

CARSONVILLE-PORT SANILAC SCHOOLS
Carsonville, Michigan

Report on Financial Statements
(with additional information)
June 30, 2009

CARSONVILLE-PORT SANILAC SCHOOLS
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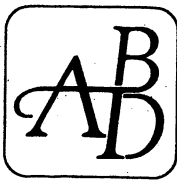
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November 2, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Carsonville-Port Sanilac Schools
Carsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools 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 Carsonville-Port Sanilac Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, 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 November 2, 2009, on our consideration of Carsonville-Port Sanilac 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 conjunction with this report in considering the results of our audit.

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The management's discussion and analysis and budgetary comparison information on pages *i* through *ix* and page 19, 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 inquires 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.

Office locations in Caro,
Cass City & Marlette

Board of Education
Carsonville-Port Sanilac Schools
November 2, 2009

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carsonville-Port Sanilac Schools' basic financial statements. The additional information on pages 20 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Carsonville-Port Sanilac Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2009

Carsonville-Port Sanilac School District, a K-12 school district located in Sanilac County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to provide, in layman's term, a look at the district's performance and past and current position.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. This is our sixth year of implementation so certain comparative information between the current year and the prior year is required to be presented in the MD&A. Our district has met those requirements to our knowledge.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's “Accounting Manual.” In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Carsonville-Port Sanilac Schools
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2009

Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30, 2009:

| Assets | 2009 | 2008 |
|--|---------------------|---------------------|
| Current assets | \$ 2,136,587 | \$ 2,014,961 |
| Deferred costs | 49,281 | 52,410 |
| Capital assets | 13,466,609 | 13,351,492 |
| Less: accumulated depreciation | <u>(6,588,287)</u> | <u>(6,250,957)</u> |
| Total assets | <u>\$ 9,064,190</u> | <u>\$ 9,167,906</u> |
| Liabilities | | |
| Current liabilities | \$ 935,271 | \$ 795,978 |
| Long-term liabilities | <u>6,517,556</u> | <u>6,783,510</u> |
| Total liabilities | <u>\$ 7,452,827</u> | <u>\$ 7,579,488</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | \$ 92,578 | \$ 45,205 |
| Restricted for debt service | 652,278 | 557,716 |
| Unrestricted | <u>866,507</u> | <u>985,497</u> |
| Total net assets | <u>1,611,363</u> | <u>1,588,418</u> |
| Total liabilities and net assets | <u>\$ 9,064,190</u> | <u>\$ 9,167,906</u> |

Analysis of Financial Position

During the fiscal year ended June 30, 2009, the District's net assets increased by \$22,945. A few of the more significant factors affecting net assets during the year are discussed below.

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Carsonville-Port Sanilac Schools
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2009

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2009, \$369,535 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

Capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$222,213 for the fiscal year ended June 30, 2009.

Results of Operations

For the fiscal year ended June 30, 2009, the results of operations, on a District-wide basis, were:

| General Revenues | 2009 | % of Total | 2008 | % of Total |
|-----------------------------|---------------------|-------------------|---------------------|-------------------|
| Property taxes | \$ 1,516,371 | 24.73% | \$ 1,576,515 | 26.24% |
| Investment earnings | 9,238 | .15% | 10,256 | .17% |
| State sources | 3,595,559 | 58.65% | 3,792,531 | 63.13% |
| Federal ARRA | 232,366 | 3.79% | - | 0.00% |
| Other | <u>182,985</u> | <u>2.98%</u> | <u>140,061</u> | <u>2.33%</u> |
| Total general revenues | <u>\$ 5,535,519</u> | <u>90.30%</u> | <u>\$ 5,519,363</u> | <u>91.87%</u> |
| Program Revenues | | | | |
| Charges for services | \$ 100,718 | 1.64% | \$ 109,219 | 1.82% |
| Operating grants | <u>494,356</u> | <u>8.06%</u> | <u>379,044</u> | <u>6.31%</u> |
| Total program revenues | <u>595,074</u> | <u>9.70%</u> | 488,263 | <u>8.12%</u> |
| Total revenues | <u>\$ 6,131,593</u> | <u>100.00%</u> | <u>\$ 6,007,626</u> | <u>100.00%</u> |
| Expenses | | | | |
| Instruction | \$ 3,314,231 | 54.25% | \$ 3,123,517 | 53.16% |
| Support services | 1,628,305 | 26.66% | 1,612,748 | 27.45% |
| Transfer to other districts | 4,930 | .08% | 20,063 | .34% |
| Food services | 291,278 | 4.77% | 235,993 | 4.02% |
| Athletics | 183,415 | 3.00% | 178,162 | 3.03% |
| Interest on long-term debt | 294,134 | 4.82% | 376,216 | 5.25% |
| Unallocated depreciation | 369,535 | 6.05% | 376,123 | 6.40% |
| Amortization | 20,250 | .33% | 20,250 | .34% |
| Other | <u>2,570</u> | <u>.04%</u> | <u>460</u> | <u>.01%</u> |
| Total expenses | <u>\$ 6,108,648</u> | <u>100.00%</u> | <u>\$ 5,875,532</u> | <u>100.00%</u> |
| Increase in net assets | <u>\$ 22,945</u> | | <u>\$ 132,094</u> | |

Carsonville-Port Sanilac Schools
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2009

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District 18 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2008-2009 fiscal year, the district levied \$921,225 non-homestead property taxes. This represented an increase of 2.41% from the prior year. The amount of unpaid property taxes at June 30, 2009, less an estimate for those deemed to be un-collectible, was \$25,599.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

| Fiscal Year | Non-homestead Tax Levy | % Increase (Decrease) from prior year |
|-------------|---------------------------|---|
| 2008- 2009 | \$ 921,225 | 2.41% |
| 2007- 2008 | \$ 899,523 | 8.32% |
| 2006 - 2007 | \$ 830,410 | 1.60% |
| 2005 - 2006 | \$ 817,203 | 6.77% |
| 2004 - 2005 | \$ 765,384 | 3.40% |
| 2003 – 2004 | \$ 740,285 | 10.80% |
| 2002 – 2003 | \$ 668,581 | 1.60% |
| 2001 – 2002 | \$ 658,606 | 9.20% |
| 2000 – 2001 | \$ 603,342 | 6.70% |
| 1999 – 2000 | \$ 565,480 | 4.70% |

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the September 2008 count and 25% of the February 2008 count. For the 2008 – 2009 fiscal year, the District's foundation allowance was \$ 7,316 per student FTE.

Carsonville-Port Sanilac Schools
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2009

3. Student Enrollment

The following schedule compares actual to budgeted FTE for the blended student enrollment for the past five fiscal years:

| | Actual Blended Student FTE | Budgeted Blended Student FTE | Variance Favorable (Unfavorable) |
|-------------|----------------------------------|------------------------------------|--|
| 2008 - 2009 | 624.88 | 624.82 | 0.06 |
| 2007 - 2008 | 624.73 | 624.73 | 0.00 |
| 2006 - 2007 | 628.75 | 628.75 | 0.00 |
| 2005 - 2006 | 632.13 | 632.00 | 0.13 |
| 2004 - 2005 | 632.00 | 632.00 | 0.00 |
| 2003 - 2004 | 623.00 | 623.00 | 0.00 |
| 2002 - 2003 | 630.50 | 615.00 | 15.50 |
| 2001 - 2002 | 644.00 | 646.00 | (2.00) |
| 2000 - 2001 | 665.96 | 646.20 | 19.76 |

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2009, federal, state and other grants accounted for \$494,356. This represents an increase of \$115,312 over the total grant sources received for the 2008 - 2009 fiscal year.

5. County Special Education Allocation

For the fiscal year ended June 30, 2009, the District received an allocation from the Sanilac Intermediate School District in the amount of \$58,029 to assist with the education of students with special needs.

6. Interest Earnings

The District received interest on its investments in the amount of \$9,238 for the fiscal year ended June 30, 2009. Interest revenues decreased from the prior fiscal year by \$ 1,018.

Carsonville-Port Sanilac Schools
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2009

7. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

| Expenditures | 2008 – 2009 Fiscal Year | 2007 – 2008 Fiscal Year | Increase (Decrease) |
|-------------------------|----------------------------|----------------------------|------------------------|
| Instruction | \$ 3,334,438 | \$ 3,129,455 | \$ 204,983 |
| Supporting services | 1,636,965 | 1,615,293 | 21,672 |
| Food service activities | 291,278 | 235,993 | 55,285 |
| Athletic activities | 183,415 | 178,162 | 5,253 |
| Debt Service | 607,993 | 692,553 | (84,560) |
| Capital Outlay | 128,935 | - | 128,935 |
| Other Transfers | <u>4,930</u> | <u>-</u> | <u>4,930</u> |
| Total expenditures | <u>\$ 6,187,954</u> | <u>\$ 5,851,456</u> | <u>\$ 336,498</u> |

Carsonville-Port Sanilac Schools
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2009

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

For the 2008 – 2009 fiscal year, the district amended the general fund budget three times with the Board adopting the changes in June 2009. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

| | Original Budget | Final Budget | Actual | Variance with Final Budget- positive (negative) | % Variance |
|--|---------------------|---------------------|---------------------|--|---------------|
| Total revenues | <u>\$ 5,033,828</u> | <u>\$ 5,190,447</u> | <u>\$ 5,215,081</u> | <u>\$ 24,634</u> | 0.47% |
| Expenditures: | | | | | |
| Instruction | 2,986,040 | 3,323,729 | 3,334,438 | (10,709) | (0.32)% |
| Supporting services | 1,810,269 | 1,641,542 | 1,636,965 | 4,577 | 0.28% |
| Capital outlay | - | 103,650 | 128,935 | 25,285 | 20.39% |
| Other Transfers | <u>3,600</u> | <u>4,970</u> | <u>4,930</u> | <u>40</u> | 0.08% |
| Total expenditures | 4,799,909 | 5,073,891 | 5,105,268 | 19,193 | 20.43% |
| Other financing sources (uses) | <u>(191,942)</u> | <u>(194,942)</u> | <u>(163,498)</u> | <u>6,144</u> | 3.15% |
| Excess of revenue over Expenditures & other uses | <u>\$ (41,977)</u> | (78,386) | (53,685) | <u>\$ 24,701</u> | 46.01% |
| Fund Balance – Beginning of year | | <u>945,343</u> | <u>945,343</u> | | |
| Fund Balance – End of year | | <u>\$ 866,957</u> | <u>\$ 891,658</u> | | |

Carsonville-Port Sanilac Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2009

Capital Asset and Debt Administration

Capital Assets

By the end of the 2008 – 2009 fiscal year, the district had invested \$13,466,609 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciated expense for the year amounted to \$369,535 bringing the accumulation to \$6,588,287 as of June 30, 2009.

Long- term Debt

At June 30, 2009, the District had \$7,055,402, in bonded debt outstanding. This represents a reduction of \$286,706 over the amount outstanding at the closed of the prior fiscal year as no new debt was issued in the 2008– 2009 fiscal year.

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially 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.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, while the State has managed to keep the growth in the rate districts fund the retirement system over the past few years, the increase in the number of retirees projected to occur over the next few years may result in higher annual increases.
- The contracts with the Carsonville-Port Sanilac Schools Education Association, the union that represents the teaching staff, International Union of Operating Engineers, the union that represents the custodial and support staff, have all been settled and expire June 30, 2010. Contracts with all administrators and the bus driver association are all settled with a 2010 expiration date as well.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

Carsonville-Port Sanilac Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2009

Next Years Proposed Budget 09/10

For this Proposed Budget hearing we wish to comply with Section 16 of the Uniform Budgeting and Accounting Act and state that our proposed property tax millage rate to be levied this fall is 18 mills. This will generate \$919,623 in local property taxes. This is based on the Non-Homestead Taxable Value of \$51,090,191.

This budget will change because of factors that were not known before the budget had to be adopted. There will once again be a shift of funds from State sources into Federal sources caused by the Federal ARRA stabilization funding. The district will also have increased Federal funding because of becoming a Title I school-wide district and Title I ARRA stabilization funds.

Revenue:

The local revenue was adjusted to reflect student enrollment figures from the February 2009 and projected fall 2009 count.

Expenses:

The pay scales have moved the employees to the appropriate wage steps for the upcoming year and adjusted for contract settlements. Contracts have been settled with a .005% raise each semester.

The healthcare benefits have increased for MESSA health insurances for the teachers and the Health Savings Accounts for the other employee groups. Many support employees of the district have switched to another insurance plan; Health Savings Account. This has saved both the district and the employees, money in health care expenses.

The district continues to operate with a half-time Superintendent. This saves the district approximately \$121,000 per year.

The district continues to be creative with staffing and operation of the school district. We now operate with a half time Principal as well.

We have increased operation and maintenance budgets for increased electric and gas costs.

The district leases its busses, which allows us to have a newer bus fleet and saves on maintenance costs.

Contracting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

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Margie Christenbery, Business Manager
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BASIC FINANCIAL STATEMENTS

CARSONVILLE-PORT SANILAC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2009

| | GOVERNMENTAL ACTIVITIES |
|---|------------------------------------|
| ASSETS | |
| CURRENT ASSETS: | |
| Cash and equivalents | \$ 1,283,337 |
| Accounts receivable | 32,052 |
| Property taxes receivable | 25,599 |
| Prepaid expenses | 1,773 |
| Due from other governmental units | 793,826 |
| Due from Agency funds | - |
| TOTAL CURRENT ASSETS | 2,136,587 |
| NONCURRENT ASSETS: | |
| Deferred costs, net of amortization | 49,281 |
| Capital assets | 13,466,609 |
| Less accumulated depreciation | (6,588,287) |
| TOTAL NONCURRENT ASSETS | 6,927,603 |
| TOTAL ASSETS | \$ 9,064,190 |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES: | |
| Accounts payable | \$ 94,523 |
| Accrued salaries & wages | 297,848 |
| Accrued payroll taxes | 22,785 |
| Benefits payable | 46,826 |
| Retirement payable | 47,638 |
| Deferred revenue | 33,000 |
| Other liabilities | 24,579 |
| Accrued interest | 41,096 |
| Current portion of long term debt | 307,151 |
| Current portion of compensated absences | 19,825 |
| TOTAL CURRENT LIABILITIES | 935,271 |
| NONCURRENT LIABILITIES: | |
| Noncurrent portion of long term debt | 6,478,593 |
| Compensated absences | 38,963 |
| TOTAL NONCURRENT LIABILITIES | 6,517,556 |
| NET ASSETS: | |
| Invested in capital assets, net of related debt | 92,578 |
| Restricted for debt service | 652,278 |
| Unrestricted | 866,507 |
| TOTAL NET ASSETS | 1,611,363 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 9,064,190 |

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Governmental</u> |
|---|---------------------|-------------------------|-------------------|----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Activities</u> |
| | | <u>Services</u> | <u>Grants</u> | <u>Net (Expense)</u> |
| | | | | <u>Revenue and</u> |
| | | | | <u>Changes in</u> |
| | | | | <u>Net Assets</u> |
| Governmental activities: | | | | |
| Instruction | \$ 3,314,231 | | \$ 192,685 | \$ (3,121,546) |
| Support services | 1,628,305 | | 82,579 | (1,545,726) |
| Transfers to other districts | 4,930 | | | (4,930) |
| Food services | 291,278 | \$ 69,553 | 197,113 | (24,612) |
| Athletics | 183,415 | 31,165 | | (152,250) |
| Interest on long-term debt | 294,134 | | 21,979 | (272,155) |
| Other | 2,570 | | | (2,570) |
| Amortization | 20,250 | | | (20,250) |
| Unallocated depreciation | 369,535 | | | (369,535) |
| Total governmental activities | <u>\$ 6,108,648</u> | <u>\$ 100,718</u> | <u>\$ 494,356</u> | <u>(5,513,574)</u> |
| General revenues: | | | | |
| Property taxes, levied for general purposes | | | | 929,330 |
| Property taxes, levied for debt service | | | | 587,041 |
| State of Michigan school aid unrestricted | | | | 3,595,559 |
| Federal ARRA sources, unrestricted | | | | 232,366 |
| Investment revenue | | | | 9,238 |
| Miscellaneous | | | | 182,985 |
| Total general revenue | | | | <u>5,536,519</u> |
| Change in net assets | | | | 22,945 |
| Net assets, beginning of year | | | | 1,588,418 |
| Net assets, end of year | | | | <u>\$ 1,611,363</u> |

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

| | <u>GENERAL FUND</u> | <u>2005 REFUNDING</u> | <u>2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)</u> | <u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--|-------------------------|---------------------------|---|--|---|
| <u>ASSETS</u> | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and equivalents | \$ 610,789 | \$ 328,565 | \$ 323,501 | \$ 20,482 | \$ 1,283,337 |
| Accounts receivable | 32,052 | | | - | 32,052 |
| Property taxes receivable | 12,599 | | | | 12,599 |
| Prepaid expenses | 1,773 | | | | 1,773 |
| Due from other governmental units | 793,826 | | | | 793,826 |
| Due from other funds | 8,030 | 212 | | - | 8,242 |
| Due from Agency funds | - | | | | - |
| TOTAL ASSETS | <u>\$ 1,459,069</u> | <u>\$ 328,777</u> | <u>\$ 323,501</u> | <u>\$ 20,482</u> | <u>\$ 2,131,829</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 94,523 | | | | \$ 94,523 |
| Accrued salaries & wages | 297,848 | | | | 297,848 |
| Due to other funds | 212 | | | \$ 8,030 | 8,242 |
| Accrued payroll taxes | 22,785 | | | | 22,785 |
| Benefits payable | 46,826 | | | | 46,826 |
| Retirement payable | 47,638 | | | | 47,638 |
| Deferred revenue | 33,000 | | | | 33,000 |
| Other liabilities | 24,579 | | | | 24,579 |
| TOTAL LIABILITIES | <u>567,411</u> | <u>-</u> | <u>-</u> | <u>8,030</u> | <u>575,441</u> |
| FUND BALANCE: | | | | | |
| Reserved for debt service | | \$ 328,777 | \$ 323,501 | - | 652,278 |
| Unreserved: | | | | | |
| Designated for maintenance fund | 57,249 | | | | 57,249 |
| Designated for compensated absences | 58,788 | | | | 58,788 |
| Designated for bus lease | 74,719 | | | | 74,719 |
| Designated for subsequent years expenditures | 143,490 | | | | 143,490 |
| Undesignated | 557,412 | | | 12,452 | 569,864 |
| TOTAL FUND BALANCE | <u>891,658</u> | <u>328,777</u> | <u>323,501</u> | <u>12,452</u> | <u>1,556,388</u> |
| TOTAL LIABILITIES & FUND BALANCE | <u>\$ 1,459,069</u> | <u>\$ 328,777</u> | <u>\$ 323,501</u> | <u>\$ 20,482</u> | <u>\$ 2,131,829</u> |

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds \$ 1,556,388

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: | 13,466,609 |
| Accumulated depreciation is: | (6,588,287) |

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

| | |
|------------------------------------|-------------|
| Capital lease: | (23,739) |
| Bonds payable: | (7,031,663) |
| Deferred bond premium: | (22,197) |
| Deferred bond discount: | 23,689 |
| Deferred amount on bond refunding: | 268,166 |
| Compensated absences: | (58,788) |

Accrued interest is not reported as a liability in governmental funds; it is recorded when paid:

| | |
|-----------------------------------|----------|
| Accrued interest | (41,096) |
| Deferred costs for bond refunding | 49,281 |

Balance of taxes receivable at 06/30/09 less allowance for doubtful accounts, expected to be collected after September 1, 2009

13,000

Net Assets of Governmental Activities \$ 1,611,363

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | GENERAL FUND | 2005 REFUNDING | 2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB) | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-------------------------|---------------------------|---|--|---|
| REVENUES: | | | | | |
| Local sources | | | | | |
| Property tax | \$ 938,733 | \$ 587,041 | | | \$ 1,525,774 |
| Tuition & fees | 55,494 | | | | 55,494 |
| Interest income | 1,963 | 919 | \$ 6,275 | \$ 81 | 9,238 |
| Sales of meals & milk | | | | 66,933 | 66,933 |
| Admission | | | | 25,150 | 25,150 |
| Other | 38,932 | | | 8,635 | 47,567 |
| State sources | 3,583,770 | | | 33,768 | 3,617,538 |
| Federal sources | 507,630 | | | 197,113 | 704,743 |
| Incoming transfers and other | 88,559 | | | | 88,559 |
| TOTAL REVENUES | 5,215,081 | 587,960 | 6,275 | 331,680 | 6,140,996 |
| EXPENDITURES: | | | | | |
| Instruction | 3,334,438 | | | | 3,334,438 |
| Supporting services | 1,636,965 | | | | 1,636,965 |
| Other transfers | 4,930 | | | | 4,930 |
| Food services | | | | 291,278 | 291,278 |
| Athletic services | | | | 183,415 | 183,415 |
| Debt service: | | | | | |
| Principal redemption | | 290,000 | | 15,842 | 305,842 |
| Interest | | 295,934 | | 6,137 | 302,071 |
| Other | | 80 | | - | 80 |
| Capital outlay | 128,935 | | | | 128,935 |
| TOTAL EXPENDITURES | 5,105,268 | 586,014 | - | 496,672 | 6,187,954 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 109,813 | 1,946 | 6,275 | (164,992) | (46,958) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Proceeds from capital lease | 25,300 | | | | 25,300 |
| Transfers from other funds | - | - | 37,308 | 151,490 | 188,798 |
| Transfers to other funds | (188,798) | | | | (188,798) |
| TOTAL OTHER FINANCING SOURCES (USES) | (163,498) | - | 37,308 | 151,490 | 25,300 |
| EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES) | (53,685) | 1,946 | 43,583 | (13,502) | (21,658) |
| FUND BALANCE - BEGINNING OF YEAR | 945,343 | 326,831 | 279,918 | 25,954 | 1,578,046 |
| FUND BALANCE - END OF YEAR | \$ 891,658 | \$ 328,777 | \$ 323,501 | \$ 12,452 | \$ 1,556,388 |

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2009

Total net change in fund balances - governmental funds \$ (21,658)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

| | |
|----------------------|-----------|
| Depreciation expense | (369,535) |
| Amortization expense | (20,250) |
| Capital outlay | 147,323 |

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 at the beginning of the year | 49,033 |
| Accrued interest payable at the end of the year | (41,096) |

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

| | |
|--------------------------------|----------|
| Principal repayments | 312,006 |
| Proceeds from issuance of debt | (25,300) |

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

| | |
|---|----------|
| Taxes receivable at the beginning of the year | (22,403) |
| Taxes receivable at the end of the year | 13,000 |

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

| | |
|---|----------|
| Accrued absences at the beginning of the year | 60,613 |
| Accrued absences at the end of the year | (58,788) |

Change in net assets of governmental activities \$ 22,945

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

| | AGENCY FUNDS |
|--|---------------------|
| <u>ASSETS</u> | |
| CURRENT ASSETS | |
| Cash | \$ 31,761 |
| Accounts Receivable | |
| TOTAL ASSETS | \$ 31,761 |
| <u>LIABILITIES AND FUND BALANCE</u> | |
| LIABILITIES: | |
| Due to student organizations | \$ 31,761 |
| Due to other funds | |
| FUND BALANCE: | - |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 31,761 |

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The School district was organized in 1910 and presently covers approximately 78.9 square miles covering all or parts of 8 Townships in Sanilac County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 630 students.

The basic financial statements of the Carsonville-Port Sanilac 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.

REPORTING ENTITY:

The Carsonville-Port Sanilac Schools (the "District") is governed by the Carsonville-Port Sanilac Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. 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 and 39.

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*.

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 District first utilizes restricted resources to finance qualifying activities.

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.)

The District does not allocate indirect costs.

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.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

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 *2005 Refunding and 2001 Energy Conservation Improvement Bond (QZAB) debt service funds* account 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 (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *Durant debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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 *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 modified 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).

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

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.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (Continued):

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.

State Revenue:

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption Property (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October, 2008 - 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 expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue:

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

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No.40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY (Continued):

2. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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-Principal Residence Exemption (PRE) | 18.000 |
| Commercial Personal Property | 6.000 |
| Debt Service Fund: | |
| PRE, Non-PRE, Commercial Personal Property | 3.900 |

3. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their 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 capital assets.

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

| | |
|-------------------------------|--------------|
| Buildings and additions | 50 years |
| Furniture and other equipment | 5 – 15 years |

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY (Continued):

6. Compensated Absences.

Each teacher shall be credited with thirteen (hires after 6/30/07) or sixteen (hires before 6/30/07) sick leave days at the beginning of the school year that can be accumulated to one hundred forty days. All unused sick leave days in excess of one hundred forty days shall be paid to the teacher at the end of the school year on the basis of \$25.00 per day, only after 10 years of service. Other employee groups have contracts with negotiated sick leave benefits at varying levels.

7. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method 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 are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates.

The process of preparing general purpose 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.

9. Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

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

1. 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 of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY (Continued):

3. 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 be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2009, \$1,311,484 of the District's bank balance of \$1,561,484 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying balance is \$1,283,337.

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

The above amounts as previously reported in Note 3:

| | |
|-----------------|---------------------|
| Deposits | \$ 1,283,337 |
| Fiduciary Funds | <u>31,761</u> |
| | <u>\$ 1,315,098</u> |

The District has no investments.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2009 from other governmental units consist of the following:

| | |
|---------------------|-----------------------|
| Governmental Units: | |
| State aid | \$ 461,442 |
| Federal revenue | 332,384 |
| Other | <u>12,599</u> |
| Total | <u>\$ 806,425</u> |

Amounts due from governmental units include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 5 – CAPITAL ASSETS:

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

| | <u>Balance</u> <u>July 1, 2008</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2009</u> |
|-------------------------------------|---------------------------------------|---------------------|--------------------|--|
| Assets not being depreciated - land | \$ 50,000 | | | \$ 50,000 |
| Other capital assets: | | | | |
| Land improvements | 2,441,725 | | | 2,441,725 |
| Building and additions | 9,407,076 | \$ 101,145 | | 9,508,221 |
| Machinery and equipment | <u>1,452,691</u> | <u>46,177</u> | <u>\$ (32,205)</u> | <u>1,466,663</u> |
| Subtotal | 13,301,492 | 147,322 | (32,205) | 13,416,609 |
| Accumulated depreciation: | | | | |
| Land improvements | (1,484,315) | (120,797) | | (1,605,112) |
| Building and additions | (3,634,561) | (189,722) | | (3,824,283) |
| Machinery and equipment | <u>(1,132,081)</u> | <u>(59,016)</u> | <u>32,205</u> | <u>(1,158,892)</u> |
| Subtotal | (6,250,957) | (369,535) | 32,205 | (6,588,287) |
| Net other capital assets | <u>7,050,535</u> | <u>(222,213)</u> | <u>-</u> | <u>6,828,322</u> |
| Net capital assets | <u>\$ 7,100,535</u> | <u>\$ (222,213)</u> | <u>\$ -</u> | <u>\$ 6,878,322</u> |

Depreciation for the fiscal year ended June 30, 2009 amounted to \$369,535. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 6 - LONG-TERM DEBT:

The District issues bonds to provide funds for the acquisition, construction and improvements of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

| | |
|---|----------------------------|
| Copier lease, due with monthly installments of \$501 with interest at 7.26% | \$ 23,739 |
| 2000 general obligations building & site bonds due in annual installments ranging from \$220,000 to \$225,000 with interest at 5.25% | 265,000 |
| 2005 general obligation building & site bonds as a result of refunding 2011-2026 bonds issued in 2000. The bond are due in annual installments ranging from \$30,000 to \$480,000 with interest ranging from 3.00% to 4.75% | 6,270,000 |
| 1998 limited obligation bonds (Durant bonds) (face amount \$46,583) due in annual installments ranging from \$2,255 to \$11,663 with interest at 4.76% | 11,663 |
| 2001 Qualified Zone Academy Bonds (face amount \$485,000). The bonds are interest free and repayable 5/1/2014. The District is required to set aside \$37,308 beginning on 5/1/2001 and each year thereafter. The sum of these amounts set aside, together with the interest earned thereon, will be sufficient to repay the aggregate principal amount of the bonds. | 485,000 |
| Plus: Premium on bond refunding | 22,197 |
| Less: Discount on bond refunding | (23,689) |
| Less: Deferred amount on bond refunding | <u>(268,166)</u> |
| Total bonded debt | 6,785,744 |
| Accumulated compensated absences | <u>58,788</u> |
| Total long-term debt | <u><u>\$ 6,844,532</u></u> |

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2009, \$5,995,000 of bonds outstanding are considered defeased.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 6 - LONG-TERM DEBT (Continued):

The annual requirements to amortize long-term debt outstanding as of June 30, 2009 are as follows:

| <u>YEAR ENDED JUNE 30,</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| 2010 | \$ 307,151 | \$ 283,454 | \$ 590,605 |
| 2011 | 317,613 | 267,854 | 585,467 |
| 2012 | 328,105 | 255,736 | 583,841 |
| 2013 | 333,632 | 242,809 | 576,441 |
| 2014 | 823,901 | 229,265 | 1,053,166 |
| 2015-2019 | 1,855,000 | 930,488 | 2,785,488 |
| 2020-2024 | 2,145,000 | 505,928 | 2,650,928 |
| 2025-2029 | 945,000 | 65,768 | 1,010,768 |
| Total | 7,055,402 | 3,390,054 | 9,836,704 |
| Premium amount on bond refunding | 22,197 | | 22,197 |
| Discount amount on bond refunding | (23,689) | | (23,689) |
| Deferred amount on bond refunding | (268,166) | | (268,166) |
| Compensated Absences | 58,788 | | 58,788 |
| TOTAL | <u>\$ 6,844,532</u> | <u>\$ 3,390,054</u> | <u>\$ 9,625,834</u> |

An amount of \$652,278 is available in the debt service fund to service the general obligation debt.

CHANGES IN LONG-TERM DEBT:

The following is a summary of the long-term debt transaction of the district for the year ended June 30, 2008:

| | <u>ACCUMULATED SICK & VACATION PAY</u> | <u>GENERAL OBLIGATION</u> |
|--|--|-------------------------------|
| Long-term debt - July 1, 2008 | \$ 60,613 | \$ 7,342,108 |
| Net decrease in accumulated compensated absences | (1,825) | |
| 2009 Copier capital lease | | 25,300 |
| Repayments: | | |
| 2005 refunded debt | | (35,000) |
| 2000 debt | | (255,000) |
| School bus (QZAB) | | - |
| 1998 debt | | - |
| Durant debt | | (15,842) |
| 2009 Copier capital lease | | (4,603) |
| 2004 Copier capital lease | | (1,561) |
| Long-term debt - June 30, 2009 | <u>\$ 58,788</u> | <u>\$ 7,055,402</u> |

Interest expense (all funds) for the year ended June 30, 2009 was \$302,071.

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

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES:

| | INTERFUND RECEIVABLE | INTERFUND PAYABLE |
|-----------------|---------------------------------|------------------------------|
| General Fund | \$ 8,030 | \$ 212 |
| Special Revenue | - | 8,030 |
| Debt Retirement | 212 | - |
| Total | \$ 8,242 | \$ 8,242 |

The outstanding balances between funds result mainly 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 systems, and (3) payments between funds are made.

NOTE 8 - OPERATING LEASES:

The School District leases buses and office equipment under operating lease agreements that expire at various dates, respectively. Lease expense amounted to \$75,820. At June 30, 2009, future lease payments under such leases are as follows:

| | |
|---------------|-----------|
| June 30, 2010 | \$ 74,719 |
|---------------|-----------|

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees’ Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

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

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

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 rate for the year ended June 30, 2009 was 16.72% for July 1 through September 30, 2008 and 16.54% for October 1 through June 30, 2009. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributes to MPERS for the years ended June 30, 2009, 2008, and 2007, were \$480,461, \$437,789, and \$477,260, respectively, equal to the required contribution for each year.

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

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued):

OTHER POST-EMPLOYMENT BENEFITS:

Under the MPERS' Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

NOTE 10 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 11- TRANSFERS:

Transfers between funds for the year ended June 30, 2009 were as follows:

| <u>Fund</u> | <u>Transfers Out</u> | <u>Transfers In</u> |
|----------------------|----------------------|---------------------|
| General Fund | \$ 188,798 | - |
| Athletic Fund | - | \$ 151,490 |
| Debt Retirement Fund | - | 37,308 |
| | <hr/> | <hr/> |
| Total Transfers | <u>\$ 188,798</u> | <u>\$ 188,798</u> |

The transfer to athletic fund from general fund was to subsidize operations. The transfer from general fund to Debt Retirement was to help cover debt payments. One QZAB debt was paid off with excess transferred to General Fund.

NOTE 12 – CONTINGENCY:

The District has been named as a defendant in a tenure hearing initiated by a tenured teacher. The claim asserted is a violation of rights under the Michigan Tenure Act. The hearing on this matter has been held. The District is now awaiting the decision. The District is estimating the cost of damages to be between \$27,000 and \$35,000. The District's attorney feels there is a good chance settlement will occur.

NOTE 13 – THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA):

During the year ended June 30, 2009 the District received \$232,366 of ARRA funds to off-set a shortage in the State of Michigan foundation funding. It is uncertain if the District will receive ARRA funds in the future.

REQUIRED SUPPLEMENTARY INFORMATION

CARSONVILLE-PORT SANILAC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

| | GENERAL FUND | | | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|----------------------------|-------------------------|-------------------|---|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | |
| REVENUES: | | | | |
| Local sources | \$ 993,978 | \$ 1,022,861 | \$ 1,035,122 | \$ 12,261 |
| State sources | 3,775,406 | 3,817,434 | 3,583,770 | (233,664) |
| Federal sources | 238,131 | 322,288 | 507,630 | 185,342 |
| Transfers from other governmental units | 26,313 | 27,864 | 88,559 | 60,695 |
| TOTAL REVENUES | 5,033,828 | 5,190,447 | 5,215,081 | 24,634 |
| EXPENDITURES: | | | | |
| Instruction | 2,986,040 | 3,323,729 | 3,334,438 | (10,709) |
| Supporting services | 1,810,269 | 1,641,542 | 1,636,965 | 4,577 |
| Capital outlay | - | 103,650 | 128,935 | (25,285) |
| Outgoing transfers and other | 3,600 | 4,970 | 4,930 | 40 |
| TOTAL EXPENDITURES | 4,799,909 | 5,073,891 | 5,105,268 | (31,377) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 233,919 | 116,556 | 109,813 | (6,743) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from capital lease | - | - | 25,300 | 25,300 |
| Transfers to other funds | (191,942) | (194,942) | (188,798) | 6,144 |
| Transfer from other funds | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (191,942) | (194,942) | (163,498) | 31,444 |
| EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES) | \$ 41,977 | (78,386) | (53,685) | \$ 24,701 |
| FUND BALANCE - BEGINNING OF YEAR | | 945,343 | 945,343 | |
| FUND BALANCE - END OF YEAR | | \$ 866,957 | \$ 891,658 | |

ADDITIONAL INFORMATION

CARSONVILLE-PORT SANILAC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2009

| | SPECIAL REVENUE | TOTAL 2009 |
|--|----------------------------|-----------------------|
| <u>ASSETS</u> | | |
| Cash in bank | \$ 20,482 | \$ 20,482 |
| Accounts receivable | - | - |
| Due from other funds | - | - |
| TOTAL ASSETS | \$ 20,482 | \$ 20,482 |
| <u>LIABILITIES & FUND BALANCE</u> | | |
| LIABILITIES: | | |
| Due to other funds | \$ 8,030 | \$ 8,030 |
| TOTAL LIABILITIES | 8,030 | 8,030 |
| FUND BALANCE | 12,452 | 12,452 |
| TOTAL LIABILITIES & FUND BALANCE | \$ 20,482 | \$ 20,482 |

CARSONVILLE-PORT SANILAC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>DURANT DEBT</u> | <u>SPECIAL REVENUE</u> | <u>TOTAL 2009</u> |
|--|------------------------|----------------------------|-----------------------|
| REVENUES: | | | |
| Local sources | | \$ 100,799 | \$ 100,799 |
| State sources | \$ 21,979 | 11,789 | 33,768 |
| Federal sources | | 197,113 | 197,113 |
| TOTAL REVENUES | <u>21,979</u> | <u>309,701</u> | <u>331,680</u> |
| EXPENDITURES: | | | |
| Food services | | 291,278 | 291,278 |
| Athletic services | | 183,415 | 183,415 |
| Debt service: | | | |
| Principal redemption | 15,842 | | 15,842 |
| Interest | 6,137 | | 6,137 |
| Other | | | - |
| TOTAL EXPENDITURES | <u>21,979</u> | <u>474,693</u> | <u>496,672</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>-</u> | <u>(164,992)</u> | <u>(164,992)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers from other governmental units | | | - |
| Transfers from other funds | | 151,490 | 151,490 |
| Transfers to other funds | | | - |
| Other transfers | | | - |
| Payments on loans | | | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>151,490</u> | <u>151,490</u> |
| EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES) | <u>-</u> | <u>(13,502)</u> | <u>(13,502)</u> |
| FUND BALANCE - BEGINNING OF YEAR | <u>-</u> | <u>25,954</u> | <u>25,954</u> |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ 12,452</u> | <u>\$ 12,452</u> |

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2009

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|---------------------------------------|---------------------|---------------------|--|
| REVENUE FROM LOCAL SOURCES: | | | |
| Property Tax | | \$ 938,733 | |
| Tuition & Fees | | 55,494 | |
| Interest income | | 1,963 | |
| Other | | 38,932 | |
| TOTAL REVENUE FROM LOCAL SOURCES | <u>\$ 1,022,861</u> | <u>1,035,122</u> | <u>\$ 12,261</u> |
| REVENUE FROM STATE SOURCES: | | | |
| State aid | | 3,327,430 | |
| Drivers education | | - | |
| Other state grants | | 256,340 | |
| TOTAL REVENUE FROM STATE SOURCES | <u>3,817,434</u> | <u>3,583,770</u> | <u>(233,664)</u> |
| REVENUE FROM FEDERAL SOURCES: | | | |
| Title I | | 174,429 | |
| IDEA Project #050450/0405 | | - | |
| Rural & Low Income | | - | |
| Drug Free | | - | |
| ARRA Stabilization Funds | | 232,366 | |
| Other Federal Revenue | | 100,835 | |
| TOTAL REVENUE FROM FEDERAL SOURCES | <u>322,288</u> | <u>507,630</u> | <u>185,342</u> |
| OTHER: | | | |
| Sale of fixed assets | - | - | - |
| Proceeds from capital lease | - | 25,300 | 25,300 |
| Transfers from other government units | 27,864 | 88,559 | 60,695 |
| TOTAL OTHER | <u>27,864</u> | <u>113,859</u> | <u>(85,995)</u> |
| TOTAL REVENUES | <u>\$ 5,190,447</u> | <u>\$ 5,240,381</u> | <u>\$ 49,934</u> |

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2009

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|---------------------------|---------------------|------------------|--|
| INSTRUCTION: | | | |
| Basic Programs: | | | |
| Elementary: | | | |
| Professional Salaries | | \$ 733,628 | |
| Non-Professional Salaries | | 40,279 | |
| Insurance Benefits | | 195,897 | |
| FICA, Retirement, etc. | | 190,634 | |
| Other Benefits | | - | |
| Purchased Services | | 306 | |
| Supplies | | 54,697 | |
| Capital Outlay | | - | |
| Miscellaneous | | 731 | |
| Total Elementary | <u>\$ 1,212,902</u> | <u>1,216,172</u> | <u>\$ (3,270)</u> |
| Secondary: | | | |
| Professional Salaries | | 756,965 | |
| Non-Professional Salaries | | 23,015 | |
| Insurance Benefits | | 192,542 | |
| FICA, Retirement, etc. | | 185,072 | |
| Other Benefits | | - | |
| Purchased Services | | 1,115 | |
| Supplies | | 54,856 | |
| Capital Outlay | | 2,790 | |
| Miscellaneous | | 13,843 | |
| Total Secondary | <u>1,228,164</u> | <u>1,230,198</u> | <u>(2,034)</u> |
| Latch Key: | | | |
| Professional Salaries | | - | |
| Non-Professional Salaries | | 41,090 | |
| Insurance Benefits | | - | |
| FICA, Retirement, etc. | | 9,495 | |
| Other Benefits | | - | |
| Purchased Services | | - | |
| Supplies | | 2,113 | |
| Capital Outlay | | - | |
| Miscellaneous | | 309 | |
| Total Latch Key | <u>53,240</u> | <u>53,007</u> | <u>233</u> |

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2009

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|--|------------------|------------------|--|
| INSTRUCTION, (Continued): | | | |
| Added Needs: | | | |
| Special Education: | | | |
| Professional Salaries | | \$ 185,577 | |
| Non-Professional Salaries | | 26,357 | |
| Insurance Benefits | | 83,323 | |
| FICA, Retirement, etc. | | 62,956 | |
| Other Benefits | | - | |
| Purchased Services | | 68,548 | |
| Supplies | | 3,344 | |
| Capital Outlay | | 1,011 | |
| Miscellaneous | | 967 | |
| Total Special Education | \$ 431,701 | 432,083 | \$ (382) |
| Federal Programs: | | | |
| Professional Salaries | | 126,999 | |
| Non-Professional Salaries | | 52,015 | |
| Insurance Benefits | | 30,736 | |
| FICA, Retirement, etc. | | 34,090 | |
| Other Benefits | | - | |
| Purchased Services | | 8,556 | |
| Supplies | | 50,279 | |
| Capital Outlay | | - | |
| Miscellaneous | | - | |
| Total Federal Programs | 297,288 | 302,675 | (5,387) |
| Compensatory Education (At-Risk): | | | |
| Professional Salaries | | 40,509 | |
| Non-Professional Salaries | | - | |
| Insurance Benefits | | 28,051 | |
| FICA, Retirement, etc. | | 19,207 | |
| Other Benefits | | - | |
| Purchased Services | | 60 | |
| Supplies | | 12,476 | |
| Capital Outlay | | - | |
| Miscellaneous | | - | |
| Total Compensatory Education (At-Risk) | 100,434 | 100,303 | 131 |
| TOTAL INSTRUCTION: | 3,323,729 | 3,334,438 | (10,709) |

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2009

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|----------------------------------|-------------------|----------------|--|
| SUPPORTING SERVICES: | | | |
| Pupil Services: | | | |
| Guidance Services: | | | |
| Professional Salaries | | \$ 57,454 | |
| Non-Professional Salaries | | 12,477 | |
| Insurance Benefits | | 23,553 | |
| FICA, Retirement, etc. | | 17,062 | |
| Other Benefits | | - | |
| Purchased Services | | 17,400 | |
| Supplies | | 47 | |
| Capital Outlay | | - | |
| Miscellaneous | | - | |
| Total Guidance Services | <u>\$ 127,678</u> | <u>127,993</u> | <u>\$ (315)</u> |
| Improvement of Instruction: | | | |
| Professional Salaries | | - | |
| Non-Professional Salaries | | 1,304 | |
| FICA, Retirement, etc. | | - | |
| Purchased Services | | 12,831 | |
| Supplies | | 1,502 | |
| Total Improvement of Instruction | <u>12,481</u> | <u>15,637</u> | <u>(3,156)</u> |
| Library: | | | |
| Professional Salaries | | - | |
| Non-Professional Salaries | | 5,875 | |
| Insurance Benefits | | - | |
| FICA, Retirement, etc. | | 1,546 | |
| Other Benefits | | - | |
| Purchased Services | | - | |
| Supplies | | 2,940 | |
| Capital Outlay | | - | |
| Miscellaneous | | 237 | |
| Total Library | <u>12,295</u> | <u>10,598</u> | <u>1,697</u> |

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2009

| | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
|-----------------------------------|---------------|---------------|--|
| SUPPORTING SERVICES, (Continued): | | | |
| Pupil Services, (Continued): | | | |
| General Administration: | | | |
| Professional Salaries | | \$ 73,350 | |
| Non-Professional Salaries | | 30,073 | |
| Insurance Benefits | | 25,634 | |
| FICA, Retirement, etc. | | 7,507 | |
| Other Benefits | | - | |
| Purchased Services | | 33,359 | |
| Supplies | | 963 | |
| Capital Outlay | | 295 | |
| Miscellaneous | | 4,372 | |
| Total General Administration | \$176,453 | 175,553 | \$ 900 |
| School Administration: | | | |
| Professional Salaries | | 108,393 | |
| Non-Professional Salaries | | 50,302 | |
| Insurance Benefits | | 50,442 | |
| FICA, Retirement, etc. | | 37,826 | |
| Other Benefits | | - | |
| Purchased Services | | 59,598 | |
| Supplies | | 2,119 | |
| Capital Outlay | | - | |
| Miscellaneous | | 560 | |
| Total School Administration | 311,115 | 309,240 | 1,875 |
| Board of Education | | | |
| Professional Salaries | | 3,875 | |
| Non-Professional Salaries | | - | |
| Insurance Benefits | | - | |
| FICA, Retirement, etc. | | 380 | |
| Other Benefits | | - | |
| Purchased Services | | 12,612 | |
| Supplies | | - | |
| Capital Outlay | | - | |
| Miscellaneous | | 3,034 | |
| Total Board of Education | 19,713 | 19,901 | (188) |

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2009

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|-----------------------------------|---------------|---------------|--|
| SUPPORTING SERVICES, (Continued): | | | |
| Pupil Services, (Continued): | | | |
| Business - Fiscal Services: | | | |
| Professional Salaries | | \$ 50,774 | |
| Non-Professional Salaries | | - | |
| Insurance Benefits | | 18,888 | |
| FICA, Retirement, etc. | | 24,210 | |
| Other Benefits | | - | |
| Purchased Services | | 10,811 | |
| Supplies | | 346 | |
| Capital Outlay | | - | |
| Miscellaneous | | 21,089 | |
| Total Business - Fiscal Services: | \$ 126,546 | 126,118 | \$ 428 |
| Operation of Plant: | | | |
| Professional Salaries | | - | |
| Non-Professional Salaries | | 142,966 | |
| Insurance Benefits | | 58,009 | |
| FICA, Retirement, etc. | | 37,117 | |
| Other Benefits | | - | |
| Purchased Services | | 246,602 | |
| Supplies | | 20,971 | |
| Capital Outlay | | 23,858 | |
| Miscellaneous | | 414 | |
| Total Operation of Plant | 528,468 | 529,937 | (1,469) |
| Pupil Transportation: | | | |
| Professional Salaries | | - | |
| Non-Professional Salaries | | 94,783 | |
| Insurance Benefits | | 12,633 | |
| FICA, Retirement, etc. | | 24,038 | |
| Other Benefits | | - | |
| Purchased Services | | 81,319 | |
| Supplies | | 39,427 | |
| Capital Outlay | | - | |
| Miscellaneous | | 2,801 | |
| Total Pupil Transportation | 262,170 | 255,001 | 7,169 |

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2009

| | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
|--|---------------------|---------------------|--|
| SUPPORTING SERVICES, (Continued): | | | |
| Pupil Services, (Continued): | | | |
| Technology: | | | |
| Purchased Services | | \$ 32,825 | |
| Supplies | | 5,836 | |
| Capital Outlay | | 28,326 | |
| Total Technology | \$ 64,623 | 66,987 | \$ (2,364) |
| TOTAL SUPPORTING SERVICES | 1,641,542 | 1,636,965 | 4,577 |
| OTHER TRANSACTIONS: | | | |
| Other transfers | 4,970 | 4,930 | 40 |
| Capital outlay | 103,650 | 128,935 | (25,285) |
| Payments on loans | - | | - |
| TOTAL OTHER TRANSACTIONS | 108,620 | 133,865 | (25,245) |
| TOTAL EXPENDITURES | 5,073,891 | 5,105,268 | (31,377) |
| OTHER FINANCING USES: | | | |
| Transfers to other funds | 194,942 | 188,798 | 6,144 |
| TOTAL OTHER FINANCING USES | 194,942 | 188,798 | 6,144 |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | \$ 5,268,833 | \$ 5,294,066 | \$ (25,233) |

CARSONVILLE-PORT SANILAC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

| | <u>FOOD SERVICES</u> | <u>ATHLETICS</u> | <u>TOTAL 2009</u> |
|--|--------------------------|------------------------|-------------------------|
| <u>ASSETS</u> | | | |
| Cash in bank | \$ 16,401 | \$ 4,081 | \$ 20,482 |
| Accounts receivable | - | | - |
| Due from other funds | - | - | - |
| Due from other governmental units | - | | - |
| TOTAL ASSETS | <u>\$ 16,401</u> | <u>\$ 4,081</u> | <u>\$ 20,482</u> |
| <u>LIABILITIES & FUND BALANCE</u> | | | |
| LIABILITIES: | | | |
| Due to other funds | \$ 8,030 | - | \$ 8,030 |
| TOTAL LIABILITIES | <u>8,030</u> | <u>-</u> | <u>8,030</u> |
| FUND BALANCE | 8,371 | \$ 4,081 | 12,452 |
| TOTAL LIABILITIES & FUND BALANCE | <u>\$ 16,401</u> | <u>\$ 4,081</u> | <u>\$ 20,482</u> |

CARSONVILLE-PORT SANILAC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
JUNE 30, 2009

| | <u>FOOD SERVICES</u> | <u>ATHLETICS</u> | <u>COMBINED</u> | <u>COMBINED BUDGET</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|--|--------------------------|------------------|------------------|----------------------------|---|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Sale of meals & milk | \$ 66,933 | | \$ 66,933 | \$ 73,000 | \$ (6,067) |
| Admissions | | \$ 25,150 | 25,150 | 20,300 | 4,850 |
| Interest | 74 | 7 | 81 | 150 | (69) |
| Other | 2,620 | 6,015 | 8,635 | 12,900 | (4,265) |
| Total Local Sources | <u>69,627</u> | <u>31,172</u> | <u>100,799</u> | <u>106,350</u> | <u>(5,551)</u> |
| State Sources: | | | | | |
| State Lunch Aid | 10,244 | | 10,244 | 10,000 | 244 |
| Other | 1,545 | | 1,545 | 1,535 | 10 |
| Total State Sources | <u>11,789</u> | <u>-</u> | <u>11,789</u> | <u>11,535</u> | <u>254</u> |
| Federal Sources: | | | | | |
| National School Lunch Program | 184,373 | | 184,373 | 160,000 | 24,373 |
| USDA Commodities | 12,740 | | 12,740 | 9,000 | 3,740 |
| Total Federal Sources | <u>197,113</u> | <u>-</u> | <u>197,113</u> | <u>169,000</u> | <u>28,113</u> |
| TOTAL REVENUE | <u>278,529</u> | <u>31,172</u> | <u>309,701</u> | <u>286,885</u> | <u>22,816</u> |
| EXPENDITURES: | | | | | |
| School Service Activities: | | | | | |
| Professional salaries | 86,919 | | 86,919 | 85,000 | (1,919) |
| Employee benefits | 41,587 | | 41,587 | 56,700 | 15,113 |
| Food & milk | 150,334 | | 150,334 | 110,100 | (40,234) |
| Athletics activities | | 183,415 | 183,415 | 180,675 | (2,740) |
| Miscellaneous | 12,438 | | 12,438 | 5,500 | (6,938) |
| TOTAL EXPENDITURES | <u>291,278</u> | <u>183,415</u> | <u>474,693</u> | <u>437,975</u> | <u>(36,718)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(12,749)</u> | <u>(152,243)</u> | <u>(164,992)</u> | <u>(151,090)</u> | <u>(13,902)</u> |
| OTHER FINANCING SOURCES: | | | | | |
| Transfers from General Fund | | 151,490 | 151,490 | 150,600 | 890 |
| TOTAL OTHER FINANCING SOURCES | <u>-</u> | <u>151,490</u> | <u>151,490</u> | <u>\$ 150,600</u> | <u>890</u> |
| NET CHANGE IN FUND BALANCE | <u>(12,749)</u> | <u>(753)</u> | <u>(13,502)</u> | <u>\$ (490)</u> | <u>\$ (13,012)</u> |
| FUND BALANCE - JULY 1 | 21,120 | 4,834 | 25,954 | | |
| FUND BALANCE - JUNE 30 | <u>\$ 8,371</u> | <u>\$ 4,081</u> | <u>\$ 12,452</u> | | |

CARSONVILLE-PORT SANILAC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

| | <u>DURANT DEBT SERVICE</u> | <u>2005 REFUNDING</u> | <u>2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)</u> | <u>TOTALS</u> <u>2009</u> |
|--|------------------------------------|---------------------------|---|----------------------------------|
| <u>ASSETS</u> | | | | |
| Cash and equivalents | \$ - | \$ 328,565 | \$ 323,501 | \$ 652,066 |
| Due from other funds | - | 212 | - | 212 |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 328,777</u> | <u>\$ 323,501</u> | <u>\$ 652,278</u> |
| <u>LIABILITIES & FUND BALANCE</u> | | | | |
| Reserved for debt service | \$ - | \$ 328,777 | \$ 323,501 | \$ 652,278 |
| TOTAL LIABILITIES & FUND BALANCE | <u>\$ -</u> | <u>\$ 328,777</u> | <u>\$ 323,501</u> | <u>\$ 652,278</u> |

CARSONVILLE-PORT SANILAC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2009

| | <u>DURANT DEBT SERVICE</u> | <u>2005 REFUNDING</u> | <u>2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)</u> | <u>TOTALS 2009</u> |
|---|------------------------------------|---------------------------|---|------------------------|
| REVENUES FROM LOCAL SOURCES: | | | | |
| Local Sources: | | | | |
| Current tax levy | - | \$ 587,041 | - | \$ 587,041 |
| Interest on investments | - | 919 | \$ 6,275 | 7,194 |
| Total Local Sources | <u>-</u> | <u>587,960</u> | <u>6,275</u> | <u>594,235</u> |
| State Sources: | | | | |
| State school aid | \$ 21,979 | | | 21,979 |
| TOTAL REVENUES | <u>21,979</u> | <u>587,960</u> | <u>6,275</u> | <u>616,214</u> |
| EXPENDITURES: | | | | |
| Retirement of bonds | 15,842 | 290,000 | - | 305,842 |
| Interest on bonded debt | 6,137 | 295,934 | - | 302,071 |
| Bond fees and charges | - | 80 | - | 80 |
| TOTAL EXPENDITURES | <u>21,979</u> | <u>586,014</u> | <u>-</u> | <u>607,993</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfer from other funds | | - | 37,308 | 37,308 |
| Transfer to other funds | | | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>37,308</u> | <u>37,308</u> |
| NET CHANGE IN FUND BALANCE | <u>-</u> | <u>1,946</u> | <u>43,583</u> | <u>45,529</u> |
| FUND BALANCE - JULY 1 | <u>-</u> | <u>326,831</u> | <u>279,918</u> | <u>606,749</u> |
| FUND BALANCE - JUNE 30 | <u>\$ -</u> | <u>\$ 328,777</u> | <u>\$ 323,501</u> | <u>\$ 652,278</u> |

CARSONVILLE-PORT SANILAC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND LIABILITIES
YEAR ENDED JUNE 30, 2009

| | BALANCE JUNE 30, 2008 | CASH RECEIPTS | CASH DISBURSEMENTS | BALANCE JUNE 30, 2009 |
|----------------------------------|--------------------------------------|--------------------------|-------------------------------|--------------------------------------|
| Academic awards | \$ 60 | \$ 256 | \$ 85 | \$ 231 |
| Academic Memorial Fund | 534 | - | - | 534 |
| Alt Ed Misc | 625 | 1,893 | 1,139 | 1,379 |
| Art Club | 306 | 100 | 74 | 332 |
| Band | 176 | 72 | 122 | 126 |
| Baseball | - | 1,026 | 1,152 | (126) |
| Boys Basketball | 64 | 7,270 | 7,334 | - |
| Careers | 331 | - | - | 331 |
| Central office - miscellaneous | (937) | 327 | 1,326 | (1,936) |
| Cheerleading | (216) | 1,542 | 756 | 570 |
| Class of 2005 | 417 | - | - | 417 |
| Class of 2006 | (172) | - | - | (172) |
| Class of 2007 | 216 | - | - | 216 |
| Class of 2008 | 834 | - | 931 | (97) |
| Class of 2009 | 86 | 3,017 | 4,385 | (1,282) |
| Class of 2010 | 390 | 66 | 344 | 112 |
| Class of 2011 | 160 | 184 | 263 | 81 |
| Community Enrichment | 30 | - | - | 30 |
| Cross Country Team | 1,097 | 500 | 1,304 | 293 |
| District Pride | 68 | - | - | 68 |
| Drivers Education | 136 | - | - | 136 |
| Economics Club | 8 | - | - | 8 |
| Elementary Academic | 7,674 | 26,997 | 28,010 | 6,661 |
| Elementary Art | 59 | - | - | 59 |
| Elementary Extra Curricular | 812 | 300 | 272 | 840 |
| Elementary Fund Raising | 52 | 109 | 212 | (51) |
| Elementary Library Book Fund | 3,083 | 2,835 | 2,717 | 3,201 |
| Elementary RIF Program | 65 | 3,390 | 3,693 | (238) |
| Elementary Reading Level Library | 5,388 | 500 | 556 | 5,332 |
| Elementary Store | 32 | - | - | 32 |
| Elementary Student Assistance | 125 | - | - | 125 |
| Elementary Student Council | 67 | - | - | 67 |
| Equestrian Team | 175 | 225 | 400 | - |
| Football Team | (3) | 4 | - | 1 |
| French Club | 20 | - | - | 20 |
| Freshman BB | 237 | - | - | 237 |
| Girls Basketball | 1,600 | 6,718 | 5,374 | 2,944 |
| Golf Team | 181 | - | - | 181 |
| High School (pop) | 1,207 | 3,720 | 4,531 | 396 |
| High School Student Assistance | 404 | 213 | 195 | 422 |
| High School Student Council | 3,239 | 7,929 | 9,396 | 1,772 |
| Honor society | 274 | 649 | 1,105 | (182) |
| Honor Society Field Trip | 20 | 1,921 | 800 | 1,141 |
| Interest earned | 738 | 160 | 182 | 716 |
| Library Book Fund | 98 | 34 | - | 132 |
| Middle School Student Council | 1,842 | 4,651 | 4,508 | 1,985 |
| Middle School Technology | 250 | - | - | 250 |
| Miscellaneous | 1,861 | 9,809 | 9,972 | 1,698 |
| Mitchell Memorial | 189 | 83 | - | 272 |
| Natural Helpers | 161 | - | - | 161 |
| Office machines | 7 | - | - | 7 |
| Phy. Ed. Lock Replacement | 201 | - | - | 201 |
| Science Department | 22 | 200 | - | 222 |
| Softball Team | 497 | 3,200 | 3,902 | (205) |
| Special Activities | (276) | - | - | (276) |
| Theater 13 | (1,379) | 3,634 | 2,998 | (743) |
| Toys for Tots | 32 | - | - | 32 |
| Track Team | 907 | - | 826 | 81 |
| Travel Club | 454 | 632 | 631 | 455 |
| Video Arts | 719 | - | - | 719 |
| Volleyball | 1,005 | 838 | - | 1,843 |
| Yearbook | 2,127 | 2,405 | 4,532 | - |
| TOTAL AGENCY FUND | \$ 38,379 | \$ 97,409 | \$ 104,027 | \$ 31,761 |

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)
JUNE 30, 2009

| PRINCIPAL DUE MAY 1 | DEBT SERVICE REQUIREMENT FOR FISCAL YEAR | |
|--------------------------------|---|-------------------|
| | JUNE 30 | AMOUNT |
| \$ 485,000 | 2014 | \$ 485,000 |
| <u>\$ 485,000</u> | | <u>\$ 485,000</u> |

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT - DURANT BONDS
JUNE 30, 2009

| <u>PRINCIPAL DUE</u> <u>MAY 15</u> | <u>INTEREST DUE</u> | <u>DEBT SERVICE REQUIREMENT</u> <u>FOR FISCAL YEAR</u> | |
|---------------------------------------|---------------------|---|------------------|
| | <u>MAY 15</u> | <u>JUNE 30</u> | <u>AMOUNT</u> |
| \$ 2,716 | \$ 555 | 2010 | \$ 3,271 |
| 2,845 | 426 | 2011 | 3,271 |
| 2,980 | 291 | 2012 | 3,271 |
| 3,122 | 149 | 2013 | 3,271 |
| <u>\$ 11,663</u> | <u>\$ 1,421</u> | | <u>\$ 13,084</u> |

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This 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 limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the School Aid Payments directly to the Authority's Depository.

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
2000 DEBT RETIREMENT FUND
JUNE 30, 2009

| PRINCIPAL DUE MAY 15 | INTEREST DUE MAY 15 | DEBT SERVICE REQUIREMENT FOR FISCAL YEAR | |
|---------------------------------|--------------------------------|---|-------------------|
| | | JUNE 30 | AMOUNT |
| \$ 265,000 | \$ 13,912 | 2010 | \$ 278,912 |
| \$ 265,000 | \$ 13,912 | | \$ 278,912 |

On April 12, 2005 Carsonville-Port Sanilac School District refunded the 2011 through 2026 bonds for the purpose of better interest rates and erecting, furnishing, and equipping additions to the District's Elementary School and Middle/High School.

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
REFUNDING BONDS, SERIES 2005
JUNE 30, 2009

| PRINCIPAL DUE MAY 1 | INTEREST DUE | | DEBT SERVICE REQUIREMENT FOR FISCAL YEAR | |
|--------------------------------|---------------------|---------------------|---|---------------------|
| | MAY 1 | NOVEMBER 1 | JUNE 30 | AMOUNT |
| \$ 35,000 | \$ 133,704 | \$ 133,704 | 2010 | \$ 302,408 |
| 310,000 | 133,092 | 133,092 | 2011 | 576,184 |
| 320,000 | 127,279 | 127,279 | 2012 | 574,558 |
| 325,000 | 121,079 | 121,079 | 2013 | 567,158 |
| 335,000 | 114,579 | 114,579 | 2014 | 564,158 |
| 345,000 | 107,879 | 107,879 | 2015 | 560,758 |
| 360,000 | 100,764 | 100,764 | 2016 | 561,528 |
| 370,000 | 93,114 | 93,114 | 2017 | 556,228 |
| 385,000 | 85,714 | 85,714 | 2018 | 556,428 |
| 395,000 | 77,773 | 77,773 | 2019 | 550,546 |
| 405,000 | 69,133 | 69,133 | 2020 | 543,266 |
| 420,000 | 60,020 | 60,020 | 2021 | 540,040 |
| 430,000 | 50,570 | 50,570 | 2022 | 531,140 |
| 440,000 | 41,433 | 41,433 | 2023 | 522,866 |
| 450,000 | 31,808 | 31,808 | 2024 | 513,616 |
| 465,000 | 21,964 | 21,964 | 2025 | 508,928 |
| 480,000 | 10,920 | 10,920 | 2026 | 501,840 |
| \$ 6,270,000 | \$ 1,380,825 | \$ 1,380,825 | | \$ 9,031,650 |

On April 12, 2005 Carsonville-Port Sanilac School District refunded the 2011 through 2026 bonds for the purpose of better interest rates and erecting, furnishing, and equipping additions to the District's Elementary School and Middle/High School.

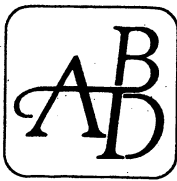
CARSONVILLE-PORT SANILAC SCHOOLS

ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2009

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Timothy Franzel

November 2, 2009

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

.....
Robert L. Tuckey, CPA

To the Board of Education
Carsonville-Port Sanilac Schools
Carsonville, MI 48723

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of and for the year ended June 30, 2009, which collectively comprise Carsonville-Port Sanilac School's basic financial statements and have issued our report thereon dated November 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Carsonville-Port Sanilac Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carsonville-Port Sanilac Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Carsonville-Port Sanilac Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We considered the deficiencies described as 2009-1 & 2009-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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To the Board of Education
November 2, 2009

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

COMPLIANCE AND OTHER MATTERS

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

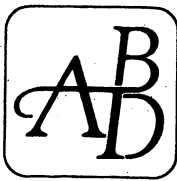
We noted certain matters that we reported to management of Carsonville-Port Sanilac Schools in a separate letter dated November 2, 2009.

Carsonville-Port Sanilac Schools response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, others within the entity, U.S. Department of Education, Michigan Department of Education, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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Timothy Franzel

.....
Robert L. Tuckey, CPA

November 2, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Carsonville-Port Sanilac Schools
Carsonville, MI 48723

COMPLIANCE

We have audited the compliance of Carsonville-Port Sanilac Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. Carsonville-Port Sanilac Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of Carsonville-Port Sanilac Schools' management. Our responsibility is to express an opinion on Carsonville-Port Sanilac Schools' compliance based on our audit.

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

In our opinion, Carsonville-Port Sanilac Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-3.

INTERNAL CONTROL OVER COMPLIANCE

The management of Carsonville-Port Sanilac Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Carsonville-Port Sanilac Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the effectiveness of Carsonville-Port Sanilac Schools' internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

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Cass City & Marlette

To the Board of Education
November 2, 2009

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described above to be a material weakness.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of and for the year ended June 30, 2009, and have issued our report thereon dated November 2, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Carsonville-Port Sanilac Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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.

Carsonville-Port Sanilac Schools response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CARSONVILLE-PORT SANILAC SCHOOLS, CARSONVILLE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS- THROUGH GRANTOR'S NUMBER | AWARD AMOUNT | ACCRUED (DEFERRED) REVENUE 6/30/2008 | (MEMO ONLY) PRIOR YEAR EXPENDITURES | CURRENT YEAR RECEIPTS | CURRENT YEAR EXPENDITURES | ACCRUED (DEFERRED) REVENUE 6/30/2009 |
|--|---------------------------|---|-----------------|---|---|-----------------------------|---------------------------------|---|
| U.S. DEPARTMENT OF EDUCATION: | | | | | | | | |
| Small Rural Schools Grant | 84.358A | 065901 | \$ 3,952 | | | \$ 3,952 | \$ 3,952 | - |
| Small Rural Schools Grant | 84.358A | 075901 | 7,732 | | | 7,732 | 7,732 | - |
| | | | 11,684 | - | - | 11,684 | 11,684 | - |
| Passed through Michigan Dept. of Education: | | | | | | | | |
| Title I - Part A | 84.010 | 715300809 | 158,008 | - | | 146,577 | 158,008 | \$ 11,431 |
| Title I - Part A | 84.010 | | - | \$ (15,621) | | - | 15,621 | - |
| Title I - Part A | 84.010 | 615300708 | 164,893 | 164,893 | | 164,893 | 800 | 800 |
| | | | 322,901 | 149,272 | - | 311,470 | 174,429 | 12,231 |
| Title V | 84.298 | 8025000708 | 1,227 | 1,227 | | 1,227 | - | - |
| | | | 1,227 | 1,227 | - | 1,227 | - | - |
| Title II - Part D | 84.318 | 942900809 | 1,364 | - | | 1,364 | 1,364 | - |
| Title II - Part D | 84.318 | 642900708 | 1,557 | 1,557 | | 1,557 | - | - |
| | | | 2,921 | 1,557 | - | 2,921 | 1,364 | - |
| Title IIA -Teacher Quality | 84.367 | 905200809 | 87,787 | - | | - | 45,697 | 45,697 |
| Title IIA -Teacher Quality | 84.367 | 805200708 | 3,880 | 3,880 | | 3,880 | 42,090 | 42,090 |
| Title IIA - Teacher Quality | 84.367 | 605200506 | - | (34,910) | | (34,910) | - | - |
| | | | 91,667 | (31,030) | - | (31,030) | 87,787 | 87,787 |
| State Fiscal Stabilization Fund | 84.394 | 828600809 | 232,366 | - | | - | 232,366 | 232,366 |
| | | | 232,366 | - | - | - | 232,366 | 232,366 |
| Total Passed Through Michigan Dept. of Education | | | 651,082 | 121,026 | - | 284,588 | 495,946 | 332,384 |

CARSONVILLE-PORT SANILAC SCHOOLS, CARSONVILLE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS- THROUGH GRANTOR'S NUMBER | AWARD AMOUNT | ACCRUED (DEFERRED) REVENUE 6/30/2008 | (MEMO ONLY) PRIOR YEAR EXPENDITURES | CURRENT YEAR RECEIPTS | CURRENT YEAR EXPENDITURES | ACCRUED (DEFERRED) REVENUE 6/30/2009 |
|--|---------------------------|---|-----------------|---|---|-----------------------------|---------------------------------|---|
| TRANSFERS FROM OTHER GOVERNMENTAL UNITS | | | | | | | | |
| Passed Through the Tuscola Intermediate School District: | | | | | | | | |
| Drug Free Schools | 84.186 | 528600708 | - | \$ 210 | - | \$ 210 | - | - |
| | | | - | 210 | - | 210 | - | - |
| TOTAL TRANSFERS FROM OTHER GOVERNMENTAL UNITS | | | - | 210 | - | 210 | - | - |
| U.S. DEPARTMENT OF AGRICULTURE: | | | | | | | | |
| Passed through Michigan Dept. of Education: | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | |
| Food Distribution - Non-cash Assistance: | | | | | | | | |
| Entitlement Commodities | 10.555 | | \$ 11,506 | | | 11,780 | \$ 11,780 | - |
| Bonus Commodities | 10.555 | | 960 | | | 960 | 960 | - |
| | | | 12,466 | - | - | 12,740 | 12,740 | - |
| Cash Assistance: | | | | | | | | |
| National School Breakfast | 10.553 | | 62,082 | | | 62,082 | 62,082 | - |
| National School Lunch | 10.555 | | 122,291 | | | 122,291 | 122,291 | - |
| | | | 184,373 | - | - | 184,373 | 184,373 | - |
| Total Child Nutrition Cluster | | | 196,839 | - | - | 197,113 | 197,113 | - |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 196,839 | - | - | 197,113 | 197,113 | - |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | \$ 859,605 | \$ 121,236 | \$ - | \$ 493,595 | \$ 704,743 | \$ 332,384 |

The accompanying notes are an integral part of this schedule.

CARSONVILLE-PORT SANILAC SCHOOLS, CARSONVILLE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

NOTES:

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Carsonville-Port Sanilac Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization* and reconciles with the amounts presented in, or used in the preparation of, the financial statements.
2. The American Recovery and Reinvestment Act of 2009, CFDA #84.394 and Title I - Part A, CFDA #84.010 were audited as major programs representing 58% of federal expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the basic financial statements:

| | |
|----------------------|-------------------------|
| General Fund | \$507,630 |
| Special Revenue Fund | <u>197,113</u> |
| Total | <u>\$704,743</u> |

6. The National School Lunch Program Commodities Entitlement Award was \$12,466. The District received commodities totaling \$12,740. Based upon confirmation from the Michigan Department of Education \$12,740 has been recorded.

CARSONVILLE-PORT SANILAC SCHOOLS, CARSONVILLE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) that are not considered to be material weaknesses? X Yes _____ None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) that are not considered to be material weaknesses? X Yes _____ None reported

Type of auditor’s report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? X Yes _____ No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 84.394 | American Recovery and Reinvestment Act of 2009 |
| 84.010 | Title I - Part A |

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

CARSONVILLE-PORT SANILAC SCHOOLS, CARSONVILLE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings

Findings - Significant Deficiencies

- **Finding 2009-1**

Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Carsonville-Port Sanilac Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Context: External assistance is required to prepare the annual financial statements and related footnotes.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Cause:

The staff of the district does not understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

- **Finding 2009-2**

Criteria:

Statement on Auditing Standards #112 titled *Communicating Internal Control Related matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

Condition:

Due to the limited number of staff, many critical duties are combined and given to the available staff.

Context:

Internal controls are weakened due to the lack of segregation of duties.

CARSONVILLE-PORT SANILAC SCHOOLS, CARSONVILLE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings (Continued)

Effect:

Other staff members must be utilized in order to achieve good internal controls.

Cause:

The district doesn't have enough staff in the business office to have a proper segregation of duties.

Recommendation:

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Section III – Federal Award Findings and Questioned Costs

Finding - Noncompliance and Significant Deficiency

• **Finding 2009-3**

Criteria:

The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

Condition:

The District did not complete the time certifications required for the employees working solely on a single Federal award or cost objective.

Context:

Salaries and wages charged to the program could be disallowed.

Effect:

Proper documentation of time spent by full time employees is not being completed.

Cause:

The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.

Recommendation:

The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.

Questioned Costs:

None.

CARSONVILLE-PORT SANILAC SCHOOLS, CARSONVILLE, MICHIGAN
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

- **Finding 2008-1 Significant Deficiency**

Condition:

After considering the qualifications of the accounting personnel of Carsonville-Port Sanilac Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Current Status:

The District maintains that it is not cost efficient to develop this expertise. They plan to continue to use external auditors for this technical assistance.

- **Finding 2008-2 Significant Deficiency**

Condition:

Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

Recommendation:

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Current Status:

The District maintains that it is not cost effective or necessary to hire additional employee within the business office. Other staff members and/or board members will be utilized in order to achieve good internal controls.

CARSONVILLE-PORT SANILAC SCHOOLS, CARSONVILLE, MICHIGAN

CORRECTIVE ACTION PLAN

JUNE 30, 2009

CONTACT PERSON: Margie Christenberry

OVERSIGHT AGENCY: U.S. Department of Education

Carsonville-Port Sanilac Schools respectively submits the following corrective action plan for the year ended June 30, 2009.

Auditor: Anderson Tuckey, Bernhardt & Doran, P.C.
715 E. Frank St.
Caro, Michigan 48723

Audit Period: Year ended June 30, 2009

The finding from the June 30, 2009 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Findings- Financial Statement Audit

Finding 2009-1 Significant Deficiency

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Action to be taken: We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

Finding 2009-2 Significant Deficiency

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

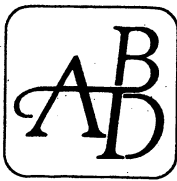
Action to be taken: We are aware of this deficiency and believe it is not cost beneficial in our situation to hire additional staff. We will continue to segregate duties in the business office based on available staff. We would expect this situation to be ongoing in future years.

Findings- Federal Awards

Finding 2009-3 Noncompliance and Significant Deficiency

Recommendation: The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.

Action to be taken: The District will review federal timekeeping requirements to ensure compliance. All of the District's staff whose salaries and fringe benefits are charged to federal programs will begin completing time certifications. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel

.....
Robert L. Tuckey, CPA

November 2, 2009

To the Members of the Board
Carsonville-Port Sanilac Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Carsonville-Port Sanilac Schools** for the year ended June 30, 2009, and have issued our report thereon dated November 2, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 24, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered **Carsonville-Port Sanilac Schools'** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct effect on a major federal program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether **Carsonville-Port Sanilac Schools'** financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about **Carsonville-Port Sanilac Schools'** compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on **Carsonville-Port Sanilac Schools'** compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on **Carsonville-Port Sanilac Schools'** compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 2, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the **Carsonville-Port Sanilac Schools** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$58,788. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 2, 2009.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

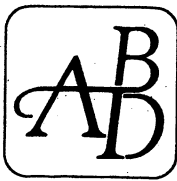
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

This information is intended solely for the use of the Members of the Board and management of the **Carsonville-Port Sanilac Schools** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
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Jamie L. Peasley, CPA
Timothy Franzel

November 2, 2009

To the Board of Education
Carsonville-Port Sanilac Schools

.....
Robert L. Tuckey, CPA

In planning and performing our audit of the financial statements of **Carsonville-Port Sanilac Schools** as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of American, we considered **Carsonville-Port Sanilac Schools'** internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 2, 2009 on the financial statements of **Carsonville-Port Sanilac Schools**. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Current Year Comments

Statement No. 54 of the Governmental Accounting Standards Board

The GASB recently released this statement. 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.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *non-spendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

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Cass City & Marlette

The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. Early implementation is encouraged. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented.

We would be happy to discuss these changes in terminology with you to determine the appropriate allocation of fund balance in future years.

Uninsured Bank Deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding there are limits to FDIC insured balances on interest bearing accounts and certain non interest bearing accounts may have no FDIC insurance limits. We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy your goals.

Universal Service Fund (E-rate) Compliance

The Federal Communications Commission (FCC) is emphasizing audits of the E-Rate program. As part of their review they are requiring proof of compliance with the Child Internet Protection Act (CIPA). Some of the requirements are the adoption of an internet safety policy and to hold at least one public hearing.

We recommend you review your policies and procedures in this area and work with your attorney to ensure compliance in this area.

American Recovery & Reinvestment Act (ARRA) Funds

For the year ending June 30, 2009 the district received a significant amount of federal stimulus funds (\$371.86/pupil). The amount to be received in the future depends on a number of factors. These amounts may be significant and require additional administrative reporting and oversight. The website ED.gov has additional information on using the ARRA funds.

We recommend you review your internal controls over federal funds as these new funds require additional accounting reporting and transparency.

This communication is intended solely for the information and use of management, the Board of Education of **Carsonville-Port Sanilac Schools**, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants