580-0910	84.365	41,499	7,339	22,664	0	7,339	0	0
Project number 110580-1011		54,063	0	0	41,838	34,334	7,504	0
Total Title III LEP		95,562	7,339	22,664	41,838	41,673	7,504	0
Title IIA - Improving Teacher Quality								
Project number 110520-1011	84.367	143,168	0	0	104,824	88,107	16,717	0
Project number 100520-0910		145,574	10,937	145,574	0	10,937	0	0
Total Title IIA		288,742	10,937	145,574	104,824	99,044	16,717	0
Adult Education-State Administerer								
Project number 111130-111913	84.002	43,575	0	0	43,575	33,325	10,250	0
Project number 101130-101913		40,000	(960)	29,425	0	(960)	0	0
Total Adult Education		83,575	(960)	29,425	43,575	32,365	10,250	0
Education Jobs Fund								
Project number 112545-1011	84.410 *	499,537	0	0	499,537	499,537	0	0
Total Education Jobs Fund		499,537	0	0	499,537	499,537	0	0
Passed through Kent ISD								
Drug Free School	84.186							
Drug Free 1011		2,500	0	0	2,500	2,500	0	0
Total passed through Kent ISD		2,500	0	0	2,500	2,500	0	0
Total U.S. Department of Education		3,625,838	198,751	1,345,256	1,977,762	2,035,742	140,771	0
Corporation for National and Community Service								
Passed through Michigan Department of Human Services								
Learn and Serve Grant	94.004							
MSBF 11-34252		15,000	0	0	15,000	13,755	1,245	0
MSBF 10-34213		15,000	880	15,000	0	880	0	0
Total Learn and Serve		30,000	880	15,000	15,000	14,635	1,245	0
Total Corporation for National and Community Service		30,000	880	15,000	15,000	14,635	1,245	0
U.S. Department of Health and Human Services								
Passed through Michigan Department of Community Health								
Communities Putting Prevention to Work -ARRA	93.723							
Schools Implementing Nutrition Standards		27,500	0	930	18,769	27,500	(7,801)	0
Total U.S. Department of Health and Human Services		27,500	0	930	18,769	27,500	(7,801)	0
Total federal financial assistance		\$ 4,959,288	\$ 196,269	\$ 1,951,433	\$ 2,689,019	\$ 2,747,375	\$ 138,843	\$ 0

* = Major program

Belding Area Schools
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

NOTE A: *Designates a major program.

NOTE B: The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

NOTE C: Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to these amounts reported in the annual or final cost reports.

NOTE D: Management has utilized the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards. Some timing differences occurred between amounts reported on the Form R7120 and the actual receipt of funds.

NOTE E: U.S.D.A. commodities are recorded as revenues and expenditures when received. Amounts are based on U.S.D.A. value for donated food commodities. Reported commodity receipts values were computed using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.

Belding Area Schools
Schedule of Prior Audit Findings
June 30, 2011

Prior Audit Findings

None

To the Board of Education
Belding Area Schools
Belding, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area Schools for the year ended June 30, 2011, and have issued our report thereon dated November 7, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated May 11, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Belding Area Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Belding Area Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our conversations about planning matters on August 8, 2011.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Belding Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011 except for the adoption of GASB 54 (Fund Balance Reporting and Governmental Fund Type Definitions). We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were management's estimated lives of capital assets and their estimate of the liability of the payout of employee compensated absences. We evaluated the key factors and assumptions used to develop the estimated life span of capital assets and the estimated value of compensated absences in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Belding Area Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Biggs, Hausserman, Thompson & Dickinson, P.C.

Biggs, Hausserman, Thompson & Dickinson, P.C.
Certified Public Accountants
November 7, 2011