

NEWAYGO PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2009

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NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

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August 27, 2009

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Newaygo Public Schools
Newaygo, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Newaygo Public Schools, Newaygo, Michigan, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Newaygo Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic 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 Newaygo Public Schools, Newaygo, Michigan, as of June 30, 2009, 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 August 27, 2009, on our consideration of Newaygo Public 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 on pages iii through ix and 25, 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newaygo Public Schools, Newaygo, Michigan basic financial statements. The combining fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C

NEWAYGO PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

This section of Newaygo Public Schools' annual financial report presents administration's discussion and analysis of the School District's financial performance during the year ended June 30, 2009. 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 Newaygo Public 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, 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.

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 - is 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 nonfinancial factors, such as the quality of the education provided and the safety of the school, 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, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

NEWAYGO PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

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. 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.

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, 2008 and 2009.

NEWAYGO PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

TABLE 1

	<u>Governmental Activities</u>	
	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>
Assets		
Current assets	\$ 4,492,302	\$ 4,572,201
Capital assets - Net of accumulated depreciation	<u>25,901,454</u>	<u>26,433,781</u>
Total assets	<u><u>\$ 30,393,756</u></u>	<u><u>\$ 31,005,982</u></u>
Liabilities		
Current liabilities	\$ 3,560,668	\$ 4,363,203
Long-term liabilities	<u>20,530,748</u>	<u>20,949,245</u>
Total liabilities	<u><u>\$ 24,091,416</u></u>	<u><u>\$ 25,312,448</u></u>
Net Assets		
Invested in Capital assets Net of related debt	\$ 4,541,099	\$ 4,226,552
Restricted	615,604	749,165
Unrestricted	<u>1,145,637</u>	<u>717,817</u>
Total net assets	<u><u>\$ 6,302,340</u></u>	<u><u>\$ 5,693,534</u></u>

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 \$6,302,340 at June 30, 2009. Capital assets, net of related debt totaling \$4,541,099 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. The debt will be repaid from voter-approved property taxes collected as the debt service comes due. Amounts restricted for debt service totaled \$615,604. The remaining amount of net assets, totaling \$1,145,637 was unrestricted.

The \$1,145,637 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.

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

NEWAYGO PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

TABLE 2

	<u>Governmental Activities</u>	
	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>
Revenue		
Program revenue:		
Charges for Services	\$ 303,720	\$ 361,215
Grants and Categoricals	3,337,418	1,534,641
General Revenue:		
Property taxes - Levied for General Purposes	2,282,606	2,485,873
Property taxes - Levied for Debt Service	2,524,366	2,431,313
Investment Earnings	30,443	96,479
State Sources	10,686,933	12,228,238
Other	399,774	98,523
	<u>19,565,260</u>	<u>19,236,282</u>
Function/Program Expense		
Instruction	11,120,401	10,751,932
Supporting services	5,051,193	4,677,952
Food services	728,614	653,720
Athletic activities	268,242	256,788
Interest on long-term debt	996,877	1,117,695
Other Transactions	70,959	0
Unallocated Depreciation	720,168	869,118
	<u>18,956,454</u>	<u>18,327,205</u>
Increase in Net Assets	<u>\$ 608,806</u>	<u>\$ 909,077</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$18,956,454. Certain activities were partially funded from those who benefited from the programs. \$303,720 was paid for with charges for services. Other governments and organizations subsidized certain programs with grants and categoricals in the amount of \$3,337,418. We paid for the remaining "public benefit" portion of our governmental activities with \$4,806,972 in taxes, \$10,686,933 in State sources and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$608,806. Key reasons for the change in net assets were depreciation on capital assets and the borrowing from the School Bond Loan Fund in order to make our required payment of bond principal and interest because our bond principal and interest payments were more than the maximum we were allowed to levy from our debt millage. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 6.

NEWAYGO PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

As discussed above, the net cost shows the financial burden that was placed on the School 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.

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 \$2,307,834, which is a decrease of \$342,473 from last year. In the General Fund, our principal operating fund, the fund balance decreased \$354,162 to \$1,276,598.

- Our Special Revenue Funds decreased by a total of \$17,373 for the year.
- Combined, the Debt Service Funds showed a fund balance increase of \$29,062. Combined millage rates for the Debt Service Funds were 7.00 mills. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

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

- Budgeted revenues were increased \$141,000 in large part to account for an increase in anticipated local source funding.
- Budgeted expenditures were increased \$389,800 to recognize the effect of certain cost cutting measures.
- There are not significant variances between the final budget and actual amounts.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009, the School District had \$35,896,580 invested in a broad range of capital assets. This amount represents a net increase (including additions and disposals) of approximately \$77,294.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Assets not being depreciated				
Land	\$ 514,975	\$ 0	\$ 0	\$ 514,975
Other capital assets:				
Buildings and Improvements	30,648,737	113,426	0	30,762,163
Buses and Other Vehicles	1,728,075	48,036	61,600	1,714,511
Furniture and Equipment	2,927,499	26,379	48,947	2,904,931
Subtotal	35,304,311	187,841	110,547	35,381,605
Accumulated depreciation	(9,385,505)	(720,168)	(110,547)	(9,995,126)
Net other capital assets	25,918,806	(532,327)	0	25,386,479
Net capital assets	\$26,433,781	\$(532,327)	\$ 0	\$25,901,454

Some of this year's major additions included:

Track Improvements:	\$ 113,426
Vehicles:	\$ 48,036
Water Softener System:	\$ 15,921

Long-term Debt

At the end of this year, the School District had \$20,970,215 in long-term debt outstanding versus \$22,380,649 in the previous year. The majority of this debt consists of bonds payable of \$20,586,245.

The School District's Bond rating continues to be equivalent to the State's credit rating. 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 unqualified general obligation debt is significantly below the statutorily imposed limit.

Other obligations include employee compensated absences estimated at \$383,970.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2009-2010 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009-2010 fiscal year is 25 percent and 75 percent of the February 2009 and

NEWAYGO PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

September 2009 student counts, respectively. The 2009-2010 fiscal year budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2009-2010 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2009-2010 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

Factors considered that may have a future effect on operations:

- Student enrollment is the only revenue stream that we have that will sustain, increase or decrease our operational dollars. As we approach the 2009-2010 school year we are projecting to be down 40 students from the prior year.
- Employee wages and related fringe benefits represent approximately 80-90% of the District's total General Fund expenditures; staffing levels will have a significant impact on the near-term future of the District.
- With the current economic condition in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2009-2010 fiscal year. It is statistically difficult to calculate future declining enrollment due to an increasing number of students moving out of the district. The continued declining enrollment will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- Upgrades to technology, purchases of buses, and building maintenance are an ever growing problem with the continual State cuts and declining enrollment. The Board is looking to the future and has set a date of 2011 to put a proposal before our electorate for either a Sinking Fund or a Technology Bond.

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 the Business Department, 360 S. Mill Street, Newaygo, Michigan 49337.

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NEWAYGO PUBLIC SCHOOLS

NEWAYGO, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>CURRENT ASSETS</u>	
Cash	\$ 1,464,322
Accounts Receivable	185,277
Due from External Parties (Fiduciary Fund)	3,043
Due from Other Governmental Units	2,793,184
Prepaid Expenses	14,600
Inventory	31,784
Investments	92
Total Current Assets	<u>4,492,302</u>
<u>NON CURRENT ASSETS</u>	
Capital Assets	35,896,580
Less Accumulated Depreciation	<u>(9,995,126)</u>
Total Non Current Assets	<u>25,901,454</u>
TOTAL ASSETS	<u>\$ 30,393,756</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 462,680
Accrued Expenses	254,423
Accrued Interest Payable	162,623
Due to Other Governmental Units	308,999
Deferred Revenue	273,040
Salaries Payable	885,326
Current Portion of Non Current Liabilities	<u>1,213,577</u>
Total Current Liabilities	<u>3,560,668</u>
<u>NON CURRENT LIABILITIES</u>	
Bonds Payable (Net of Deferred Charges)	21,360,355
Compensated Absences	383,970
Less Current Portion of Non Current Liabilities	<u>(1,213,577)</u>
Total Non Current Liabilities	<u>20,530,748</u>
Total Liabilities	<u>24,091,416</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	4,541,099
Restricted for Debt Service	615,604
Unrestricted	<u>1,145,637</u>
Total Net Assets	<u>6,302,340</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,393,756</u>

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS	
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$11,120,401	\$ 29,973	\$ 2,575,731	\$ (8,514,697)
Supporting Services	5,051,193	38,015	0	(5,013,178)
Food Service	728,614	184,308	588,850	44,544
Athletic Activities	268,242	51,424	106,222	(110,596)
Interest on Long Term Debt	996,877	0	28,395	(968,482)
Other Transactions	70,959	0	38,220	(32,739)
Unallocated Depreciation	720,168	0	0	(720,168)
Total Governmental Activities	\$18,956,454	\$ 303,720	\$ 3,337,418	(15,315,316)
<u>GENERAL REVENUES</u>				
Property Taxes - Levied for General Purposes				2,282,606
Property Taxes - Levied for Debt Service				2,524,366
Investment Earnings				30,443
State Sources				10,686,933
Other				399,774
Total General Revenues				15,924,122
Change in Net Assets				608,806
<u>NET ASSETS</u> - Beginning of Year				5,693,534
<u>NET ASSETS</u> - End of Year				\$ 6,302,340

The notes to the financial statements are an integral part of this statement.

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NEWAYGO, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2009

	GENERAL FUND	2000 ISSUE DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 281,453	\$ 544,028	\$ 638,841	\$ 1,464,322
Accounts Receivable	185,277	0	0	185,277
Due from Other Funds	75,819	0	22,299	98,118
Due from Other Governmental Units	2,765,343	0	27,841	2,793,184
Prepaid Expenditures	14,600	0	0	14,600
Inventory	0	0	31,784	31,784
Investments	92	0	0	92
TOTAL ASSETS	\$ 3,322,584	\$ 544,028	\$ 720,765	\$ 4,587,377
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 324,694	\$ 0	\$ 137,986	\$ 462,680
Due to Other Funds	22,299	32,739	40,037	95,075
Due to Other Governmental Units	308,999	0	0	308,999
Salaries Payable	885,326	0	0	885,326
Accrued Expenses	254,423	0	0	254,423
Deferred Revenue	250,245	0	22,795	273,040
Total Liabilities	2,045,986	32,739	200,818	2,279,543
<u>FUND BALANCES</u>				
Reserved for Inventory, Special Revenue Fund	0	0	31,784	31,784
Reserved for Debt Service, Debt Service Fund	0	511,289	266,938	778,227
Reserved for Prepaid Expenditures, General Fund	14,600	0	0	14,600
Designated for Special Purposes, Special Revenue Funds	0	0	221,225	221,225
Unreserved, Undesignated	1,261,998	0	0	1,261,998
Total Fund Balances	1,276,598	511,289	519,947	2,307,834
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,322,584	\$ 544,028	\$ 720,765	\$ 4,587,377

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2009

Total Governmental Fund Balances	\$	2,307,834
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$	35,896,580
Accumulated depreciation is	<u>(9,995,126)</u>	25,901,454
Long term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(20,586,245)
Compensated Absences		(383,970)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.		(162,623)
Governmental funds expense the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		<u>(774,110)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>6,302,340</u></u>

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	GENERAL FUND	2000 ISSUE DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 2,766,207	\$ 2,254,175	\$ 626,749	\$ 5,647,131
State Sources	11,550,087	0	56,990	11,607,077
Federal Sources	1,503,793	0	560,255	2,064,048
Other Transactions	247,004	0	0	247,004
Total Revenues	<u>16,067,091</u>	<u>2,254,175</u>	<u>1,243,994</u>	<u>19,565,260</u>
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	8,870,024	0	0	8,870,024
Added Needs	2,126,347	0	0	2,126,347
Continuing Education	98,518	0	0	98,518
Supporting Services				
Pupil	610,997	0	0	610,997
Instructional Staff	178,928	0	0	178,928
General Administration	223,914	0	0	223,914
School Administration	1,194,247	0	0	1,194,247
Business	329,525	0	0	329,525
Operation and Maintenance of Plant	1,397,984	0	0	1,397,984
Pupil Transportation Services	843,466	0	0	843,466
Support Service Technology	284,782	0	0	284,782
Food Service	0	0	794,921	794,921
Athletic Activities	0	0	381,668	381,668
Debt Service				
Principal	0	1,208,901	222,503	1,431,404
Interest and Fiscal Charges	0	1,033,642	36,407	1,070,049
Other Transactions	38,220	32,739	0	70,959
Total Expenditures	<u>16,196,952</u>	<u>2,275,282</u>	<u>1,435,499</u>	<u>19,907,733</u>
Excess (Deficiency) of Revenues Over Expenditures	(129,861)	(21,107)	(191,505)	(342,473)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	(224,301)	0	224,301	0
Net Change in Fund Balance	(354,162)	(21,107)	32,796	(342,473)
<u>FUND BALANCE</u> - Beginning of Year	<u>1,630,760</u>	<u>532,396</u>	<u>487,151</u>	<u>2,650,307</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,276,598</u>	<u>\$ 511,289</u>	<u>\$ 519,947</u>	<u>\$ 2,307,834</u>

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

Net Change in Fund Balances Total Governmental Funds \$ (342,473)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(720,168)
Capital Outlay	187,841

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	189,580
Accrued Interest Payable - End of Year	(162,623)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Repayment of Bond Principal	1,431,404
Bond Discount and Issuance Costs Amortization	(10,421)
Bond Premium Amortization	56,636

Accumulated Sick Pay and Retirement Buyout is reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accumulated Sick Pay - Beginning of Year	363,000
Accumulated Sick Pay - End of Year	<u>(383,970)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 608,806

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2009

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash	\$ 91,862	\$ 154,909
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Groups and Organizations	\$ 0	\$ 151,866
Due to Other Funds	0	3,043
Total Liabilities	0	154,909
<u>NET ASSETS</u>	<u>91,862</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 91,862</u>	<u>\$ 154,909</u>

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
CADILLAC, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2009

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 737
<u>DEDUCTIONS</u>	
Scholarships Awarded	<u>3,700</u>
CHANGE IN NET ASSETS	(2,963)
<u>NET ASSETS</u> - Beginning of Year	<u>94,825</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 91,862</u>

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Newaygo Public Schools (the "District") is located in Newaygo County with its administrative offices located in Newaygo, Michigan. The District is governed by the Newaygo Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 1,908 students (blended count) in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as 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 or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

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

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

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2000 Issue Debt Retirement Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service and athletic activities in the special revenue funds.

The *2003 Issue and Durant Debt Retirement Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private-purpose trust fund* is used to account for resources legally held in trust to provide scholarships to post-secondary education students.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter 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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2009, the foundation allowance was based on pupil membership counts taken in February and September of 2008. For fiscal year ended June 30, 2009, the per pupil foundation allowance was \$7,316 for Newaygo Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2008 to August 2009. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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 governmental 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.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

D. Other Accounting Policies

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) 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.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (e) 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.
- (f) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation (FDIC).

The School's deposits and investments are held separately by several of the School District's funds.

2. 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" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Properties are assessed as of December 31. Taxes are levied and become a lien on December 1. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county delinquent tax rolls. Delinquent real property taxes are purchased by the Counties of Mecosta, Newaygo and Lake and remitted to the District after settlement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

For the year ended June 30, 2009, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Homestead	18.00
General Fund - Non-Homestead Commercial PPT	6.00
2000 Issue Debt Service Fund - Homestead and Non-Homestead	6.20
2003 Issue Debt Service Fund - Homestead and Non-Homestead	0.80

4. Inventories and Prepaid Expenditures

Inventories are recorded at cost on a first in and first out basis and consist primarily of food and cafeteria supplies. USDA donated commodities are recorded at fair value. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and Improvements	25-50 years
Buses and Other Vehicles	8 years
Furniture and Equipment	5-20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which sick 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.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146, which allows the amortization of premiums, discounts and bond issuance costs, prospectively for all bonds issued after July 1, 2002.

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Newaygo Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements:

The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.

A public hearing is conducted to obtain taxpayer comments.

Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Budgets are adopted to the functional level.

Appropriations lapse at year end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

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

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations occurred in the following funds:

General Fund – expenditures of \$16,196,952 exceeded appropriations by \$169,152 in total. By function the expenditures exceeded appropriations as follows:

Basic Programs – expenditures of \$8,870,024 exceeded appropriations by \$75,224.

Added Needs – expenditures of \$2,126,347 exceeded appropriations by \$131,547.

Instructional Staff – expenditures of \$178,928 exceeded appropriations by \$5,928.

School Administration – expenditures of \$1,194,247 exceeded appropriations by \$54,847.

Other Transactions – expenditures of \$38,220 exceeded appropriations by \$38,220.

Athletic Activities Fund – expenditures of \$381,668 exceeded appropriations by \$113,369.

Food Service Fund – expenditures of \$794,921 exceeded appropriations by \$55,921.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments - Credit Risk

The District's deposits and investments are all on deposit with banks within the State of Michigan and Michigan School District Liquid Asset Fund Plus.

Investment 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

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 investing pools and limiting the average maturity in accordance with the District's cash requirement.

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

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 listed in Section 9 of the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with Section 7 of the District's investment policy.

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 government's deposits may not be returned to it. As of June 30, 2009, \$1,090,869 of the government's bank balance of \$2,049,559 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end, all of the District's investments were uncategorized as to risk.

Investments

At June 30, 2009, the District had the following investments:

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

	Fair Value
MILAF External Investment Pool - MAX Class	\$ 89
LUG Fifth Third Bank	3
Total	\$ 92

The Michigan Liquid Asset Fund (MILAF) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF is not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2009.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 1,464,322	\$ 0	\$ 246,771	\$ 1,711,093
Investments	0	92	0	92
	\$ 1,464,322	\$ 92	\$ 246,771	\$ 1,711,185

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	Other Nonmajor Funds	Total
Receivables			
Accounts	\$ 185,277	\$ 0	\$ 185,277
Due from Other Governments	2,765,343	27,841	2,793,184
Total Receivables	\$ 2,950,620	\$ 27,841	\$ 2,978,461

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

revenue recognition in connection with resources that have been received, but have not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grants and Other Amounts Received, But Not Yet Utilized	\$ 0	\$ 273,040

C. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Assets Not Being Depreciated:				
Land	\$ 514,975	\$ 0	\$ 0	\$ 514,975
Other Capital Assets:				
Buildings and Improvements	30,648,737	113,426	0	30,762,163
Buses and Other Vehicles	1,728,075	48,036	61,600	1,714,511
Furniture and Equipment	2,927,499	26,379	48,947	2,904,931
Subtotal	35,304,311	187,841	110,547	35,381,605
Accumulated Depreciation				
Buildings and Improvements	5,845,200	475,399	0	6,320,599
Buses and Other Vehicles	1,335,074	108,205	(61,600)	1,381,679
Furniture and Equipment	2,205,231	136,564	(48,947)	2,292,848
Total Accumulated Depreciation	9,385,505	720,168	(110,547)	9,995,126
Net Other Capital Assets	25,918,806	(532,327)	0	25,386,479
Net Capital Assets	\$ 26,433,781	\$ (532,327)	\$ 0	\$ 25,901,454

Depreciation for the fiscal year ended June 30, 2009, amounted to \$720,168. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Construction Commitments:

The District has no active construction projects as of June 30, 2009.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

D. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of changes in long-term liabilities:

	BONDS PAYABLE	COMPENSATED ABSENCES	TOTAL
Balance, July 1, 2008	\$ 22,017,649	\$ 363,000	\$ 22,380,649
Additions	0	20,970	20,970
Deletions	1,431,404	0	1,431,404
Balance, June 30, 2009	<u>\$ 20,586,245</u>	<u>\$ 383,970</u>	<u>\$ 20,970,215</u>
Total due within one year	<u>\$ 1,213,577</u>	<u>\$ 0</u>	<u>\$ 1,213,577</u>

At June 30, 2009, the School District's long-term bonds payable are comprised of the following individual issues:

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

\$24,900,000 2000 School Building and Site bonds due in annual installments of \$800,000 through May 1, 2010; interest at 5.5%	\$ 800,000
\$19,230,000 2005 general obligation refunding bonds due in annual installments of \$75,000 to \$1,250,000 through May 1, 2026; interest at 3.50% to 5.00%	18,950,000
\$1,705,000 2003 general obligation refunding bonds due in annual installments of \$200,000 to \$215,000 through May 1, 2012; interest at 3.50% to 4.00%	620,000
\$403,340 Durant Non Plaintiff serial bonds due in annual installments of \$24,696 to \$138,577 through May 15, 2013; original stated interest at 4.76%	<u>216,245</u>
Total bonded debt	<u>\$ 20,586,245</u>

The requirements to amortize debt outstanding as of June 30, 2009, including interest of \$9,142,096, are as follows:

NEWAYGO PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2010	\$ 1,213,577	\$ 1,027,936	\$ 2,241,513
2011	1,154,696	925,810	2,080,506
2012	1,205,870	884,060	2,089,930
2013	1,277,102	838,040	2,115,142
2014	1,240,000	786,750	2,026,750
2015-2019	6,105,000	3,009,500	9,114,500
2020-2024	6,030,000	1,493,250	7,523,250
2025-2029	2,360,000	176,750	2,536,750
	<u>\$ 20,586,245</u>	<u>\$ 9,142,096</u>	<u>\$ 29,728,341</u>

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

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

The annual requirements to amortize the accrued sick leave are uncertain because it is unknown when the employees will use the sick leave.

E. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2009, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 75,819	\$ 22,299
2000 Issue Debt Retirement Fund	0	32,739
School Service Fund - Food Service	12,299	40,037
School Service Fund - Athletic Activities Fund	10,000	0
Agency Funds	0	3,043
	<u>\$ 98,118</u>	<u>\$ 98,118</u>

NEWAYGO PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2009, are expected to be repaid within one year.

Interfund transfers as shown in the individual fund financial statements at June 30, 2009, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 224,301
School Service Fund - Athletic Activities Fund	224,301	0
	\$ 224,301	\$ 224,301

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Designated and Reserved Fund Balance / Net Assets

In order to comply with generally accepted accounting principles and meet certain legal requirements, the District has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses.

NOTE4 - OTHER INFORMATION

A. Employee Retirement System

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPSERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPSERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

The 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 rates for the year ended June 30, 2009 were 16.72% of payroll through September 30, 2008 and 16.54 % effective October 1, 2008 through June 30, 2009. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2009, 2008 and 2007 were \$1,292,139, \$1,350,410 and \$1,411,850 respectively, and were equal to the required contribution for those years.

Other Post Employment Benefits Funding Policy – Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

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

B. Risk Management

The 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 District has purchased commercial insurance for all such risks of loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

C. Commitments

The District is not committed to any contracts at June 30, 2009.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

D. Sale of Future Revenues

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Newaygo County treasurer. For the 2008 tax roll the District received a lump sum payment of \$286,826 for general operating tax revenues, and \$250,588 for debt service tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the County is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the County is ultimately unable to collect any of these delinquent taxes, the District will have to repay the County.

NEWAYGO PUBLIC SCHOOLS

NEWAYGO, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2009

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 2,809,000	\$ 2,868,000	\$ 2,766,207
State Sources	12,159,000	11,488,100	11,550,087
Federal Sources	660,000	1,397,800	1,503,793
Other Transactions	222,000	237,100	247,004
Total Revenues	<u>15,850,000</u>	<u>15,991,000</u>	<u>16,067,091</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	7,738,000	8,794,800	8,870,024
Added Needs	1,917,000	1,994,800	2,126,347
Continuing Education	0	110,000	98,518
Supporting Services			
Pupil	537,800	616,300	610,997
Instructional Staff	160,200	173,000	178,928
General Administration	247,100	226,400	223,914
School Administration	985,000	1,139,400	1,194,247
Business	326,000	329,700	329,525
Operation and Maintenance of Plant	1,427,400	1,441,100	1,397,984
Pupil Transportation Services	989,000	880,000	843,466
Support Service Technology	160,400	322,300	284,782
Capital Outlay	25,000	0	0
Community Education	1,125,100	0	0
Other Transactions	0	0	38,220
Total Expenditures	<u>15,638,000</u>	<u>16,027,800</u>	<u>16,196,952</u>
Excess (Deficiency) of Revenues Over Expenditures	212,000	(36,800)	(129,861)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer Out	<u>(212,000)</u>	<u>(221,000)</u>	<u>(224,301)</u>
Net Change in Fund Balance	0	(257,800)	(354,162)
<u>FUND BALANCE</u> - Beginning of Year	<u>1,524,867</u>	<u>1,630,760</u>	<u>1,630,760</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,524,867</u>	<u>\$ 1,372,960</u>	<u>\$ 1,276,598</u>

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NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2009

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT RETIREMENT FUNDS</u>		<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FOOD SERVICE</u>	<u>ATHLETICS</u>	<u>2003 ISSUE</u>	<u>DURANT</u>	
<u>ASSETS</u>					
Cash	\$ 261,894	\$ 110,009	\$ 266,938	\$ 0	\$ 638,841
Due from Other Funds	12,299	10,000	0	0	22,299
Due from Other Governments	13,446	14,395	0	0	27,841
Inventory	31,784	0	0	0	31,784
TOTAL ASSETS	\$ 319,423	\$ 134,404	\$ 266,938	\$ 0	\$ 720,765
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 31,764	\$ 106,222	\$ 0	\$ 0	\$ 137,986
Due to Other Funds	40,037	0	0	0	40,037
Deferred Revenue	0	22,795	0	0	22,795
Total Liabilities	71,801	129,017	0	0	200,818
<u>FUND BALANCES</u>					
Reserved for Inventory	31,784	0	0	0	31,784
Reserved for Debt Service	0	0	266,938	0	266,938
Unreserved					
Designated for:					
Food Service	215,838	0	0	0	215,838
Athletic Activities	0	5,387	0	0	5,387
Total Fund Balances	247,622	5,387	266,938	0	519,947
TOTAL LIABILITIES AND FUND BALANCES	\$ 319,423	\$ 134,404	\$ 266,938	\$ 0	\$ 720,765

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2009

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT RETIREMENT FUNDS</u>		<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FOOD SERVICE</u>	<u>ATHLETICS</u>	<u>2003 ISSUE</u>	<u>DURANT</u>	
<u>REVENUES</u>					
Local Sources	\$ 188,419	\$ 157,646	\$ 280,684	\$ 0	\$ 626,749
State Sources	28,595	0	0	28,395	56,990
Federal Sources	560,255	0	0	0	560,255
Total Revenues	<u>777,269</u>	<u>157,646</u>	<u>280,684</u>	<u>28,395</u>	<u>1,243,994</u>
<u>EXPENDITURES</u>					
Food Service	794,921	0	0	0	794,921
Athletic Activities	0	381,668	0	0	381,668
Debt Service					
Principal	0	0	200,000	22,503	222,503
Interest and Fiscal Charges	0	0	30,515	5,892	36,407
Total Expenditures	<u>794,921</u>	<u>381,668</u>	<u>230,515</u>	<u>28,395</u>	<u>1,435,499</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,652)	(224,022)	50,169	0	(191,505)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In (Out)	0	224,301	0	0	224,301
Net Change in Fund Balance	(17,652)	279	50,169	0	32,796
<u>FUND BALANCE - Beginning of Year</u>	<u>265,274</u>	<u>5,108</u>	<u>216,769</u>	<u>0</u>	<u>487,151</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 247,622</u>	<u>\$ 5,387</u>	<u>\$ 266,938</u>	<u>\$ 0</u>	<u>\$ 519,947</u>

NEWAYGO AREA PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2009

2000 SCHOOL BUILDING AND SITE BONDS

<u>TITLE OF ISSUE</u>	2000 School Building and Site Bonds
<u>PURPOSE</u>	School improvements
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 24,900,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			<u>PRINCIPAL</u>
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		
			<u>NOV 1</u>	<u>MAY 1</u>	
2010	5.500 %	\$ 844,000	22,000	\$ 22,000	\$ 800,000

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2009

2003 GENERAL OBLIGATION REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2003 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of the 2000 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 1,705,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2010	3.500 %	\$ 223,800	\$ 11,900	\$ 11,900	\$ 200,000
2011	4.000 %	221,800	8,400	8,400	205,000
2012	4.000 %	223,600	4,300	4,300	215,000
		<u>\$ 669,200</u>	<u>\$ 24,600</u>	<u>\$ 24,600</u>	<u>\$ 620,000</u>

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2009

2005 GENERAL OBLIGATION REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2005 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of the 2000 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 19,230,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2010	3.50 %	\$ 982,938	\$ 453,969	\$ 453,969	\$ 75,000
2011	3.50 %	1,830,312	452,656	452,656	925,000
2012	3.75 %	1,837,938	436,469	436,469	965,000
2013	4.00 %	2,086,750	418,375	418,375	1,250,000
2014	5.00 %	2,026,750	393,375	393,375	1,240,000
2015	5.00 %	1,959,750	362,375	362,375	1,235,000
2016	5.00 %	1,893,000	331,500	331,500	1,230,000
2017	5.00 %	1,821,500	300,750	300,750	1,220,000
2018	5.00 %	1,755,500	270,250	270,250	1,215,000
2019	5.00 %	1,684,750	239,875	239,875	1,205,000
2020	5.00 %	1,619,500	209,750	209,750	1,200,000
2021	5.00 %	1,579,500	179,750	179,750	1,220,000
2022	5.00 %	1,508,500	149,250	149,250	1,210,000
2023	5.00 %	1,443,000	119,000	119,000	1,205,000
2024	5.00 %	1,372,750	88,875	88,875	1,195,000
2025	5.00 %	1,303,000	59,000	59,000	1,185,000
2026	5.00 %	1,233,750	29,375	29,375	1,175,000
		<u>\$ 27,939,188</u>	<u>\$ 4,494,594</u>	<u>\$ 4,494,594</u>	<u>\$ 18,950,000</u>

