

**Montabella Community Schools
Edmore, Michigan**

FINANCIAL STATEMENTS

June 30, 2010

Montabella Community Schools

Edmore, Michigan

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June 30, 2010

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Montabella Community Schools

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Montabella Community Schools
Edmore, Michigan

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2010, on our consideration of Montabella Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts 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 Montabella Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 14, 2010

Montabella Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Montabella Community Schools financially as a whole. The **district-wide** financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The **fund** financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds, the General Fund and the Athletic Facility Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statements (the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets) present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The structure of the financial statements is as follows:

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

Basic Financial Statements

District-wide Financial Statements *Fund Financial Statements*

Notes to the Financial Statements

(Required Supplementary Information)
Budgetary Information for Major Funds

Other Supplementary Information

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition 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.

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 indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided, the condition of the district's assets and the safety of the schools, to assess the overall health of the School District.

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

Montabella Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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

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

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and 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 reconciliations.

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

The School District as a Whole

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

Table 1

	Statement of Net Assets <u>June 30, 2010</u>	Statement of Net Assets <u>June 30, 2009</u>
Assets		
Current and other assets	\$ 4,604,239	\$ 3,125,971
Capital assets, net of accumulated depreciation	<u>12,178,182</u>	<u>11,273,586</u>
Total Assets	16,782,421	14,399,557
Liabilities		
Current liabilities	3,019,124	2,776,274
Noncurrent liabilities	<u>9,207,408</u>	<u>7,703,424</u>
Total Liabilities	12,226,532	10,479,698
Net Assets		
Invested in capital assets, net of related debt	3,594,530	3,004,343
Restricted	674,960	591,577
Unrestricted	<u>286,399</u>	<u>323,939</u>
	<u>\$ 4,555,889</u>	<u>\$ 3,919,859</u>

Montabella Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

The analysis in Table 1 focuses on the net assets of the district. The affect on net assets as a result of the fiscal year activities is reflected in Table 2.

The School District's net assets were \$4,555,889 at June 30, 2010 and \$3,919,859 at June 30, 2009 (Table 1). Net assets have increased by \$636,030 as a result of current year's operations.

Capital assets, net of related debt totaling \$3,594,530 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. Capital assets also reflect investments in capital assets from operating funds. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Durant loan obligations of the State are included in Long-Term obligations of the School District. 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. Restricted Net Assets reflect the Debt Service fund balances less accrued interest on long-term debt as of June 30, 2010 in the amount of \$233,364 and the fund balance of the Site and Facilities Sinking Fund in the amount of \$441,596. Unrestricted Net Assets reflect those assets available to the school district for use in its operation.

The \$286,399 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities (Table 2), which shows the changes in net assets for fiscal year 2010/09.

Table 2

	Fiscal Year Ended <u>June 30, 2010</u>	Fiscal Year Ended <u>June 30, 2009</u>
Revenue		
Program Revenue:		
Charges for services	\$ 137,015	\$ 149,625
Operating Grants	1,994,475	1,469,369
Capital Grants	55,484	8,258
General Revenue:		
Property Taxes	2,705,271	2,412,063
School state aid - unrestricted	4,277,767	5,004,903
ARRA Stabilization funds	252,972	335,470
Other	<u>48,853</u>	<u>111,724</u>
Total Revenue	9,471,837	9,491,412
Functions/Program Expenses		
Instruction	4,577,109	4,932,060
Support Services	2,770,556	3,229,527
Community Services	-	2,072
Food Service	407,861	396,249
Athletics	161,567	177,695
Payments to other districts	93,871	105,311
Interest and costs on long-term debt	460,709	426,013
Unallocated depreciation	364,134	489,782
Impairment loss from capital assets	<u>-</u>	<u>624,892</u>
Total Expenses	<u>8,835,807</u>	<u>10,383,601</u>
Change in Net Assets	<u>\$ 636,030</u>	<u>\$(892,189)</u>

Montabella Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$8,835,807. Certain activities were partially funded from those who benefited from the programs (\$137,015 charges for services) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$2,049,959). We paid for the remaining "public benefit" portion of our governmental activities with \$2,705,271 in taxes (for General & Debt Service funds) and \$4,579,592 in State foundation allowance and other revenues (i.e., interest and general entitlements).

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 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.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$2,445,257, which is an increase of \$1,379,164 from last year.

In the General Fund, our principal operating fund, the fund balance decreased \$100,649 to \$282,674. General Fund fund balance is available to fund costs related to allowable school operating purposes. Montabella Community Schools uses its Fund Balance to "smooth" unexpected changes in revenues and/or expenditures.

Our Special Revenue Funds fund balances increased \$37,605 to \$53,431. Special Revenue Funds include the Food Service and Athletics Funds.

The Debt Service Funds showed a fund balance increase of approximately \$32,925, and the Capital Projects Funds fund balances increased \$1,409,283.

General Fund Budgetary Highlights

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

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

		<u>Percent</u>
Total Expenditures Original Budget	\$ 7,839,871	100.0
Total Expenditures Final Budget	<u>7,839,658</u>	<u>100.0</u>
Decrease in Budget Expenditures	<u>\$(213)</u>	<u>0.0</u>

The District's actual expenditures exceed the final budget by \$794,982 or 10.1 percent.

Montabella Community Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$ 7,410,592	100.0
Total Revenues Final Budget	<u>7,473,267</u>	<u>100.1</u>
Increase in Budget Revenues	<u>\$ 62,675</u>	<u>0.1</u>

The District's final actual general fund revenues differed from the final budget by \$1,060,724, a variance of 14.19% from the final budget.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2010, the School District had \$20,971,885 invested in a broad range of capital assets, including buildings and improvements, vehicles, and equipment. This amount represents a net increase (including additions and disposals) of \$1,182,484 from last year.

	<u>2010</u>	<u>2009</u>
Construction in progress	\$ 178,747	\$ 309,020
Vehicles	1,025,515	67,971
Buildings and improvements	17,503,930	17,062,471
Equipment	<u>2,263,693</u>	<u>2,349,939</u>
Total historical cost	<u>\$ 20,971,885</u>	<u>\$ 19,789,401</u>

This year's additions of \$1,608,378 included vehicles and various building improvements, equipment, and construction in progress. An installment note was issued to purchase the vehicles (buses) and a general obligation bond was issued for construction of the new athletic stadium. This year's deletions include construction in progress for the completion of the elementary school bathrooms and various equipment. The construction in progress addition represents the construction of the new athletic stadium.

Debt

At the end of this year, the School District had \$10,304,880 in bonds and other obligations outstanding versus \$8,676,397 in the previous year. Those obligations consisted of the following:

	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$ 9,345,000	\$ 8,455,000
Durant Resolution Bonds	22,587	62,890
Installment purchase agreement	811,928	-
Severance pay	69,365	74,507
Early retirement incentive	<u>56,000</u>	<u>84,000</u>
Total	<u>\$ 10,304,880</u>	<u>\$ 8,676,397</u>

An installment purchase agreement was issued to purchase new vehicles (buses). A new general obligation bond was also issued in the amount of \$1,550,000 to fund construction of the athletic stadium.

Montabella Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Economic Factors and Next Year's Budgets and Rates

Our elected Board of Education and our administration considered many factors when setting the school district's 2009/10 fiscal year budgets. The one most important, but unpredictable factor, is our student count. The State Foundation Revenue is determined by multiplying the blended count by the foundation allowance per pupil. The blended count for the 2010 year is established by a legislatively set percentage of the fall and winter counts. About 45% of the total general fund revenue is from the State Foundation Allowance. The school district can no longer assess additional property tax revenue for general operations. This funding configuration makes the district funding heavily dependent on the State's ability to fund local school operations. Initial enrollment projections at the beginning of the 2010/11 academic year indicated continuation of an ongoing decline in enrollment and likelihood of fifty-five to sixty fewer students than in the 2009/10 school year as well as fifty-seven fewer students that were lost in 2009/10. As we are now in the school year it does appear as though enrollment has actually gone up from the prior year by approximately twenty students. This puts the district in a better position in terms of per pupil funding than had been expected. Once the final count and related per pupil funding rate is established, State law requires the school district to amend the budget if actual district resources are not sufficient to fund original appropriations.

The school district's revenue is greatly dependent on State funding and the status of the State's School Aid Fund. The actual revenue received depends on the State's ability to collect revenues as projected to fund its appropriation to school districts. As noted in previous years, because of revenue shortfalls, the State was unable to fund schools in accordance with the School Aid Act and therefore necessarily discounted foundation allowance allocations. We were fortunate in the 2009/10 year to have ARRA funds at the state level which were able to completely backfill the discounted foundation allowance. We are cautiously aware of the reality it may happen again this school year and the prospect of ARRA funds running out is a possibility we must consider. Other factors affecting the 2010/11 school year are increases in health insurance, increases in the school district portion of the retirement contribution, and uncertain costs related to bringing bussing back into district supervision. Changes in staffing, elevated costs to provide special education services, and increased costs for employee contracts likewise had an impact on initial budget projections.

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Montabella Community Schools central office which is located at 302 West Main Street, Edmore, Michigan.

BASIC FINANCIAL STATEMENTS

Montabella Community Schools

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,009,653
Due from other governmental units	1,511,200
Inventories	<u>7,727</u>
Total current assets	4,528,580
Noncurrent assets	
Deferred charges, net of amortization	75,659
Capital assets not being depreciated	178,747
Capital assets, net of accumulated depreciation	<u>11,999,435</u>
Total noncurrent assets	<u>12,253,841</u>
TOTAL ASSETS	16,782,421
LIABILITIES	
Current liabilities	
Accounts payable	120,478
Accrued payroll	350,025
Accrued interest payable	64,372
Other accrued liabilities	219,930
Due to other governmental units	92,890
Short-term note payable	1,300,000
Current portion of severance and retirement incentive payable	45,341
Current portion of long-term debt	<u>826,088</u>
Total current liabilities	3,019,124
Noncurrent liabilities	
Noncurrent portion of severance and retirement incentive payable	80,024
Noncurrent portion of long-term debt	<u>9,127,384</u>
Total noncurrent liabilities	<u>9,207,408</u>
TOTAL LIABILITIES	<u>12,226,532</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,594,530
Restricted for debt service	233,364
Restricted for sinking fund activity	441,596
Unrestricted	<u>286,399</u>
TOTAL NET ASSETS	<u>\$ 4,555,889</u>

See accompanying notes to financial statements.

Montabella Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 4,577,109	\$ -	\$ 1,587,758	\$ 40,303	\$ (2,949,048)
Supporting services	2,770,556	16,831	44,375	-	(2,709,350)
Food service	407,861	79,679	352,342	-	24,160
Athletics	161,567	40,505	10,000	-	(111,062)
Payments to other districts	93,871	-	-	-	(93,871)
Interest and costs on long-term debt	460,709	-	-	15,181	(445,528)
Unallocated depreciation	364,134	-	-	-	(364,134)
TOTAL EXPENSES	\$ 8,835,807	\$ 137,015	\$ 1,994,475	\$ 55,484	(6,648,833)
			General Revenues		
				Property taxes	2,705,271
				State school aid - unrestricted	4,277,767
				ARRA Stabilization funds	252,972
				Investment earnings	8,008
				Miscellaneous	40,845
				TOTAL GENERAL REVENUES	7,284,863
				CHANGE IN NET ASSETS	636,030
				Net assets, beginning of year	3,919,859
				Net assets, end of year	\$ 4,555,889

Montabella Community Schools

Governmental Funds

BALANCE SHEET

June 30, 2010

	General	Athletic Facility Capital Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 595,301	\$ 1,476,258	\$ 938,094	\$ 3,009,653
Due from other governmental units	1,511,200	-	-	1,511,200
Due from other funds	199,370	-	193,708	393,078
Inventories	-	-	7,727	7,727
TOTAL ASSETS	<u>\$ 2,305,871</u>	<u>\$ 1,476,258</u>	<u>\$ 1,139,529</u>	<u>\$ 4,921,658</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 8,537	\$ 106,438	\$ 5,503	\$ 120,478
Accrued payroll	350,025	-	-	350,025
Other accrued liabilities	219,930	-	-	219,930
Due to other governmental units	89,998	-	2,892	92,890
Due to other funds	54,707	-	338,371	393,078
Short-term note payable	1,300,000	-	-	1,300,000
TOTAL LIABILITIES	2,023,197	106,438	346,766	2,476,401
FUND BALANCES				
Reserved for:				
Inventories	-	-	7,727	7,727
Debt service	-	-	297,736	297,736
Unreserved				
Undesignated, reported in:				
General fund	282,674	-	-	282,674
Special revenue funds	-	-	45,704	45,704
Capital projects funds	-	1,369,820	441,596	1,811,416
TOTAL FUND BALANCES	<u>282,674</u>	<u>1,369,820</u>	<u>792,763</u>	<u>2,445,257</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,305,871</u>	<u>\$ 1,476,258</u>	<u>\$ 1,139,529</u>	<u>\$ 4,921,658</u>

See accompanying notes to financial statements.

Montabella Community Schools

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

June 30, 2010

Total fund balance - governmental funds \$ 2,445,257

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

Noncurrent assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 20,971,885	
Accumulated depreciation is	<u>(8,793,703)</u>	
		12,178,182
 Deferred charges, net of amortization		 75,659

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Deferred amounts on refunding	226,043	
Bonds payable	(9,367,587)	
Installment purchase agreement	(811,928)	
Accrued interest payable	(64,372)	
Severance and retirement incentive payable	<u>(125,365)</u>	
		<u>(10,143,209)</u>

Net assets of governmental activities \$ 4,555,889

Montabella Community Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2010

	General	Athletic Facility Capital Projects	Nonmajor Governmental Funds	Total
REVENUES				
Local sources	\$ 1,450,440	\$ 368	\$ 1,477,117	\$ 2,927,925
State sources	4,937,833	-	89,420	5,027,253
Federal sources	1,180,665	-	311,941	1,492,606
TOTAL REVENUES	7,568,938	368	1,878,478	9,447,784
EXPENDITURES				
Current				
Instruction	4,610,251	-	-	4,610,251
Supporting services	3,623,143	-	-	3,623,143
Food service	-	-	407,861	407,861
Athletics	-	-	161,567	161,567
Debt service				
Principal retirement	129,072	-	700,303	829,375
Interest, fiscal and other charges	33,581	23,250	384,631	441,462
Capital outlay	-	157,298	258,845	416,143
TOTAL EXPENDITURES	8,396,047	180,548	1,913,207	10,489,802
EXCESS OF REVENUES (UNDER) EXPENDITURES	(827,109)	(180,180)	(34,729)	(1,042,018)
OTHER FINANCING SOURCES (USES)				
Other transactions	24,053	-	-	24,053
Bond proceeds	-	1,550,000	-	1,550,000
Installment purchase agreement	941,000	-	-	941,000
Transfers in	-	-	144,794	144,794
Transfers out	(144,722)	-	(72)	(144,794)
Payments to other districts	(93,871)	-	-	(93,871)
TOTAL OTHER FINANCING FINANCING SOURCES (USES)	726,460	1,550,000	144,722	2,421,182
NET CHANGE IN FUND BALANCES	(100,649)	1,369,820	109,993	1,379,164
Fund balances, beginning of year	383,323	-	682,770	1,066,093
Fund balances, end of year	<u>\$ 282,674</u>	<u>\$ 1,369,820</u>	<u>\$ 792,763</u>	<u>\$ 2,445,257</u>

See accompanying notes to financial statements.

Montabella Community Schools

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 1,379,164

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,268,730	
Depreciation expense	<u>(364,134)</u>	
Excess of capital outlay over depreciation expense		904,596

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. Also, governmental funds report the effect of the difference between the carrying amount of defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consist of:

Installment purchase agreement	(941,000)	
Issuance of debt	(1,550,000)	
Deferred premium and deferred charges - net current year amortization	(30,170)	
Bond principal retirement	<u>829,375</u>	
Excess of bond principal retirement over amortization of deferred charges and discount		(1,691,795)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	10,923	
Decrease in accrued severance and retirement incentive payable	<u>33,142</u>	
		<u>44,065</u>

Change in net assets of governmental activities \$ 636,030

Montabella Community Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash	\$ 1,194	\$ 169,917
Investments	<u>41,223</u>	<u>14,972</u>
TOTAL ASSETS	42,417	<u>\$ 184,889</u>
LIABILITIES		
Due to individuals		
High School	-	\$ 121,541
Elementary	-	25,030
Preschool	-	35,528
Blanchard 5th Grade	<u>-</u>	<u>2,790</u>
TOTAL LIABILITIES	<u>-0-</u>	<u>\$ 184,889</u>
NET ASSETS		
Held in trust for private purposes	<u>\$ 42,417</u>	

See accompanying notes to financial statements.

Montabella Community Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2010

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Investment earnings	
Interest	\$ 4,554
DEDUCTIONS	
Scholarships	<u>1,600</u>
CHANGE IN NET ASSETS	2,954
Net assets - beginning of year	<u>39,463</u>
Net assets - end of year	<u><u>\$ 42,417</u></u>

See accompanying notes to financial statements.

Montabella Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Montabella Community Schools (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Montabella Community Schools (primary government). The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. Separate columns are shown for the major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. The Fiduciary funds are reported by type.

The District presents the following major governmental funds:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.
- b. Athletic Facility Capital Projects Fund - The Athletic Facility Capital Projects Fund is used to account for the construction of the new outdoor athletic stadium.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary private purpose trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue funds. All unexpended appropriations lapse at fiscal year-end.

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level by more than \$1,500 must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. The budgets, as presented, have been amended in a legally permissible manner. Supplemental appropriations were made during the year with the last one being approved June 29, 2010.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds. Cash equivalents are recorded at cost, which approximates market value.

Investments consist of certificates of deposit with an original maturity of greater than 90 days. Certificates of deposit are recorded at cost, which approximates market value.

7. Short-term Interfund Receivables/Payables

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

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The total amount of \$1,511,200 due from other governmental units consists of \$849,976 and \$661,224 related to State Aid and grant and local programs, respectively.

9. Inventories

Inventories are stated at cost on a first in/first out basis. The Food Service Fund inventory consists of food and paper goods. Inventory amounts are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

10. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than one year, except for new computers, printers, data projectors and televisions (which have no cost threshold) and all new classrooms (recorded at total content cost). Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Montabella Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

12. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements and is due within one year.

13. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2010, and anticipated State Aid is expected to be sufficient to cover this commitment.

14. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of \$17.7192 per \$1,000 of taxable valuation on most non-primary residency exempt property and \$5.7192 per \$1,000 of taxable value on commercial personal property for general governmental services. The District also levies \$4.7500 for debt service and \$1.5000 for a building and site sinking fund per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2010, the foundation allowance was based on the average of pupil membership counts taken in September 2009 and February 2009. The average calculation was weighted 75% for the September count and 25% for the February count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

17. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are reported as deferred revenue.

18. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are recorded when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

19. Comparative Data

Comparative data for the prior year has not been presented in the financial statements since their inclusion would make the statements unduly complex and difficult to read.

20. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

Montabella Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

2. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured up to \$250,000 for interest-bearing savings deposits in an insured bank and up to \$250,000 for interest-bearing demand deposits at participating FDIC-insured institutions. FDIC insurance coverage through its Transaction Account Guarantee (TAG) Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent through June 30, 2010 and 0.25 percent after July 1, 2010) NOW accounts. This program is scheduled to end December 31, 2010, unless extended by the FDIC. Furthermore, if specific deposits are regulated by statute or bond indenture, these deposits are to be separately insured up to \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will have unlimited coverage at all FDIC-insured institutions.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2010, the carrying amount of the District's deposits was \$3,232,407 and the bank balance was \$3,452,748 of which \$3,110,168 was covered by federal depository insurance. The balance of \$342,580 was uninsured and uncollateralized. The District had \$100 of imprest cash on hand.

Investments

As of June 30, 2010, the District had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Bank Balance</u>	<u>Weighted Average Maturity</u>
Insured or registered for which the securities are held in the District's name			
Mutual Funds			
MILAF+ Cash Management Class	\$ 4,451	\$ 4,451	N/A
MILAF+ MAX Class	<u>1</u>	<u>1</u>	N/A
	<u>\$ 4,452</u>	<u>\$ 4,452</u>	

Montabella Community Schools
 NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2010, the District's investments in the uncategorized pooled investments (the Michigan Liquid Asset Fund Plus) were rated AAA by Standard and Poor's.

Interest rate risk

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

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

The District will minimize custodial 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 authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with Board approved policy.

As of June 30, 2010, the cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,009,653	\$ 171,111	\$ 3,180,764
Investments	-	<u>56,195</u>	<u>56,195</u>
	<u>\$ 3,009,653</u>	<u>\$ 227,306</u>	<u>\$ 3,236,959</u>

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

Montabella Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated				
Construction in progress	\$ 309,020	\$ 209,375	\$(339,648)	\$ 178,747
Capital assets being depreciated				
Vehicles	67,971	957,544	-	1,025,515
Buildings and improvements	17,062,471	441,459	-	17,503,930
Equipment	<u>2,349,939</u>	<u>-</u>	<u>(86,246)</u>	<u>2,263,693</u>
Subtotal	19,480,381	1,399,003	(86,246)	20,793,138
Less accumulated depreciation for:				
Vehicles	(16,007)	(8,071)	-	(24,078)
Buildings and improvements	(6,593,749)	(289,711)	-	(6,883,460)
Equipment	<u>(1,906,059)</u>	<u>(66,352)</u>	<u>86,246</u>	<u>(1,886,165)</u>
Subtotal	<u>(8,515,815)</u>	<u>(364,134)</u>	<u>86,246</u>	<u>(8,793,703)</u>
Capital assets being depreciated, net	<u>10,964,566</u>	<u>1,034,869</u>	<u>-0-</u>	<u>11,999,435</u>
Net capital assets	<u>\$11,273,586</u>	<u>\$ 1,244,244</u>	<u>\$(339,648)</u>	<u>\$12,178,182</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2010.

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due Within One Year</u>
1998 Durant Resolution Bonds	\$ 62,890	\$ -	\$(40,303)	\$ 22,587	\$ 7,183
1999 School Building and Site	635,000	-	(635,000)	-0-	-
2005 Refunding Bonds	7,820,000	-	(25,000)	7,795,000	695,000
2009 Installment purchase agreement	-	941,000	(129,072)	811,928	146,509
2010 School Building and Site	-	1,550,000	-	1,550,000	-
Severance payable	74,507	1,279	(6,421)	69,365	17,341
Early retirement incentive	<u>84,000</u>	<u>-</u>	<u>(28,000)</u>	<u>56,000</u>	<u>28,000</u>
	8,676,397	2,492,279	(863,796)	10,304,880	894,033
Less deferred premium on refunding	<u>(248,647)</u>	<u>-</u>	<u>22,604</u>	<u>(226,043)</u>	<u>(22,604)</u>
	<u>\$ 8,427,750</u>	<u>\$ 2,492,279</u>	<u>\$(841,192)</u>	<u>\$10,078,837</u>	<u>\$ 871,429</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE D: LONG-TERM DEBT - CONTINUED

General Obligation Bonds

\$7,895,000 2005 Refunding Bonds dated July 14, 2005, due in annual installments ranging from \$695,000 to \$805,000 through May 1, 2020, with interest ranging from 3.1 to 4.75 percent, payable semi-annually. \$ 7,795,000

\$1,550,000 2010 Building and Site Bonds dated June 2, 2010, due in annual installments ranging from \$0 to \$350,000 through May 1, 2020, with interest ranging from 1.78 to 4.00 percent, payable semi-annually. 1,550,000

\$ 9,345,000

Installment Purchase Agreement

\$941,000 2009 Installment Purchase Agreement dated July 22, 2009, due in annual installments of \$177,438 through July 22, 2015, including interest of 4.15 percent, payable monthly. \$ 811,928

Resolution Bonds

\$117,596 1998 Durant Resolution Bonds dated November 15, 1998, due in annual installments ranging from \$7,183 to \$7,881 including interest of 4.7615353 percent, payable annually. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan. \$ 22,587

Advance Refunding - Prior

On July 14, 2005 the District defeased the portion of the 1999 School Building and Site Bonds, which are due and payable May 1, 2011 through May 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2005 Refunding Bonds in the amount of \$7,895,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2010, bonds due and payable May 1, 2011 through May 1, 2020 for the 1999 School Building and Site Bonds in the amount of \$7,800,000 are considered defeased.

Severance Payable

In recognition of services to the District, a severance payment will be made upon termination to eligible employees according to their respective employment contracts or past District practice as follows:

Teachers and Administrative Staff - Employees with at least twelve (12) years of service will be paid up to seventy-five (75) days of accumulated sick days at a rate of \$15 per day.

Support Staff - Employees with at least ten (10) years of service will be paid up to fifty (50) days of accumulated sick days at a rate of \$15 per day.

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick amounts at June 30, 2010, for all non-vested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE D: LONG-TERM DEBT - CONTINUED

Severance Payable - continued

A summary of the calculated amounts of severance payable and related payroll taxes as of June 30, 2010, which has been recorded in the District-wide financial statements, is as follows:

	<u>Vested Employees</u>	<u>Non-vested Employees</u>	<u>Total</u>
Severance payable	\$ 46,550	\$ 17,886	\$ 64,436
Payroll taxes	<u>3,561</u>	<u>1,368</u>	<u>4,929</u>
	<u>\$ 50,111</u>	<u>\$ 19,254</u>	<u>\$ 69,365</u>

Early Retirement Incentive

The District has entered into voluntary termination benefit arrangements with certain employees. The original agreement provides for a total payment to each individual of approximately \$21,000. This amount will be paid out over three (3) equal payments. There are currently four (4) employees entitled to future payments. The liability has been recorded at the face amount, as the discounted present value approximates the face amount of the liability.

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Durant Resolution Bonds</u>		<u>2005 Refunding Bonds</u>		<u>2010 Building and Site Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 7,183	\$ 1,076	\$ 695,000	\$ 336,472	\$ -	\$ 54,045
2012	7,523	734	720,000	308,673	15,000	59,138
2013	7,881	375	755,000	274,473	30,000	58,688
2014	-	-	795,000	238,610	60,000	57,788
2015	-	-	805,000	200,848	125,000	55,988
2016-2020	<u>-</u>	<u>-</u>	<u>4,025,000</u>	<u>484,609</u>	<u>1,320,000</u>	<u>175,126</u>
	<u>\$ 22,587</u>	<u>\$ 2,185</u>	<u>\$ 7,795,000</u>	<u>\$ 1,843,685</u>	<u>\$ 1,550,000</u>	<u>\$ 460,773</u>

<u>Year Ending June 30,</u>	<u>Installment Purchase Agreement</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 146,509	\$ 30,929
2012	152,706	24,732
2013	159,165	18,273
2014	165,898	11,540
2015	172,915	4,523
2016	<u>14,735</u>	<u>51</u>
	<u>\$ 811,928</u>	<u>\$ 90,048</u>

The Durant Resolution Bonds referred to above are bonds whose future debt service payments by the District are contingent on an annual State of Michigan appropriation. This is the only revenue source for making the annual debt service payments on these bonds. If the legislature of the State of Michigan fails to appropriate the funds, in any particular year, the District is under no obligation for payment of that year's debt obligation.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE E: SHORT-TERM NOTES

On August 20, 2009 the District issued a short-term State School Aid Anticipation Note in the amount of \$1,300,000 for the purpose of funding operating expenditures until the 2010 State Aid payments resumed. This short-term note, which has a net outstanding balance of \$1,300,000 at June 30, 2010, is reported in the financial statements under the caption short-term notes payable. The outstanding balance is due August 20, 2010.

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2010, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ <u>199,370</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 54,707
Nonmajor governmental funds	<u>139,001</u>
	\$ <u>193,708</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE G: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	\$ 144,722
Other nonmajor governmental funds	<u>72</u>
	\$ <u>144,794</u>

The transfer from the General Fund to the nonmajor governmental (Athletics) fund was to cover operational costs related to the District's athletic programs. The transfer from nonmajor governmental fund (Middle School Capital Projects) to other nonmajor governmental (Middle School Debt) fund was to close the Middle School Capital Projects fund.

NOTE H: EMPLOYEE RETIREMENT SYSTEM

Pension Plan Description and Funding Policy

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2009, the last year available, may be obtained by contacting the State of Michigan Department of Management and Budget.

Montabella Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Pension Plan Description and Funding Policy - continued

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten (10) or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service, and performed service credit in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death and disability benefits and health and medical, dental, vision and hearing insurance coverage. Benefits are established by State statute.

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990, are required to contribute based on a graduated rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Pension Benefits

Employer contributions to the pension system result from 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. The employer contribution rate was 9.73 percent of covered payroll for the period from July 1, 2009 through September 30, 2009 and 10.13 percent for the period October 1, 2009 through June 30, 2010. Basic plan members make no contributions, but the MIP members contribute at rates ranging from 3 percent to 6.4 percent of gross wages. The District's required and actual contributions to the plan for the years ended June 30, 2010, 2009, and 2008 were \$418,012, \$412,399, and \$456,171, respectively.

Other Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.81 percent of covered payroll for the period from July 1, 2009 through June 30, 2010. The District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2010, 2009, and 2008 were \$283,273, \$282,733, and \$286,918, respectively.

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, liability, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

Montabella Community Schools
 NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE I: RISK MANAGEMENT - CONTINUED

The District also participates in a pool, the SEG Self-Insurer Workers' Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the budgetary comparison schedule, the District's budgeted expenditures in the General Fund have been adopted and shown at the functional classification level. Budgeted expenditures for nonmajor Special Revenue funds have not been presented.

During the year ended June 30, 2010, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts</u> <u>Appropriated</u>	<u>Amounts</u> <u>Expended</u>	<u>Variance</u>
General Fund			
Basic programs			
Middle school	\$ -	\$ 676	\$ 676
Added needs			
Summer school	33,959	66,766	32,807
Vocational education	12,233	25,164	12,931
Supporting services			
Pupil	245,777	369,380	123,603
Instructional staff	426,479	461,426	34,947
General administration	199,836	211,264	11,428
School administration	290,248	297,910	7,662
Business services	235,822	244,846	9,024
Pupil transportation	370,766	1,323,006	952,240
Other Financing Uses			
Transfers out	114,000	144,722	30,722
Food Service Fund	391,309	407,861	16,552

NOTE K: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2010:

Nonmajor governmental funds	
Reserved for inventories	\$ 7,727
Reserved for debt service	<u>297,736</u>
	<u>\$ 305,463</u>

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the District-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the net asset restrictions as of June 30, 2010:

Restricted for debt service	\$ 233,364
Restricted for sinking fund activities	<u>441,596</u>
	<u>\$ 674,960</u>

NOTE M: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff an agreed upon amount for past underfunding of special education. Montabella Community Schools, a nonplaintiff District, was awarded \$235,193 in the settlement. These funds are being paid as follows:

- a. One-half was paid over the next ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds are recorded within the General Fund as categorical State Aid. The year ended June 30, 2008 was the last year of payments of these funds.
- b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments or these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt Payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

NOTE N: BONDED CONSTRUCTION AND SINKING FUNDS

The Capital Projects Funds of the District include the capital project activities funded by the Middle School Construction Bonds, local millage for a bond sinking fund, and the Athletic Facility capital project fund. The District did not have expenditures in the Middle School Capital Project fund in the current year. For the expenditures recorded within the Site and Facilities Sinking Fund the District has complied with the applicable provisions of Section 1212 (1) of the Revised School Code and the Michigan Department of Treasury Letter No. 01-95. For the expenditures recorded within the Athletic Facility Capital Projects fund the District has complied with the applicable provisions of Section 1351 (1) of the Revised School Code.

NOTE O: FLEXIBLE BENEFITS PLAN

In October 1996 the District approved by Board action to implement a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The Plan, available to all employees, permits them to receive cash in lieu of medical benefits. The Plan, effective October 1, 1997, provides employees with the opportunity to choose among benefits consisting of cash or health benefits.

The Plan is administered by Montabella Community Schools.

Montabella Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE P: SUBSEQUENT EVENTS

On August 20, 2010, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of \$1,250,000 was for the purpose of funding operating expenditures until the fiscal year 2011 State Aid payments resume. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE Q: GASB PRONOUNCEMENTS

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned.

The District is currently evaluating the impact this standard will have on the financial statements when adopted. The District will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

Montabella Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 1,186,005	\$ 1,260,620	\$ 1,450,440	\$ 189,820
State sources	5,036,721	4,906,997	4,937,833	30,836
Federal sources	1,088,031	1,191,185	1,180,665	(10,520)
TOTAL REVENUES	7,310,757	7,358,802	7,568,938	210,136
EXPENDITURES				
CURRENT				
INSTRUCTION				
Basic programs				
Preschool	160,013	160,103	154,876	5,227
Elementary	1,827,799	1,699,548	1,655,610	43,938
Middle school	-	-	676	(676)
High school	1,666,745	1,666,745	1,662,893	3,852
Total basic programs	3,654,557	3,526,396	3,474,055	52,341
Added needs				
At-risk	55,950	58,909	58,909	-0-
Special education	588,597	588,597	396,842	191,755
Compensatory education	670,711	670,711	588,515	82,196
Summer school	-	33,959	66,766	(32,807)
Vocational education	12,233	12,233	25,164	(12,931)
Total added needs	1,327,491	1,364,409	1,136,196	228,213
TOTAL INSTRUCTION	4,982,048	4,890,805	4,610,251	280,554
SUPPORTING SERVICES				
Pupil	183,851	245,777	369,380	(123,603)
Instructional staff	211,699	426,479	461,426	(34,947)
General administration	283,567	199,836	211,264	(11,428)
School administration	322,024	290,248	297,910	(7,662)
Business services	256,872	235,822	244,846	(9,024)
Central services	100,350	177,607	171,733	5,874
Pupil transportation	628,566	370,766	1,323,006	(952,240)
Operation and maintenance	594,287	545,552	538,899	6,653
Other	-	15,980	4,679	11,301
TOTAL SUPPORTING SERVICES	2,581,216	2,508,067	3,623,143	(1,115,076)

Montabella Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2010

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
DEBT SERVICE				
Principal retirement	\$ 163,885	\$ 163,885	\$ 129,072	\$ 34,813
Interest, fiscal and other charges	33,581	33,581	33,581	-0-
TOTAL DEBT SERVICE	197,466	197,466	162,653	34,813
TOTAL EXPENDITURES	7,760,730	7,596,338	8,396,047	(799,709)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(449,973)	(237,536)	(827,109)	(589,573)
OTHER FINANCING SOURCES (USES)				
Other transactions	99,835	114,465	24,053	(90,412)
Installment purchase agreement	-	-	941,000	941,000
Transfers out	-	(114,000)	(144,722)	(30,722)
Payments to other districts	(79,141)	(129,320)	(93,871)	35,449
TOTAL OTHER FINANCING SOURCES (USES)	20,694	(128,855)	726,460	855,315
NET CHANGE IN FUND BALANCE	(429,279)	(366,391)	(100,649)	265,742
Fund balance, beginning of year	383,323	383,323	383,323	-0-
Fund balance, end of year	<u>\$ (45,956)</u>	<u>\$ 16,932</u>	<u>\$ 282,674</u>	<u>\$ 265,742</u>

OTHER SUPPLEMENTARY INFORMATION

Montabella Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2010

	Special Revenue Funds		Debt
	Food Service	Athletics	1999 Refunding Bonds
ASSETS			
Cash and cash equivalents	\$ 199,035	\$ 16,022	\$ 122,634
Due from other funds	33,936	-	20,771
Inventories	7,727	-	-
TOTAL ASSETS	\$ 240,698	\$ 16,022	\$ 143,405
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,503	\$ -	\$ -
Due to other funds	197,786	-	140,513
Due to other governmental units	-	-	2,892
TOTAL LIABILITIES	203,289	-0-	143,405
FUND BALANCES			
Reserved for:			
Inventories	7,727	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	29,682	16,022	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	37,409	16,022	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 240,698	\$ 16,022	\$ 143,405

Service Funds		Capital Projects Funds			
Middle School Debt	Durant Bonds	Middle School	Site and Facility Sinking	Total	
\$ 158,735	\$ -	\$ 72	\$ 441,596	\$ 938,094	
139,001	-	-	-	193,708	
-	-	-	-	7,727	
<u>\$ 297,736</u>	<u>\$ -0-</u>	<u>\$ 72</u>	<u>\$ 441,596</u>	<u>\$ 1,139,529</u>	
\$ -	\$ -	\$ -	\$ -	\$ 5,503	
-	-	72	-	338,371	
-	-	-	-	2,892	
-0-	-0-	72	-0-	346,766	
-	-	-	-	7,727	
297,736	-	-	-	297,736	
-	-	-	-	45,704	
-	-	-	441,596	441,596	
<u>297,736</u>	<u>-0-</u>	<u>-0-</u>	<u>441,596</u>	<u>792,763</u>	
<u>\$ 297,736</u>	<u>\$ -0-</u>	<u>\$ 72</u>	<u>\$ 441,596</u>	<u>\$ 1,139,529</u>	

Montabella Community Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES

Year Ended June 30, 2010

	Special Revenue Funds		Debt
	Food Service	Athletics	1999 Refunding Bonds
REVENUES			
Local sources	\$ 86,653	\$ 50,552	\$ 330,985
State sources	33,936	-	-
Federal sources	311,941	-	-
TOTAL REVENUES	432,530	50,552	330,985
EXPENDITURES			
Current			
Food service	407,861	-	-
Athletics	-	161,567	-
Debt service			
Principal retirement	-	-	25,000
Interest, fiscal and other charges	-	-	337,979
Capital outlay	-	-	-
TOTAL EXPENDITURES	407,861	161,567	362,979
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,669	(111,015)	(31,994)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	123,951	20,771
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	123,951	20,771
NET CHANGE IN FUND BALANCES	24,669	12,936	(11,223)
Fund balances, beginning of year	12,740	3,086	11,223
Fund balances, end of year	<u>\$ 37,409</u>	<u>\$ 16,022</u>	<u>\$ -0-</u>

Service Funds		Capital Projects Funds		
Middle School Debt	Durant Bonds	Middle School	Site and Facility Sinking	Total
\$ 710,547	\$ -	\$ -	\$ 298,380	\$ 1,477,117
-	55,484	-	-	89,420
-	-	-	-	311,941
710,547	55,484	-0-	298,380	1,878,478
-	-	-	-	407,861
-	-	-	-	161,567
635,000	40,303	-	-	700,303
31,471	15,181	-	-	384,631
-	-	-	258,845	258,845
666,471	55,484	-0-	258,845	1,913,207
44,076	-0-	-0-	39,535	(34,729)
72	-	-	-	144,794
-	-	(72)	-	(72)
72	-0-	(72)	-0-	144,722
44,148	-0-	(72)	39,535	109,993
253,588	-	72	402,061	682,770
\$ 297,736	\$ -0-	\$ -0-	\$ 441,596	\$ 792,763