

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
June 30, 2009

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009, on our consideration of the Pinconning Area School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pinconning Area School's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Pinconning Area Schools. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

QUAST, JANKE AND COMPANY



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Certified Public Accountants, P.C.

# ***Quast, Janke and Company, P.C.***

*Certified Public Accountants*

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

November 3, 2009

To the Board of Education  
Pinconning Area Schools  
605 West Fifth Street  
Pinconning, Michigan 48650

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pinconning Area Schools, Pinconning, Michigan as of and for the year ended June 30, 2009 and 2008, which collectively comprise the Pinconning Area School's basic financial statements and have issued our report thereon dated November 3, 2009. We conducted our audit in accordance with the 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 Pinconning Area School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pinconning Area School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pinconning Area School's internal control over financial reporting.

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 Pinconning Area School'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 Pinconning Area School's financial statements that is more than inconsequential will not be prevented or detected the Pinconning Area School's internal control.

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 Pinconning Area School's internal control.

Board of Education

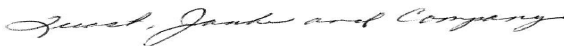
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

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

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

QUAST, JANKE AND COMPANY



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Certified Public Accountants, P.C.

## **Pinconning Area Schools Management's Discussion and Analysis**

This section of Pinconning Area Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the years ended June 30, 2009 and 2008. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pinconning Area Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for the General Fund

Other Supplemental Information

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar

## **Pinconning Area Schools Management's Discussion and Analysis**

to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

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

### **Reporting the School District's Most Significant Funds – Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

**Pinconning Area Schools  
Management's Discussion and Analysis**

**The School District as Trustee – Reporting the School District's Fiduciary Responsibilities**

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

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2009 and 2008:

TABLE 1:

	<u>Governmental Activities</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>Assets:</b>		
Current and other assets	\$ 11,151,909	\$ 20,583,149
Capital assets – Net of accumulated depreciation	<u>16,583,632</u>	<u>5,735,845</u>
Total Assets	27,735,541	26,318,994
<b>Liabilities:</b>		
Current liabilities	6,648,738	5,342,330
Long-term liabilities	<u>15,811,805</u>	<u>16,290,113</u>
Total Liabilities	<u>22,460,543</u>	<u>21,632,443</u>
<b>Net Assets:</b>		
Invested in property and equipment – Net of related debt	903,632	3,285,135
Restricted	17,807	13,998
Unrestricted	<u>4,353,559</u>	<u>1,387,418</u>
Total Net Assets	<u>\$ 5,274,998</u>	<u>\$ 4,686,551</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The

**Pinconning Area Schools  
Management's Discussion and Analysis**

School District's net assets were \$5,274,998 at June 30, 2009. Capital assets, net of related debt compares the original cost, less depreciation of the School District's capital assets to long-term debt. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$4,353,559, was unrestricted.

The \$4,353,559 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

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

TABLE 2:

	<u>Governmental Activities</u>	
	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
<b>Revenue:</b>		
Program revenue:		
Charges for services	\$ 344,442	\$ 359,315
Grants and categorical	2,742,027	2,023,358
General revenue:		
Property taxes	1,991,168	2,062,913
State foundation allowance	10,251,637	10,862,928
Other	<u>725,580</u>	<u>719,673</u>
Total Revenue	<u>16,054,854</u>	<u>16,028,187</u>
<b>Function/Program Expenses:</b>		
Instruction	8,698,065	8,536,210
Support services	4,866,995	5,142,068
Community services	110,172	114,464
Food services	582,865	558,267
Athletics	297,570	299,335
Interest on long-term debt	756,086	460,134
Depreciation (unallocated)	<u>154,654</u>	<u>5,718</u>
Total Expenses	<u>15,466,407</u>	<u>15,116,196</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 588,447</u>	<u>\$ 911,991</u>

## **Pinconning Area Schools Management's Discussion and Analysis**

As reported in the statement of activities, the cost of all of our governmental activities this year was \$15,466,407. Certain activities were partially funded from those who benefited from the program or by other governments and organizations that subsidized certain programs with grants and categoricals. We paid for the remaining "public benefit" portion of our governmental activities with \$1,991,168 in taxes, \$10,251,637 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$588,447. Key reasons for the change in net assets were tightened fiscal controls. The increase in net assets differs from the change in fund balance and reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

### **The School District's Funds**

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$5,060,242, which is a decrease of \$10,683,584 from last year. The primary reason for this decrease is expenditure of bond sale proceeds. Also, in the General Fund, our principal operating fund, the balance decreased \$266,796 to \$956,529. The 2007 Debt Retirement Fund balance increased \$11,620. The 2007 Capital Projects Fund balance decreased \$10,416,892 due to expenditure of bond sale proceeds. The Food Service Fund balance increased \$30,420.

### **General Fund Budgetary Highlights**

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

- C Budgeted revenues were increased by \$442,948 due to additional revenues from the federal government and local sources.
- C Budgeted expenses were increased by \$550,374 to more closely reflect anticipated expenditures.

**Pinconning Area Schools  
Management's Discussion and Analysis**

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2009, the School District had \$34,876,637 invested in a broad range of capital assets, including land, buildings, vehicles, and equipment. This amount represents a net increase (including additions and disposals) of \$11,052,082.

	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 649,769	\$ 630,604
Buildings and improvements	18,759,966	18,703,802
Buses and other vehicles	1,620,362	1,592,076
Construction in progress	12,366,307	1,585,710
Equipment	<u>1,480,233</u>	<u>1,312,363</u>
 Total Capital Assets	 34,876,637	 23,824,555
 Less accumulated depreciation	 <u>18,293,005</u>	 <u>18,088,710</u>
 Net Capital Assets	 <u>\$ 16,583,632</u>	 <u>\$ 5,735,845</u>

This year's additions of \$11,053,604 consisted mainly of the following:

Construction in progress on improvements to high school, middle school, and site improvements	\$ 10,780,597
New truck	23,566
Food service equipment	92,511
Miscellaneous other items	<u>156,930</u>
	<u>\$ 11,053,604</u>

**Debt**

At the end of this year, the School District had \$15,680,000 in bonds outstanding versus \$16,080,000 in the previous year. These bonds consisted of the following:

	<u>2009</u>	<u>2008</u>
1997 Building and Site Bonds	\$ 665,000	\$ 865,000
2007 School Building and Site Bonds	<u>15,015,000</u>	<u>15,215,000</u>
	<u>\$ 15,680,000</u>	<u>\$ 16,080,000</u>

## **Pinconning Area Schools Management's Discussion and Analysis**

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this limit. The School District's outstanding unqualified general obligation debt of \$15,680,000 is below the statutorily imposed limit.

Other obligations include employee-compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2010 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent and 75 percent of the February 2009 and September 2009 student counts, respectively. The 2010 fiscal year budget was adopted in June 2009, based on an estimate of students that will be enrolled in September of 2009. Approximately 75 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operation. Based on early enrollment data at the start of the 2009-2010 school year, we anticipate that the fall student count will be slightly less than the estimates used in creating the 2010 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual District resources are not sufficient to fund original appropriations.

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

### **Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the business Department, 605 W. Fifth St., Pinconning, MI 48650.

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

STATEMENT OF NET ASSETS  
June 30, 2009 and 2008

	June 30,	
	2009	2008
<b>ASSETS:</b>		
Cash & equivalents	\$ 2,827,152	\$ 3,590,087
Investments	5,669,534	14,467,080
Property taxes receivable	199,838	19,682
Accounts receivable	37,458	17,917
Due from State of Michigan	2,252,041	2,247,151
Prepays	45,824	121,304
Inventories	17,807	13,998
Deferred bond expenses	108,378	108,378
Accumulated amortization	(6,123)	(2,448)
Construction in progress	12,366,307	1,585,710
Capital assets	22,510,330	22,238,845
Accumulated depreciation	(18,293,005)	(18,088,710)
Total Assets	27,735,541	26,318,994
<b>LIABILITIES:</b>		
Accounts payable	2,323,416	772,635
Accrued payroll and other liabilities	1,408,465	1,235,531
Due to Fiduciary Fund	0	12,805
Due to other governmental units	8,176	0
Deferred revenue	58,681	121,359
State aid note payable	2,400,000	2,800,000
Current portion of long term liabilities	450,000	400,000
Non current portion of long term liabilities	15,811,805	16,290,113
Total Liabilities	22,460,543	21,632,443
<b>NET ASSETS:</b>		
Investment in capital assets - net of related debt	903,632	3,285,135
Restricted	17,807	13,998
Unrestricted	4,353,559	1,387,418
Total Net Assets	\$ 5,274,998	\$ 4,686,551

See Notes to Financial Statements

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009 and 2008

	Program Revenues				Governmental Activities Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Year Ended June 30,	
					2009	2008
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 8,698,065	\$ 61,185	\$ 1,918,611	\$ 0	\$ (6,718,269)	\$ (7,203,759)
Supporting Services	4,866,995	51,543	355,443	0	(4,460,009)	(4,759,602)
Community Services	110,172	0	21,687	0	(88,485)	(83,917)
Food Services	582,865	182,703	446,286	0	46,124	11,480
Athletics	297,570	49,011	0	0	(248,559)	(231,873)
Interest on long-term debt	756,086	0	0	0	(756,086)	(460,134)
Depreciation (Unallocated)	154,654	0	0	0	(154,654)	(5,718)
Total Governmental Activities	\$ 15,466,407	\$ 344,442	\$ 2,742,027	\$ 0	(12,379,938)	(12,733,523)
GENERAL PURPOSE REVENUES:						
Property taxes - Operating					1,080,328	1,179,873
Property taxes - Debt Retirement					910,840	883,040
State school aid - unrestricted					10,251,637	10,862,928
Investment earnings					543,712	386,250
Gain (Loss) on sale of assets					0	3,492
Other					181,868	329,931
Total General Purpose revenues					12,968,385	13,645,514
Change in Net Assets					588,447	911,991
Net Assets - Beginning of Year					4,686,551	4,008,572
Correction to prior years Net Assets					0	(234,012)
Net Assets - End of Year					\$ 5,274,998	\$ 4,686,551

See Notes to Financial Statements

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2009 and 2008

ASSETS	GENERAL	FOOD SERVICE	2007 DEBT RETIREMENT	2007 CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL JUNE 30,	
						2009	2008
Cash	\$ 2,199,871	\$ 139,666	\$ 350,597	\$ 137,018	\$ 0	\$ 2,827,152	\$ 2,168,716
Investments	0	0	0	5,669,534	0	5,669,534	0
Taxes receivable	122,986	0	76,852	0	0	199,838	23,230
Accounts receivable	37,457	0	0	0	0	37,457	60,989
Due from State of Michigan	2,248,298	3,743	0	0	0	2,252,041	2,245,122
Due from other funds	46,871	0	0	0	14,182	61,053	119,633
Prepays	10,825	35,000	0	0	0	45,825	66,144
Inventory	0	17,807	0	0	0	17,807	51,044
	<u>\$ 4,666,308</u>	<u>\$ 196,216</u>	<u>\$ 427,449</u>	<u>\$ 5,806,552</u>	<u>\$ 14,182</u>	<u>\$ 11,110,707</u>	<u>\$ 4,734,878</u>
 <u>LIABILITIES AND FUND EQUITY</u>							
LIABILITIES:							
Accounts payable	\$ 55,811	\$ 40,724	\$ 0	\$ 1,391,080	\$ 0	\$ 1,487,615	\$ 89,415
Retainages payable	0	0	0	835,801	0	835,801	0
State aid loan	2,400,000	0	0	0	0	2,400,000	2,150,000
Salaries payable	761,881	0	0	0	0	761,881	609,980
Retirement	125,071	0	0	0	0	125,071	99,599
Payroll taxes	48,472	0	0	0	0	48,472	36,759
Employee benefits	263,716	0	0	0	0	263,716	150,054
Early retirement incentives	0	0	0	0	0	0	226,711
Due to other funds	0	56,198	36	4,818	0	61,052	113,173
Due to other governmental units	8,176	0	0	0	0	8,176	0
Deferred revenue	46,652	12,029	0	0	0	58,681	197,250
Total Liabilities	3,709,779	108,951	36	2,231,699	0	6,050,465	3,672,941
FUND EQUITY:							
Reserved	0	87,265	427,413	3,574,853	0	4,089,531	51,044
Unreserved - Undesignated	956,529	0	0	0	14,182	970,711	1,010,893
Total Fund Equity	956,529	87,265	427,413	3,574,853	14,182	5,060,242	1,061,937
	<u>\$ 4,666,308</u>	<u>\$ 196,216</u>	<u>\$ 427,449</u>	<u>\$ 5,806,552</u>	<u>\$ 14,182</u>	<u>\$ 11,110,707</u>	<u>\$ 4,734,878</u>

See Notes to Financial Statements

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS  
June 30, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 5,060,242
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:	
Capital assets at cost	22,510,330
Construction in progress	12,366,307
Accumulated depreciation	(18,293,005)
Bond issuance costs include discounts reported as an expenditure in government funds are reported as a deferred expense and amortized over the life of the bond issue in the statement of activities	
Bond issuance costs	108,378
Accumulated amortization	(6,123)
Long term liabilities not due and payable in the current period and therefore not reported in the funds -	
Bonds payable	(15,680,000)
Compensated balances	(633,235)
Accrued interest payable not included as a liability in governmental activities	<u>(157,896)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ <u><u>5,274,998</u></u>

See Notes to Financial Statements

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE  
Year Ended June 30, 2009 and 2008

	GENERAL		FOOD SERVICE		2007 DEBT RETIREMENT		2007 CAPITAL PROJECTS		OTHER NONMAJOR GOVERNMENTAL FUNDS		Totals Year Ended June 30,			
										2009	2008			
<b>REVENUES:</b>														
Local Sources	\$	1,445,245	\$	190,816	\$	918,910	\$	499,171	\$	49,011	\$	3,103,153	\$	3,115,010
State Sources -		11,132,907		63,156		0		0		15,362		11,211,425		11,773,662
Federal Sources		1,224,093		383,130		0		0				1,607,223		906,608
Interdistrict and other sources		148,415		0		0		0		0		148,415		206,016
<b>Total Revenues</b>		<b>13,950,660</b>		<b>637,102</b>		<b>918,910</b>		<b>499,171</b>		<b>64,373</b>		<b>16,070,216</b>		<b>16,001,296</b>
<b>EXPENDITURES:</b>														
Instruction		8,698,515		0		0		0		0		8,698,515		8,574,035
Supporting Services		4,913,329		15,480		0		0		41,936		4,970,745		5,211,276
Community Service		110,171		0		0		0		0		110,171		114,464
Food Service		0		591,202		0		0		0		591,202		588,949
Athletics		0		0		0		0		295,867		295,867		291,694
Facilities Acquisition		0		0		0		10,916,063		0		10,916,063		1,585,710
Debt Service -														
Principal repayment		0		0		200,000		0		49,759		249,759		250,000
Interest and fiscal charges		0		0		707,290		0		213,188		920,478		336,733
<b>Total Expenditures</b>		<b>13,722,015</b>		<b>606,682</b>		<b>907,290</b>		<b>10,916,063</b>		<b>600,750</b>		<b>26,752,800</b>		<b>16,952,861</b>
<b>OTHER FINANCING SOURCES (USES):</b>														
Operating transfers in		0		0		0		0		494,441		494,441		15,796,583
Operating transfers out		(495,441)		0		0		0		0		(495,441)		(15,796,583)
Bond sale proceeds		0		0		0		0		0		0		15,275,000
Bond issuance costs		0		0		0		0		0		0		(35,821)
Bond premium		0		0		0		0		0		0		(72,556)
Sale of fixed assets		0		0		0		0		0		0		3,492
<b>Net Other Financing Sources (Uses)</b>		<b>(495,441)</b>		<b>0</b>		<b>0</b>		<b>0</b>		<b>494,441</b>		<b>(1,000)</b>		<b>15,170,115</b>
<b>NET CHANGE IN FUND BALANCES</b>		<b>(266,796)</b>		<b>30,420</b>		<b>11,620</b>		<b>(10,416,892)</b>		<b>(41,936)</b>		<b>(10,683,584)</b>		<b>14,218,550</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<b>1,223,325</b>		<b>56,845</b>		<b>415,793</b>		<b>13,991,745</b>		<b>56,118</b>		<b>15,743,826</b>		<b>1,525,276</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$</b>	<b>956,529</b>	<b>\$</b>	<b>87,265</b>	<b>\$</b>	<b>427,413</b>	<b>\$</b>	<b>3,574,853</b>	<b>\$</b>	<b>14,182</b>	<b>\$</b>	<b>5,060,242</b>	<b>\$</b>	<b>15,743,826</b>

See Notes to Financial Statements

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

GOVERNMENTAL FUNDS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$		\$ (10,683,584)
Amounts reported for governmental activities in the statement of activities are different because -			
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:			
Depreciation expense		(205,817)	
Capital outlay		<u>11,053,604</u>	
Net			10,847,787
Governmental funds report bond issuance costs as expenditures; in the statement of activities, these costs are allocated over the life of the bonds issued as amortization			
Amortization expense			(3,674)
Accrued interest recorded in the statement of activities when incurred and reported in governmental funds when paid			51,038
Bond principal repayment reported as an expenditure in governmental funds and as a reduction of long term debt in the statement of activities			400,000
Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6			(23,121)
Rounding			<u>1</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u><u>588,447</u></u>

See Notes to Financial Statements

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

FIDUCIARY FUND  
BALANCE SHEET  
June 30, 2009 and 2008

	June 30,	
	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash in bank	\$ 156,860	\$ 148,215
Certificate of Deposit	8,207	7,936
Due from General Fund	<u>0</u>	<u>12,745</u>
	<u>\$ 165,067</u>	<u>\$ 168,896</u>
<u>LIABILITIES</u>		
Due to school organizations	<u>\$ 165,067</u>	<u>\$ 168,896</u>

See Notes to Financial Statements

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Pinconning Area Schools conform to United States generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Government Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

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

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

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

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Fund-based Statements - Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within approximately 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.

Fiduciary Fund statements are also reported using the economic resources measurement focus and the modified accrual basis of accounting.

The School District reports the following major governmental fund:

General Fund -

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Food Service Fund -

The Food Service Fund is used to account for the costs of furnishing breakfast and lunch to the pupils in the District.

2007 Debt Retirement Fund -

The 2007 Debt Retirement Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs of the bonds paid primarily by taxes levied on taxpayers residing within the School District. The Fund

Balance of the 2007 Debt Retirement Fund is reserved to signify the amounts restricted exclusively for debt service requirements.

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

2007 Capital Projects Fund -

The 2007 Capital Projects Fund is used to account for the expenditure of the proceeds of the sale of the 2007 School Building and Site Bonds for improvements to the high school, middle school and site improvements. The Fund Balance of the 2007 Capital Projects Fund is restricted to signify the amounts restricted exclusively for expenditure of the bond proceeds.

Assets, Liabilities, and Net Assets or Equity -

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

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

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory and deferred revenue until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have any infrastructure-type assets.

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	3-10 years

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont):

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

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

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

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

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Fund Deficits - The School District had no accumulated fund balance deficits.

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS:

Deposits of the School District are carried at cost and maintained at Independent Bank, a federally insured bank.

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Investments	<u>\$ 8,496,686</u>	<u>\$ 165,067</u>	<u>\$ 8,661,753</u>

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

Deposits (checking and savings accounts)	\$ 2,987,919
Investments in U.S. Treasury and Agency obligations	5,669,534
Petty cash and cash on hand	<u>4,300</u>
Total	<u>\$ 8,661,753</u>

The Government Accounting Standards Board Statement No. 3 requires the amount of total bank balances to be classified in one of three categories of credit risk. These categories are:

- (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name.
- (3) Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent by not in the entity's name). Bank deposits including certificates of deposit:

Category 1	\$ 250,000
Category 2	0
Category 3	<u>2,737,919</u>
Total Bank Balances	<u>\$ 2,987,919</u>
Carrying Amount	<u>\$ 2,987,919</u>

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 4. CAPITAL ASSETS:

Capital asset activity of the School District's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2009</u>
Land and improvements	\$ 630,604	\$ 19,165	\$ 0	\$ 649,769
Buildings and improvements	18,703,802	56,164	0	18,759,966
Buses and other vehicles	1,592,076	28,286	0	1,620,362
Construction in progress	1,585,710	10,780,597	0	12,366,307
Furniture and equipment	<u>1,312,363</u>	<u>180,330</u>	<u>12,460</u>	<u>1,480,233</u>
 Total Capital Assets	 23,824,555	 11,064,542	 12,460	 34,876,637
 Accumulated Depreciation:				
Land and improvements	425,056	2,026	0	427,082
Buildings and improvements	14,944,235	146,560	0	15,090,795
Buses and other vehicles	1,572,976	9,846	0	1,582,822
Furniture and equipment	<u>1,146,443</u>	<u>47,385</u>	<u>1,522</u>	<u>1,192,306</u>
 Total Accumulated Depreciation	 <u>18,088,710</u>	 <u>205,817</u>	 <u>1,522</u>	 <u>18,293,005</u>
 Net Capital Assets	 <u>\$ 5,735,845</u>	 <u>\$ 10,858,725</u>	 <u>\$ 10,938</u>	 <u>\$ 16,583,632</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental Activities:	
Instruction	\$ 15,863
Support services	17,447
Food services	16,169
Athletics	1,684
Unallocated	<u>154,654</u>
 Total Governmental Activities	 <u>\$ 205,817</u>

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The amounts of interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	\$ 56,198	Food Service	\$ 56,198
2007 Debt Retirement	36	General	36
General	4,818	2007 Capital Projects	4,818
Capital Projects	<u>14,182</u>	General	<u>14,182</u>
	<u>\$ 75,234</u>		<u>\$ 75,234</u>

Operating transfers out from the General Fund are as follows:

Athletic Fund	\$ 246,856
Debt Retirement	<u>248,585</u>
	<u>\$ 495,441</u>

NOTE 6. LONG-TERM DEBT:

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds Payable:				
1997 School Building and Site	\$ 865,000	\$ 0	\$ 200,000	\$ 665,000
2007 School Building and Site	<u>5,215,000</u>	<u>0</u>	<u>200,000</u>	<u>15,015,000</u>
	16,080,000	0	400,000	15,680,000
Other Obligations:				
Compensated absences	563,159	18,646	0	581,805
Termination benefits	<u>46,954</u>	<u>4,476</u>	<u>0</u>	<u>51,430</u>
	<u>610,113</u>	<u>23,122</u>	<u>0</u>	<u>633,235</u>
	<u>\$ 16,690,113</u>	<u>\$ 23,122</u>	<u>\$ 400,000</u>	<u>\$ 16,313,235</u>

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 6. LONG-TERM DEBT (cont'd):

Annual debt service requirements to maturity for the above governmental fund obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 450,000	\$ 736,579	\$ 1,186,579
2011	500,000	715,219	1,215,219
2012	535,000	691,589	1,226,589
2013	315,000	666,194	981,194
2014	330,000	653,594	983,594
2015-2019	1,860,000	3,045,569	4,905,569
2020-2024	2,330,000	2,597,050	4,927,050
2025-2029	2,940,000	2,001,200	4,941,200
Balance	<u>6,420,000</u>	<u>1,466,186</u>	<u>7,886,186</u>
	<u>\$ 15,680,000</u>	<u>\$ 12,573,180</u>	<u>\$ 28,253,180</u>

Bonds payable consist of the following:

1997 Serial Bonds due in semi-annual installments of \$239,620 to \$244,544 through May 1, 2012; interest at 4.0% to 5.0%.

\$ 665,000

2007 Serial and Term Bonds due in semi-annual installments through May 1, 2037; interest at 4.00% to 8.00%.

15,015,000

\$ 15,680,000

Other Obligations -

Compensated Absences:

The District accrues a liability for compensated absences which meet the following criteria:

- (1) The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- (2) The obligation relates to rights that vest or accumulate.
- (3) Payment of the compensation is probable.
- (4) The amount can be reasonably estimated.

Compensated absences (unused sick and vacation pay) is calculated with the termination payoff rates of eligible employees times the number of unused days. The amount at June 30, 2009 was \$581,805.

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 6. LONG-TERM DEBT (cont'd):

Termination Benefits:

Termination benefits are earned by teachers annually at a rate of \$50 per year up to a maximum of 30 years. The teacher must have 17 ½ or more years of service with the District, or have attained the age of 55 and have 15 years of service with the District. Termination benefits are earned by administrators annually at a rate of \$55 per year up to a maximum of 30 years. The estimated liability for these benefits at June 30, 2009, is \$51,430 under the termination method prescribed in GASB 16.

NOTE 7. RISK MANAGEMENT:

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

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

NOTE 8. ECONOMIC DEPENDENCY:

Approximately 80% of the District's General Fund revenues are received from the State of Michigan through the Michigan Department of Education. This District is considered to be economically dependent on this revenue source.

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 9. PENSION PLAN:

Plan Description –

The School District participates in the Michigan Public School Employees Retirement System (MPERS), a statewide, cost-sharing, multiple- employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publically available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy –

Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.72 percent for the period from July 1, 2008 through September 30, 2008 and 16.54 percent for the period October 1, 2008 through June 30, 2008 of the covered payroll to the plan. Basic plan members contribute at rates ranging from 3.0% to 4.3% of gross wages. The School District's contributions to the MPERS plan for the year ended June 30, 2008 approximated \$1,266,800.

Postemployment Benefits –

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS plan discussed above.

REQUIRED SUPPLEMENTAL INFORMATION

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

BUDGET COMPARISON SCHEDULE - GENERAL FUND  
Year Ended June 30, 2009

	Original Budget	Final Amended Budget	Actual
<b>REVENUES:</b>			
Local Sources	\$ 1,325,800	\$ 1,604,913	\$ 1,445,245
State Sources	11,429,000	11,415,639	11,132,907
Federal Sources	575,500	827,896	1,224,093
Interdistrict and other sources	198,200	123,000	148,415
Total Revenues	13,528,500	13,971,448	13,950,660
<b>EXPENDITURES:</b>			
Instruction-			
Basic Programs	7,150,000	7,511,330	7,472,265
Added Needs	1,318,300	1,388,527	1,226,250
Supporting Services -			
Pupil	421,900	389,550	404,653
Instructional Staff	602,000	590,244	561,980
General Administration	357,835	355,700	336,713
School Administration	862,825	857,680	869,513
Business Services	368,840	366,637	369,265
Operation & Maintenance	1,345,000	1,452,939	1,402,361
Transportation	894,200	900,617	797,801
Other Support Services	199,900	189,121	171,043
Community Services	28,900	97,734	110,171
Total Expenditures	13,549,700	14,100,079	13,722,015
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers Out	(474,000)	(488,585)	(495,441)
Net Other Financing Sources (Uses)	(474,000)	(488,585)	(495,441)
<b>NET CHANGE IN FUND BALANCE</b>	(495,200)	(617,216)	(266,796)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	1,223,325	956,529	956,529
<b>FUND BALANCE - END OF YEAR</b>	\$ 728,125	\$ 339,313	\$ 689,733

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

BUDGET COMPARISON SCHEDULE - FOOD SERVICE FUND  
Year Ended June 30, 2009

	Original Budget	Final Amended Budget	Actual
REVENUES:			
Local Sources	\$ 176,350	\$ 176,350	\$ 190,816
State Sources	54,479	54,479	63,156
Federal Sources	311,000	311,000	383,130
Total Revenues	541,829	541,829	637,102
EXPENDITURES:			
Supporting Services - Operation of Plant	13,960	13,960	15,480
Food Service	579,825	579,825	591,202
Total Expenditures	593,785	593,785	606,682
NET CHANGE IN FUND BALANCES	(51,956)	(51,956)	30,420
FUND BALANCE - BEGINNING OF YEAR	60,000	56,845	56,845
FUND BALANCE - END OF YEAR	\$ <u>8,044</u>	\$ <u>4,889</u>	\$ <u>87,265</u>

OTHER SUPPLEMENTAL INFORMATION

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2009 and 2008

	Year Ended June 30,	
	2009	2008
REVENUES:		
Local Sources -		
Current tax levy	\$ 1,031,163	\$ 1,176,314
Other taxes	49,165	3,517
Interest on delinquent taxes	0	42
Transportation fees	51,543	53,375
Driver's education fees	975	13,040
Interest on investments	34,780	102,085
Medicaid reimbursement	60,210	48,114
E-rate reimbursement	46,760	0
Insurance recoveries	15,003	15,776
Donations	6,557	11,000
Local grants	35,406	0
Other	113,683	275,746
	1,445,245	1,699,009
Total Local Sources		
State Sources -		
State Foundation Grant	10,251,637	10,862,928
Special Education	292,355	265,832
At Risk - Section 31a	340,041	348,650
Michigan School Rediness	248,874	222,231
Durant	0	21,875
	11,132,907	11,721,516
Total State Sources		
Federal Sources -		
Title 1	310,207	392,965
ARRA - Title 1	614,411	0
Title II A	192,000	166,174
Title V LEA	0	1,764
Title II D	4,309	1,430
I.D.E.A	76,188	0
Preprimary	26,978	0
Service Provider Self Review	0	4,000
	1,224,093	566,333
Total Federal Sources		

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)  
Year Ended June 30, 2009 and 2008

	Year Ended June 30,	
	2009	2008
Interdistrict and Other Sources		
Transfers from other governmental units:		
Bay Arenac Intermediate School District	\$ 145,872	\$ 202,908
Other	2,543	3,108
	148,415	206,016
Total Interdistrict and Other Sources		
	13,950,660	14,192,874
Total Revenues		
EXPENDITURES:		
Instruction	8,698,515	8,574,035
Supporting Services	4,913,329	5,006,040
Community Services	110,171	114,464
	13,722,015	13,694,539
Total Expenditures		
OTHER FINANCING SOURCES (USES):		
Transfer to Athletic Fund	(246,856)	(229,732)
Transfer to Capital Projects	0	(19,000)
Transfers to Debt Retirement Funds	(248,585)	(248,845)
	(495,441)	(497,577)
Net Other Financing Sources (Uses)		
NET CHANGE IN FUND BALANCE	(266,796)	758
FUND BALANCE - BEGINNING OF YEAR	1,223,325	1,222,567
FUND BALANCE - END OF YEAR	\$ 956,529	\$ 1,223,325

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

GENERAL FUND  
 DETAIL OF EXPENDITURES  
Year Ended June 30, 2009 and 2008

INSTRUCTION:								Totals Year Ended June 30,	
	Salaries	Empyoyee Benefits	Purchased Services	Supplies and Other Costs	Other Expenses	Capital Outlay	2009	2008	
Basic Programs -									
Elementary	\$ 2,428,727	\$ 1,099,731	\$ 88,763	\$ 43,406	\$ 0	\$ 0	\$ 3,660,627	\$ 3,424,912	
Middle School	746,433	335,210	19,488	8,950	440	4,510	1,115,031	1,095,735	
High School	1,586,229	713,097	56,721	113,388	1,250	5,364	2,476,049	2,487,268	
Pre School	90,297	24,768	1,582	49,359	300	22,266	188,572	167,824	
Alternative	18,702	10,657	2,313	314	0	0	31,986	31,122	
Total Basic Programs	4,870,388	2,183,463	168,867	215,417	1,990	32,140	7,472,265	7,206,861	
Added Needs -									
Special education	537,745	271,399	13,622	9,035	0	0	831,801	840,194	
Compensatory education	239,857	126,276	106	28,210	0	0	394,449	526,980	
Total Added Needs	777,602	397,675	13,728	37,245	0	0	1,226,250	1,367,174	
Total Instruction	5,647,990	2,581,138	182,595	252,662	1,990	32,140	8,698,515	8,574,035	
SUPPORTING SERVICES:									
Pupil -									
Guidance services	185,490	70,020	173	244	0	0	255,927	334,769	
Health services	0	0	0	0	0	0	0	6,000	
Social work services	90,246	52,969	0	171	0	0	143,386	121,557	
Other pupil services	0	0	5,340	0	0	0	5,340	10,933	
Total Pupil	275,736	122,989	5,513	415	0	0	404,653	473,259	

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

GENERAL FUND  
 DETAIL OF EXPENDITURES (CONTINUED)  
Year Ended June 30, 2009 and 2008

SUPPORTING SERVICE (CONTINUED):	Salaries	Employee Benefits	Purchased Services	Supplies and Other Costs	Other Expenses	Capital Outlay	Totals Year Ended June 30,	
							2008	2008
Instructional Staff Services -								
Improvement of instruction	\$ 63,065	\$ 29,155	\$ 47,064	\$ 29,647	\$ 314	\$ 0	\$ 169,245	\$ 167,389
Educational media services	90,490	35,251	165	12,541	125	0	138,572	137,631
Supervision and direction	<u>144,765</u>	<u>64,267</u>	<u>34,321</u>	<u>10,810</u>	<u>0</u>	<u>0</u>	<u>254,163</u>	<u>265,260</u>
Total Instructional Staff	298,320	128,673	81,550	52,998	439	0	561,980	570,280
General Administration Services -								
Board of Education	0	0	35,559	123	16,776	0	52,458	80,167
Executive administration	<u>178,969</u>	<u>100,385</u>	<u>1,834</u>	<u>948</u>	<u>2,119</u>	<u>0</u>	<u>284,255</u>	<u>286,227</u>
Total General Administrative Services	178,969	100,385	37,393	1,071	18,895	0	336,713	366,394
School Administrative Services -								
Office of the principal	570,044	287,380	3,942	1,971	6,176	0	869,513	824,120
Business Services -								
Fiscal services	107,647	65,033	12,089	493	3,141	0	188,403	208,566
Other business services	<u>0</u>	<u>0</u>	<u>28,209</u>	<u>0</u>	<u>152,653</u>	<u>0</u>	<u>180,862</u>	<u>160,661</u>
Total Business Services	107,647	65,033	40,298	493	155,794	0	369,265	369,227
Operation and Maintenance -								
Building Operations	498,059	298,691	164,207	391,294	58	30,052	1,382,361	1,330,516
Security Services	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>20,000</u>
Total Operation and Maintenance	498,059	298,691	184,207	391,294	58	30,052	1,402,361	1,350,516
Pupil Transportation Services -								
Pupil Transportation services	375,284	207,711	38,194	171,892	0	4,720	797,801	865,085
Other Support -								
Planning, R & D, Evaluation	0	0	0	0	0	0	0	3,100
Communication Services	0	0	1,256	1,160	0	0	2,416	0
Staff/Personnel Services	0	0	1,212	0	0	0	1,212	642
Non-Instructional Technology	49,024	13,821	32,991	40,628	3,156	0	139,620	156,267
Pupil Accounting	<u>19,740</u>	<u>8,055</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,795</u>	<u>27,150</u>
Total Other Support	68,764	21,876	35,459	41,788	3,156	0	171,043	187,159
Total Supporting Services	2,372,823	1,232,738	426,556	661,922	184,518	34,772	4,913,329	5,006,040
COMMUNITY SERVICES:								
Community Services Direction	7,023	1,700	635	1,072	0	0	10,430	17,802
Community Activities	0	0	0	0	0	0	0	200
Non-Public School Pupils	<u>62,692</u>	<u>25,792</u>	<u>7,613</u>	<u>3,644</u>	<u>0</u>	<u>0</u>	<u>99,741</u>	<u>96,462</u>
Total Community Services	69,715	27,492	8,248	4,716	0	0	110,171	114,464
Total Expenditures	<u>\$ 8,090,528</u>	<u>\$ 3,841,368</u>	<u>\$ 617,399</u>	<u>\$ 919,300</u>	<u>\$ 186,508</u>	<u>\$ 66,912</u>	<u>\$ 13,722,015</u>	<u>\$ 13,694,539</u>

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

FOOD SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2009 and 2008

	Year Ended June 30,	
	2009	2008
REVENUES:		
Local Sources -		
Food service - cafeteria sales	\$ 172,593	\$ 165,523
Earnings on investments	1,691	2,692
Vending sales	10,110	11,803
Other	6,422	4,008
Total Local Sources	190,816	184,026
State Sources -		
State funded school breakfast	43,561	33,883
Section 31d School Lunch	19,595	18,263
Total State Sources	63,156	52,146
Federal Sources -		
National School Lunch Program	242,674	220,071
National School Breakfast Program	101,661	89,696
Donated commodities	38,795	30,508
Total Federal Sources	383,130	340,275
Total Revenues	637,102	576,447

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

FOOD SERVICE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2009 and 2008

	Year Ended June 30,	
	2009	2008
EXPENDITURES:		
Supporting Services -		
Operation of Plant -		
Salaries and wages	\$ 4,787	\$ 3,531
Employee benefits	1,158	861
Purchased services	2,010	2,015
Supplies and other costs	7,525	7,491
Capital outlay	0	
Total Supporting Services	15,480	13,898
Food Service -		
Salaries and wages	134,630	126,049
Employee benefits	45,170	35,947
Purchased services	10,086	9,909
Contracted management	95,932	101,250
Food and milk	248,513	233,201
USDA Delivery charge	0	2,135
Sales tax	441	282
Supplies and other costs	27,736	43,403
Capital outlay	28,694	36,773
Total Food Service	591,202	588,949
Total Expenditures	606,682	602,847
NET CHANGE IN FUND BALANCES	30,420	(26,400)
FUND BALANCE - BEGINNING OF YEAR	56,845	83,245
FUND BALANCE - END OF YEAR	\$ 87,265	\$ 56,845

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

2007 DEBT RETIREMENT FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2009 and 2008

	Year Ended June 30,	
	2009	2008
REVENUES:		
Local Sources -		
Current tax levy	\$ 910,840	\$ 883,040
Interest on investments	8,070	3,024
Total Revenues	918,910	886,064
EXPENDITURES:		
Debt Service -		
Bond principal	200,000	60,000
Bond interest	706,993	277,489
Paying agent fees	0	325
Taxes abated	297	74
Total Expenditures	907,290	337,888
OTHER FINANCING SOURCES (USES):		
Bond sale proceeds	0	15,275,000
Bond issuance costs	0	(35,821)
Bond premium	0	(72,556)
Transfer to 2007 Capital Projects Fund	0	(15,299,006)
Net Other Financing Sources (Uses)	0	(132,383)
NET CHANGE IN FUND BALANCE	11,620	415,793
FUND BALANCE - BEGINNING OF YEAR	415,793	0
FUND BALANCE - END OF YEAR	\$ 427,413	\$ 415,793

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

2007 CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2009 and 2008

	Year Ended June 30,	
	2009	2008
REVENUES:		
Local Sources -		
Interest on investments	\$ 499,171	\$ 278,449
EXPENDITURES:		
Facilities Acquisition -		
Capital outlay - Equipment	135,465	0
Construction in progress:		
Site improvement Services	937,219	497,588
Building construction & renovation	9,843,379	1,088,122
Total Expenditures	10,916,063	1,585,710
OTHER FINANCING SOURCES (USES):		
Transfer from 2007 Debt Retirement Fund	0	15,299,006
NET CHANGE IN FUND BALANCE	(10,416,892)	13,991,745
FUND BALANCE - BEGINNING OF YEAR	13,991,745	0
FUND BALANCE - END OF YEAR	\$ 3,574,853	\$ 13,991,745

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2009 and 2008

	Debt Retirement Funds					Total Nonmajor Governmental	
	Athletic Activities	1997 Building & Site	Durant	Total Debt Retirement	Capital Projects	2009	June 30, 2008
<u>ASSETS</u>							
Accounts receivable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,812
Due from General Fund	0	0	0	0	14,182	14,182	67,437
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,182</u>	<u>\$ 14,182</u>	<u>\$ 75,249</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,131
Fund balance	0	0	0	0	14,182	14,182	56,118
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,182</u>	<u>\$ 14,182</u>	<u>\$ 75,249</u>

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2009 and 2008

	Debt Retirement Funds				Capital Projects	Total Nonmajor Governmental	
	Athletic Activities	1997 Building & Site	Durant	Total Debt Retirement		Year Ended June 30,	
						2009	2008
<b>REVENUES:</b>							
Local Sources -							
Gate receipts	\$ 49,011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,011	\$ 67,462
State Sources -							
Nonplantiff Durant	<u>0</u>	<u>0</u>	<u>15,362</u>	<u>15,362</u>	<u>0</u>	<u>15,362</u>	<u>0</u>
Total Revenues	49,011	0	15,362	15,362	0	64,373	67,462
<b>EXPENDITURES:</b>							
Supporting Services -							
Operation of Plant -							
Purchased services	0	0	0	0	0	0	5,500
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,936</u>	<u>41,936</u>	<u>185,838</u>
Total Supporting Services	0	0	0	0	41,936	41,936	191,338
Athletics -							
Salaries and wages	107,993	0	0	0	0	107,993	125,032
Employee benefits	24,975	0	0	0	0	24,975	32,086
Purchased services	132,367	0	0	0	0	132,367	97,578
Supplies and other costs	23,232	0	0	0	0	23,232	30,928
Capital outlay	0	0	0	0	0	0	0
Other expenses	<u>7,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,300</u>	<u>6,070</u>
Total Athletics	295,867	0	0	0	0	295,867	291,694
Debt Service -							
Redemption of bonds	0	37,585	12,174	49,759	0	49,759	190,000
Interest on bonds	<u>0</u>	<u>210,000</u>	<u>3,188</u>	<u>213,188</u>	<u>0</u>	<u>213,188</u>	<u>58,845</u>
Total Debt Service	<u>0</u>	<u>247,585</u>	<u>15,362</u>	<u>262,947</u>	<u>0</u>	<u>262,947</u>	<u>248,845</u>
Total Expenditures	295,867	247,585	15,362	262,947	41,936	600,750	731,877
<b>OTHER FINANCING SOURCES (USES):</b>							
Sale of Assets	0	0	0	0	0	0	3,492
Operating Transfers In	<u>246,856</u>	<u>247,585</u>	<u>0</u>	<u>247,585</u>	<u>0</u>	<u>494,441</u>	<u>497,577</u>
Net Other Financing Sources (Uses)	<u>246,856</u>	<u>247,585</u>	<u>0</u>	<u>247,585</u>	<u>0</u>	<u>494,441</u>	<u>501,069</u>
NET CHANGE IN FUND BALANCES	0	0	0	0	(41,936)	(41,936)	(163,346)
FUND BALANCE - BEGINNING OF YEAR	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>56,118</u>	<u>56,118</u>	<u>219,464</u>
FUND BALANCE - END OF YEAR	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>14,182</u>	\$ <u>14,182</u>	\$ <u>56,118</u>

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

FIDUCIARY FUND  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
DUE TO SCHOOL ORGANIZATIONS  
Year Ended June 30, 2009 and 2008

<u>Activity Accounts</u>	<u>Due to School Organizations</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
A. P. Exam	\$ 1,977.59	\$ 1,473.97
Advanced Placement	383.72	341.56
Advancement Academy	2,965.29	4,416.85
Art	1,812.54	1,363.66
Athletics -		
Coaches Clinics	42.32	2,047.18
Officials/Workers	5,097.79	5,654.22
In/Out	1,063.28	1,123.73
Tournaments	3,229.16	3,717.59
Band Club	1,254.29	884.82
Baseball	913.56	1,593.95
Bookstore	347.16	498.94
Botzau's Bucks	44.14	7.64
Boys Basketball Camp	1,361.06	1,888.12
Boy's Track	0.35	18.20
Bowling	1,047.00	185.00
Building Improvement	20,641.00	7,936.18
Central Elementary	5,083.26	7,773.51
Ceramics	333.83	493.36
Cheerleading	2,735.93	417.63
Choir	403.80	25.17
Class of 2009	1,208.51	1,470.29
Class of 2010	1,860.84	715.35
Class of 2011	665.14	728.75
Class of 2012	430.73	0.00
Counseling Department	132.69	90.69
Cross Country	715.57	535.57
Drafting	2,061.29	1,919.45
Drama	9,813.07	10,652.17
Eighth Grade	6,205.36	4,155.44
Equestrian Club	352.11	352.11
Fall Bazaar	180.40	417.38
Food Service	161.59	0.00
Football	284.55	84.55
Foreign Language Club	431.50	630.50
Girls Basketball	449.98	276.63
Girl's Track	653.82	611.82
Golf	226.16	56.36
Graduated classes	4,373.02	4,426.25
Gum	3,167.53	3,073.56
High School Fundraising	(450.10)	2,630.89
Hockey Officials / Workers	0.00	1,010.00

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

FIDUCIARY FUND  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
DUE TO SCHOOL ORGANIZATIONS (CONTINUED)  
Year Ended June 30, 2009 and 2008

<u>Activity Accounts (Continued)</u>	Due to School Organizations	
	June 30, 2009	June 30, 2008
In/Out	\$ 4,828.48	\$ 4,553.88
Industrial Technology Club	6,011.05	9,910.19
Interest	8,096.36	6,282.81
Junior Renaissance	193.75	0.00
Journalism - Middle School	89.56	89.56
Library	1,098.22	960.21
Linwood Elementary	2,084.60	1,748.69
Middle School Art	0.00	253.95
Middle School Cheerleading	25.06	25.06
Middle School Industrial Tech	1,130.06	1,155.30
Middle School Science Club	164.49	433.07
Middle School Store	165.50	165.50
Middle School Special Ed	925.84	996.44
Middle School Yearbook	2,638.66	1,711.06
Mt. Forest Elementary	2,108.02	2,519.82
Multi-Media	1,354.05	1,525.73
National Honor Society	955.70	759.43
PAL	1,103.50	486.72
Parking Permit	11,705.30	10,082.07
Payables	0.00	129.35
Pay to Participate	50.00	25.00
Pom Pon Club	51.81	82.84
Project Pass the Test	100.10	352.39
Renaissance	666.67	807.35
S.A.D.D.	81.67	24.04
S.A.E.	5,920.19	11,650.64
Science Club	7.54	7.54
Seventh Grade	0.00	1,415.37
Sixth Grade - Linwood	111.57	0.00
Ski Club	321.80	329.57
Soccer - Boys	3,409.23	294.53
Soccer - Girls	606.65	612.14
Softball	987.83	1,548.03
Spartan Arena	1,158.73	1,859.83
Stratford	775.91	1,974.16
Student Council	2,786.05	2,945.08
Student Council - Middle School	623.29	427.86
Summer School	1,250.00	0.00
Lloyd Selle Building	0.00	506.58
Tech Club - Middle School	688.83	288.82
Textbooks	1,138.96	3,073.47
Video Tech	552.61	21.04
Volleyball	3,500.68	6,511.59
Wrestling	542.11	618.70
Yearbook	11,395.60	14,031.80
	\$ 165,066.86	\$ 168,896.25

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

DETAIL OF BONDED DEBT  
 1997 SCHOOL BUILDING AND SITE BONDS  
June 30, 2009

Purpose of issue - Erect, furnish and equip an addition to and partially remodel the existing buildings and developing and improving the site

Interest rate - 3.95% to 5.70%

Date of bonds - April 29, 1997

<u>Date</u>	<u>May 1</u>		<u>November 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2009	\$ 0.00	\$ 0.00	\$ 18,792.50	\$ 18,792.50	
2010	18,792.50	210,000.00	12,912.50		241,705.00
2011	12,912.50	220,000.00	6,697.50		239,610.00
2012	6,697.50	235,000.00	0.00		241,697.50
	\$ <u>38,402.50</u>	\$ <u>665,000.00</u>	\$ <u>38,402.50</u>	\$ <u>741,805.00</u>	

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

DETAIL OF BONDED DEBT  
 2007 SCHOOL BUILDING AND SITE BONDS  
June 30, 2008

Purpose of issue - Improvements and renovations to the  
 High School, Middle School and site improvements  
 Interest rate - 4.00% to 5.00%  
 Date of bonds - October 03, 2007

Date	May 1		November 1	Total
	Principal	Interest	Interest	
2009	\$ 0.00	\$ 0.00	\$ 349,496.88	\$ 349,496.88
2010	240,000.00	349,496.88	344,696.88	934,193.76
2011	280,000.00	344,696.88	339,096.88	963,793.76
2012	300,000.00	339,096.88	333,096.88	972,193.76
2013	315,000.00	333,096.88	326,796.88	974,893.76
2014	330,000.00	326,796.88	320,196.88	976,993.76
2015	340,000.00	320,196.88	312,546.88	972,743.76
2016	355,000.00	312,546.88	305,446.88	972,993.76
2017	370,000.00	305,446.88	296,196.88	971,643.76
2018	390,000.00	296,196.88	288,396.88	974,593.76
2019	405,000.00	288,396.88	279,790.63	973,187.51
2020	425,000.00	279,790.63	270,228.13	975,018.76
2021	445,000.00	270,228.13	260,215.63	975,443.76
2022	465,000.00	260,215.63	249,753.13	974,968.76
2023	485,000.00	249,753.13	238,537.50	973,290.63
2024	510,000.00	238,537.50	226,743.75	975,281.25
2025	535,000.00	226,743.75	214,037.50	975,781.25
2026	560,000.00	214,037.50	200,737.50	974,775.00
2027	585,000.00	200,737.50	186,843.75	972,581.25
2028	615,000.00	186,843.75	172,237.50	974,081.25
2029	645,000.00	172,237.50	156,112.50	973,350.00
2030	675,000.00	156,112.50	139,237.50	970,350.00
2031	710,000.00	139,237.50	121,487.50	970,725.00
2032	745,000.00	121,487.50	102,862.50	969,350.00
2033	780,000.00	102,862.50	83,362.50	966,225.00
2034	815,000.00	83,362.50	64,006.25	962,368.75
2035	855,000.00	64,006.25	43,700.00	962,706.25
2036	900,000.00	43,700.00	22,325.00	966,025.00
2037	940,000.00	22,325.00	0.00	962,325.00
	<u>\$ 15,015,000.00</u>	<u>\$ 6,248,187.57</u>	<u>\$ 6,248,187.57</u>	<u>\$ 27,511,375.14</u>

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties

COMPLIANCE REPORT ON FEDERAL PROGRAMS  
June 30, 2009

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# **Quast, Janke and Company, P.C.**

*Certified Public Accountants*

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## **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**

November 3, 2009

Board of Education  
Pinconning Area Schools  
Bay and Gladwin Counties  
Pinconning, Michigan

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pinconning Area Schools as of and for the year ended June 30, 2009, which collectively comprise Pinconning Area School's basic financial statements and have issued our report thereon November 3, 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 Pinconning Area School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pinconning Area School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pinconning Area School's internal control over financial reporting.

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 any misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 Pinconning Area School's financial statements that is more than inconsequential will not be prevented or detected by Pinconning Area School's internal control.

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 Pinconning Area School'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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material deficiencies, as defined above.

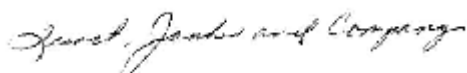
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pinconning Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 the management of Pinconning Area Schools in a separate letter dated November 3,, 2009.

This report is intended solely for the information and use of management, the Board of Education, others within the District 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.

Sincerely,



QUAST, JANKE & CO.

Certified Public Accountants, P.C.

# **Quast, Janke and Company, P.C.**

*Certified Public Accountants*

---

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

November 3, 2009

Board of Education  
Pinconning Area Schools  
Bay and Gladwin Counties  
Pinconning, Michigan

### **Compliance**

We have audited the compliance of Pinconning Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 2008. Pinconning Area School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs. Compliance with the requirements of laws regulations, contracts and grants applicable to its major federal program is the responsibility of Pinconning Area School's management. Our responsibility is to express an opinion on Pinconning Area Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pinconning Area School's compliance with those requirements and performing other such 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 on Pinconning Area School's compliance with those requirements.

In our opinion, Pinconning Area Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

### **Internal Control Over Compliance**

The management of Pinconning Area 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 Pinconning Area 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 compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Accordingly, we do not express an opinion on the expenditures of Pinconning Area Schools' internal control over compliance.

A control deficiency exists when the design 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 District's internal control.

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

**Schedule of Expenditures of Federal Awards**

We have audited the general purpose financial statements of Pinconning Area Schools as of and for the year ended June 30, 2009, and have issued our report thereon dated November 3, 2009. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the Board of Trustees, management and Federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

QUAST, JANKE & CO.



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Certified Public Accountants, P.C

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2009

	CFDA#	Pass Through Grantor's #	Approved Award	Inventory/ Accrued (Deferred) Revenue July 1, 2008	Prior Year Expenditure	Adjustments Prior Years	Current Year Expenditures	Current Year's Receipts/ Payments In Kind	Inventory/ Accrued (Deferred) Revenue June 30, 2009
U.S. DEPARTMENT OF EDUCATION:									
Passed Through M.D.E. -									
Title 1 Cluster:									
Part A									
	* 84.010								
2008/2009 Regular		91530-0809	\$ 310,901	\$ 0	\$ 0	\$ 0	\$ 310,207	\$ 254,821	\$ 55,386
2007/2008 Regular		81530-0708	395,048	75,178	392,965	0	0	75,178	0
Total Title 1 Part A			705,949	75,178	392,965	0	310,207	329,999	55,386
ARRA - Title 1	* 84.010		614,411	0	0	0	614,411	0	614,411
Total Title 1 Cluster			1,320,360	75,178	392,965	0	924,618	329,999	669,797
Title II Part D									
	84.318								
2008/2009 Regular		94290-0809	4,421	0	0	0	4,292	4,070	222
2007/2008 Regular		84290-0708	3,131	(17)	0	0	17	0	0
Total Title II Part A			7,552	(17)	0	0	4,309	4,070	222
Service Provided Self Review									
	84.027								
2007/2008 Regular		80440-0708	4,000	2,000	4,000	0	0	2,000	0
Title II Part A									
	84.367								
2006/2007 Regular		90520-0809	237,673	0	0	0	192,000	121,474	70,526
2006/2007 Regular		80520-0708	187,696	39,127	166,174	0	0	39,127	0
Total Title II Part D			425,369	39,127	166,174	0	192,000	160,601	70,526
Total Passed Through M.D.E.			1,757,281	116,288	563,139	0	1,120,927	496,670	740,545
Passed Through Bay Arenac I. S. D.									
	84.027	081500708	76,188	0	0	0	76,188	76,188	0
Handicapped Preschool and School (IDEA)									
Preschool GHrant	84.173	0804600708	26,978	0	0	0	26,978	26,978	0
Total Passed Through Bay Arenac I.S.D.			103,166	0	0	0	103,166	103,166	0
Total U.S. Department of Education			1,860,447	116,288	563,139	0	1,224,093	599,836	740,545

PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2009

	CFDA#	Pass Through Grantor's #	Approved Award	Inventory/ Accrued (Deferred) Revenue July 1,2008	Prior Year Expenditure	Adjustments Prior Years	Current Year Expenditures	Current Year's Receipts/ Payments In Kind	Inventory/ Accrued (Deferred) Revenue June 30,2009
U.S. DEPARTMENT OF AGRICULTURE:									
Passed Through M.D.E. -									
Child Nutrition Cluster: *									
Non-Cash Assistance (Commodities):									
National School Lunch - Entitlement	10.555		\$ 30,310	\$ 0	\$ 0	\$ 0	\$ 30,181	\$ 30,181	\$ 0
National School Lunch - Bonus			8,614	0	0	0	8,614	8,614	0
Total Non-Cash Assistance			38,924	0	0	0	38,795	38,795	0
National School Lunch Program:									
Section 4 - All Lunches									
		91950	35,170	0	0	0	35,170	35,170	0
		81950	37,180	0	32,294	0	4,886	4,886	0
Total Section 4 - All Lunches			72,350	0	32,294	0	40,056	40,056	0
Snacks									
		91980	244	0	0	0	244	244	0
Section 11 - Free & Reduced									
		91960	178,416	0	0	0	178,500	178,332	0
		81960	187,152	0	163,278	0	23,874	23,874	0
Total Section 11 - Free & Reduced			365,568	0	163,278	0	202,374	202,206	0
Total Cash Assistance			438,162	0	195,572	0	242,674	242,506	0
Total National School Lunch Program			477,086	0	195,572	0	281,469	281,301	0
National School Breakfast Program:									
	10.553								
		91970	89,160	0	0	0	89,160	89,160	0
		81970	93,480	0	80,979	0	12,501	12,501	0
Total National School Breakfast Program			182,640	0	80,979	0	101,661	101,661	0
Total U.S. Department of Agriculture			659,726	0	276,551	0	383,130	382,962	0
Total Federal Assistance			\$ 2,520,173	\$ 116,288	\$ 839,690	\$ 0	\$ 1,607,223	\$ 982,798	\$ 740,545

\* Major Federal Program



PINCONNING AREA SCHOOLS  
Bay and Gladwin Counties, Michigan

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
June 30, 2009

1. The expenditures in this Schedule of Expenditures of Federal Awards are in agreement with the amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
2. The amounts reported on the Form R-7120 agree with the Schedule of Expenditures of Federal Awards for Federal programs. Except that the District received \$ 84 more of National School Lunch funds than is shown on the R7120. A deduction was made in the October, 2009 "Claim Status Report" but the payment was not reduced.
3. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for USDA donated food commodities.
4. The accounting policies used in the preparation of this schedule are identical to those used in preparation of the audited financial statements as set forth in Note 1 to the audited financial statements.



Pinconning Area Schools  
November 3, 2009  
Page 2

We suggest that the budget be reviewed periodically and amendments to the amounts appropriated be made prior to the expenditure of any funds that exceed the amount appropriated.

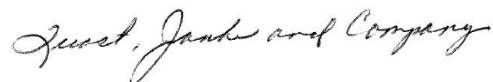
**NOTE 2. SEPARATION OF DUTIES:**

Due to spending cuts, there has been a substantial personnel decrease in the business office. The lack of personnel increases the difficulty in maintaining adequate separation of duties which is one of the cornerstones of a strong internal control system. We encourage your continuing efforts to mitigate this problem with additional internal controls.

We wish to express our appreciation for the assistance extended to our staff by the officials and employees of the School District. If we can be of further assistance in these or any other matters, please call upon us.

Sincerely,

QUAST, JANKE AND COMPANY

A handwritten signature in cursive script that reads "Quast, Janke and Company".

Certified Public Accountants, P.C.