

CHASSELL TOWNSHIP SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

June 30, 2011



JUNE 30, 2011

ADMINISTRATION

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BOARD OF EDUCATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Chassell Township Schools
Chassell, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chassell Township Schools as of and for the year then ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chassell Township Schools as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2011 on our consideration of Chassell Township Schools's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 33 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

November 9, 2011

**CHASSELL TOWNSHIP SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

This section of Chassell Township Schools' annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

The District's General Fund ended the year within budget. The fund balance increased \$121,408 to \$478,432. This is the first year that the fund balance increased after eight consecutive years of decreases for 2010-11. Expenditures and transfers out for the General Fund totaled \$2,215,969 and revenue and transfers in totaled \$2,337,377, compared to \$2,333,724 and \$2,331,080 2009-10, respectively.

The District's enrollment increased this year. Last year the fall count was 270 and this year it was 277. This has a positive effect on the amount of foundation grant revenues received by the District. The per student foundation allocation remained the same the last two years at \$7,316.

In May 2011, the voters of the district approved levying .2 mills for 10 years for a sinking fund. The levy will bring in about \$10,000 each year. This year the money was used for converting the bus garage into a class room. In the future, the money will be used for new bleachers and general repairs and upgrades to the district's building and site.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

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

**CHASSELL TOWNSHIP SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Overview of the Financial Statements (Continued)

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

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

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Retirement Fund, Capital Project Fund, and School Food Service Fund.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund, Debt Retirement Fund and Capital Projects Fund meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management's Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund and Capital Projects.
- Other supplementary information provides detailed information about the General, Debt Service, Capital Projects, and School Food Service Funds.

**CHASSELL TOWNSHIP SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Summary of Net Assets

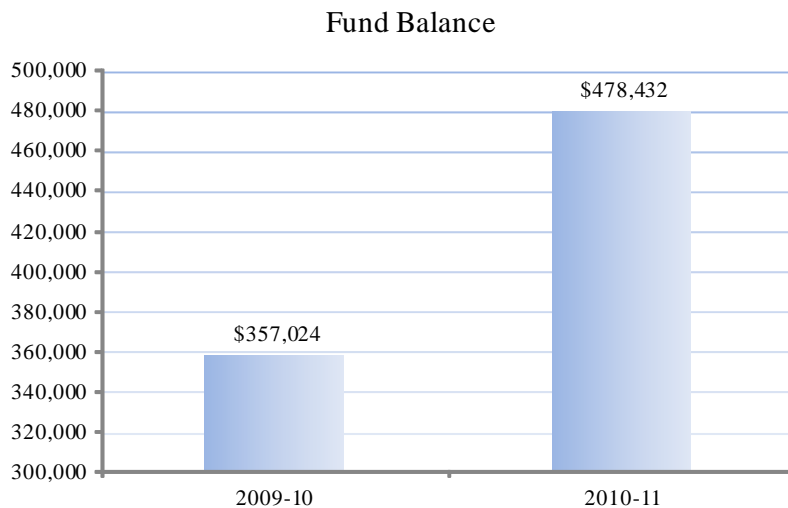
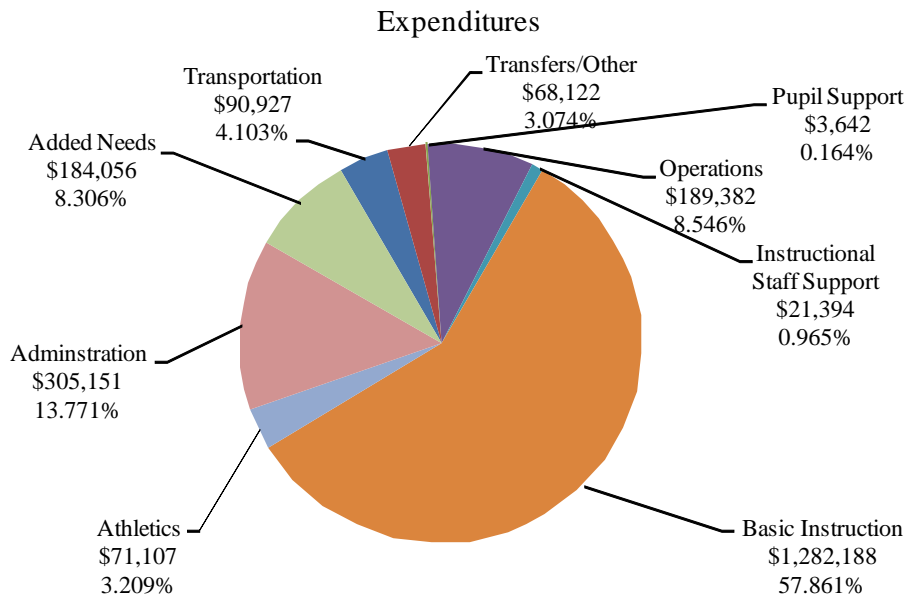
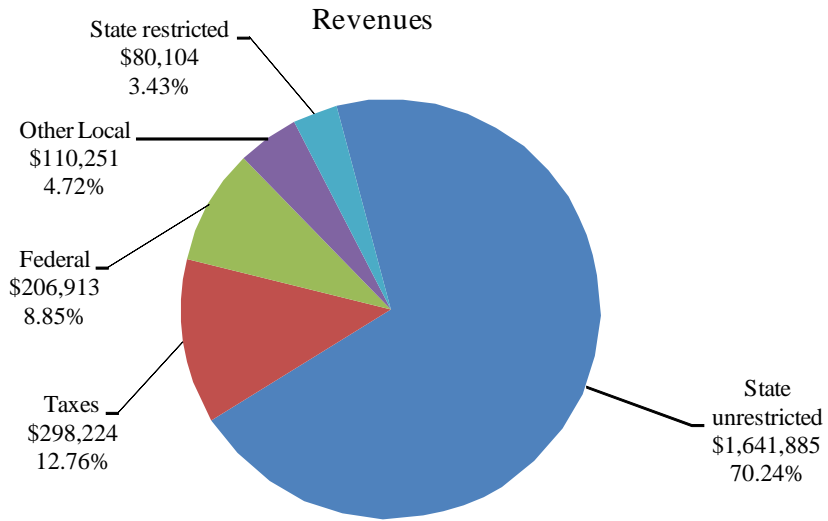
	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 1,218,730	\$ 1,510,060
Restricted cash and investments	42,504	38,195
Capital assets - Net of accumulated depreciation	<u>2,669,404</u>	<u>2,455,152</u>
Total Assets	<u>\$ 3,930,638</u>	<u>\$ 4,003,407</u>
Liabilities		
Current liabilities	\$ 535,189	\$ 574,484
Long-term liabilities	<u>2,292,126</u>	<u>2,741,617</u>
Total Liabilities	<u>2,827,315</u>	<u>3,316,101</u>
Net Assets		
Invested in property and equipment - net of related debt	108,080	(516,783)
Restricted for Debt service	74,353	65,919
Restricted for Food service	18,157	11,309
Restricted for Capital projects	424,301	802,805
Unrestricted	<u>478,432</u>	<u>324,056</u>
Total net assets	<u>1,103,323</u>	<u>687,306</u>
Total Liabilities and Net Assets	<u>\$ 3,930,638</u>	<u>\$ 4,003,407</u>

Results of Operations in Governmental Activities

	<u>2011</u>	<u>2010</u>
Program Revenue:		
Charges for services	\$ 90,994	\$ 109,285
Grants and contributions	395,938	473,352
General Revenue:		
Taxes	810,708	665,675
State foundation allowance	1,641,885	1,587,031
Other	<u>4,585</u>	<u>(26,038)</u>
Total Revenue	<u>2,944,110</u>	<u>2,809,305</u>
Functions/Program Expenses		
Instruction	1,164,835	1,584,357
Support services	661,512	745,296
Capital projects	396,529	23,884
School food services	108,355	88,374
Athletics	77,566	63,644
Interest on long-term debt	118,609	101,836
Other debt	<u>687</u>	<u>225</u>
Total Expenses	<u>2,528,093</u>	<u>2,607,616</u>
Change in Net Assets	416,017	201,689
Net Assets - Beginning	<u>687,306</u>	<u>485,617</u>
Net Assets - Ending	<u>\$ 1,103,323</u>	<u>\$ 687,306</u>

**CHASSELL TOWNSHIP SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

The following charts highlight the District's General Fund activities:



**CHASSELL TOWNSHIP SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the increase in revenue in the Capital Project Fund. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>		<u>Prior Year</u>		<u>Change</u>
General Fund:					
Revenues/Transfers	\$ 2,337,377	\$	2,331,080	\$	6,297
Expenditures/Transfers	\$ 2,215,969	\$	2,333,724	\$	(117,755)
Fund Balance	\$ 478,432	\$	357,024	\$	121,408
Debt Retirement Fund:					
Revenues/Transfers	\$ 508,387	\$	394,614	\$	113,773
Expenditures/Transfers	\$ 499,953	\$	387,426	\$	112,527
Fund Balance	\$ 74,353	\$	65,919	\$	8,434
Capital Projects Fund:					
Revenues/Transfers	\$ 18,025	\$	626,568	\$	(608,543)
Expenditures/Transfers	\$ 396,529	\$	23,884	\$	372,645
Fund Balance	\$ 424,301	\$	802,805	\$	(378,504)
School Food Service Fund:					
Revenues/Transfers	\$ 121,837	\$	119,989	\$	1,848
Expenditures/Transfers	\$ 114,989	\$	113,094	\$	1,895
Fund Balance	\$ 18,157	\$	11,309	\$	6,848

General Fund - Federal revenues increased by \$33,252. The District received \$60,505 in Education Jobs money, but did not receive Title I ARRA money as in the prior year. The District has used all of the Education Jobs and ARRA money that was allocated. State unrestricted revenue increased by \$54,854 and restricted decreased by \$17,895. Local revenue had a total decrease of \$61,901. There was an increase of \$25,604 in property taxes and a decrease of \$93,002 in contributions. The significant changes in general fund expenditures was the reduction and changes in staffing.

Debt Retirement Fund - The Debt Retirement Fund collects property taxes and receives interest earnings on bank deposits to finance the payment of interest and principal on bond issue related debt of the District. This is the seventh year the District did not have to borrow from the School Bond Loan Fund in order to make the interest and principal payments.

The increase in revenue and expenditures is due to property taxes and bond payment for the bonds issued in 2010 to replace the roof on the school.

Capital Projects Fund - The Capital Projects Fund is used for the purpose of setting aside money from the General Fund for future capital purchases, e.g. building repairs and improvements, and technology updates. By doing this, when a major capital purchase is needed, all the money does not have to come out of the General Fund at one time. Also included in Capital Projects is the Sinking Fund. This year the expenses included roof replacement costs. Bond proceeds for this replacement were received in 2009-10.

School Food Service Fund - The Food Service program for the District had an increase in fund balance of \$6,848 with an ending fund balance of \$18,157.

**CHASSELL TOWNSHIP SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Changes to Budget and Comparison to Actual Results

The original budget is required to be adopted before the beginning of the fiscal year by State law. For the fiscal year ended June 30, 2011, the original budget was adopted on June 18, 2010. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances, therefore the District amended the budget twice during the fiscal year.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 2,152,779	\$ 2,313,095	\$ 2,327,236	\$ 14,141	0.6%
Expenditures					
Instruction	\$ 1,495,521	\$ 1,473,735	\$ 1,462,764	\$ 10,971	0.8%
Supporting services	723,447	754,514	721,205	33,309	4.6%
Total expenditures	\$ 2,218,968	\$ 2,228,249	\$ 2,183,969	\$ 44,280	2.0%
Other financing sources (uses)	\$ (25,615)	\$ (13,412)	\$ (21,859)	\$ 8,447	-38.6%

The overall final budget to actual had minimal variances. Supporting services expenditure differences were in various individual line item changes and were overall less than expected.

Capital Assets and Debt Administration

Capital Assets: The District's investment in capital assets increased by \$214,251 during the fiscal year with the replacement of the roof and the addition of a new classroom.

Additional information on the District's capital assets can be found on page 25 of this report.

Long-term Debt: At the end of the current fiscal year, the District's total long term debt was \$2,537,793. This total amount is backed by the full faith and credit of the District. The District's total debt was decreased by \$414,050 during the fiscal year.

Additional information on the District's long-term debt can be found on page 27 through 29 of this report.

**CHASSELL TOWNSHIP SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

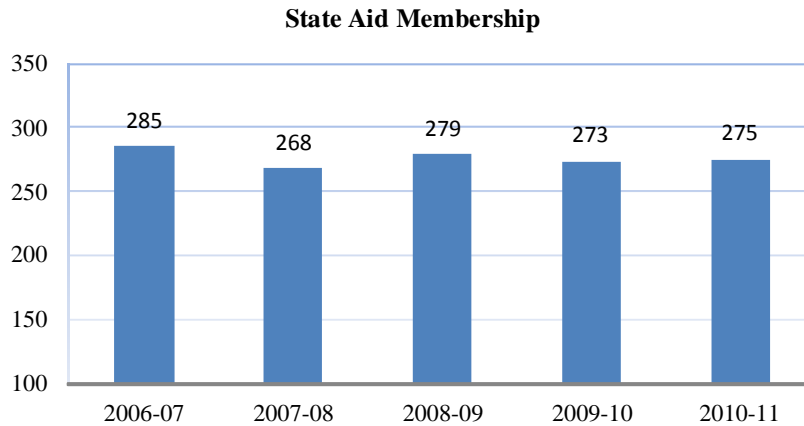
Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

Our elected officials and administration consider many factors when setting the District's 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.

State revenues received by Michigan Schools are approved annually in a State Aid Act. This Act, approved by the State Legislature, provided a foundation amount (amount per student) of \$7,316 for the 2010-11 school year.

Approximately 71% of total General Fund revenues are from the foundation allowance. Under State law, the District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations.

The graph depicts two more students enrolled from the previous year, using the State Aid Membership Count.



Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent's Office, Chassell Township Schools.

CHASSELL TOWNSHIP SCHOOLS

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 786,928
Investments	3,760
Taxes receivable	65,881
Accounts receivable	13,221
Inventory	4,584
Prepaid expense	4,297
Due from other governmental units	340,059
TOTAL CURRENT ASSETS	<u>1,218,730</u>
NON-CURRENT ASSETS:	
Restricted cash	42,439
Restricted investments	65
Capital assets	5,037,393
Less: Accumulated depreciation	(2,332,989)
Net capital assets	2,704,404
TOTAL NON-CURRENT ASSETS	<u>2,746,908</u>
TOTAL ASSETS	<u>\$ 3,965,638</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 30,029
Accrued expenses	234,555
Accrued interest	21,130
Prepaid meals	873
Deferred revenue	534
Current portion of compensated sick	2,400
Installment purchase agreement within one year	20,668
Bonds payable within one year	225,000
TOTAL CURRENT LIABILITIES	<u>535,189</u>
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	1,745,000
Installment purchase agreement payable, due in more than one year	203,116
School Bond Loan Fund payable	344,010
TOTAL NON-CURRENT LIABILITIES	<u>2,292,126</u>
TOTAL LIABILITIES	<u>2,827,315</u>
NET ASSETS:	
Invested in capital assets, net of related debt	143,080
Restricted for:	
Debt service	74,353
Food Service	18,157
Capital Projects	424,301
Unrestricted	478,432
TOTAL NET ASSETS	<u>1,138,323</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,965,638</u>

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

CHASSELL TOWNSHIP SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 1,168,315	\$ 27,586	\$ 313,510	(827,219)
Support services	658,032	-	-	(658,032)
Capital Projects	396,529	-	-	(396,529)
School food service	108,355	43,336	78,501	13,482
Athletics	77,566	20,072	3,927	(53,567)
Interest on long-term debt	118,609	-	-	(118,609)
Other debt service	687	-	-	(687)
	<u>\$ 2,528,093</u>	<u>\$ 90,994</u>	<u>\$ 395,938</u>	<u>(2,041,161)</u>
Total Governmental Activities				
General Revenues:				
Property taxes, levied for general operations				298,224
Property taxes, levied for sinking fund				10,472
Property taxes, levied for debt service				499,508
Other taxes				2,504
State school aid - unrestricted				1,641,885
Interest and investment earnings				14,036
Special item - sale of asset				3,625
Other				21,924
				<u>2,492,178</u>
Total general revenues and transfers				<u>2,492,178</u>
Change in Net Assets				451,017
Net Assets - Beginning				<u>687,306</u>
Net Assets - Ending				<u>\$ 1,138,323</u>

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

CHASSELL TOWNSHIP SCHOOLS
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2011

	General	Debt Retirement Fund	Capital Project Fund	Non-major Governmental School Food Service Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 356,371	\$ -	\$ 430,487	\$ 70	\$ 786,928
Restricted cash	-	42,439	-	-	42,439
Investments	-	-	3,760	-	3,760
Restricted investments	-	65	-	-	65
Taxes receivable	33,348	31,867	666	-	65,881
Accounts receivable	13,028	-	-	193	13,221
Inventory	-	-	-	4,584	4,584
Prepaid expense	4,297	-	-	-	4,297
Due from other governmental units	339,271	-	-	788	340,059
Due from other funds	12,072	1,652	15	19,786	33,525
TOTAL ASSETS	\$ 758,387	\$ 76,023	\$ 434,928	\$ 25,421	\$ 1,294,759
LIABILITIES:					
Accounts payable	\$ 23,947	\$ 225	\$ -	\$ 5,857	\$ 30,029
Accrued expenses	234,555	-	-	-	234,555
Prepaid meals	-	-	-	873	873
Due to other funds	21,453	1,445	10,627	-	33,525
Deferred revenue	-	-	-	534	534
TOTAL LIABILITIES	279,955	1,670	10,627	7,264	299,516
FUND BALANCES:					
Nonspendable:					
Inventories	-	-	-	4,584	4,584
Prepaid items	4,297	-	-	-	4,297
Restricted	-	74,353	424,301	13,573	512,227
Unassigned	474,135	-	-	-	474,135
TOTAL FUND BALANCES	478,432	74,353	424,301	18,157	995,243
TOTAL LIABILITIES AND FUND BALANCES	\$ 758,387	\$ 76,023	\$ 434,928	\$ 25,421	

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 therefore are not reported in the funds.	2,704,404
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(2,540,194)
Accrued interest is not included as a liability in governmental funds.	(21,130)
Net assets of governmental activities	<u>\$ 1,138,323</u>

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

CHASSELL TOWNSHIP SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Year Ended June 30, 2011

	General Fund	Debt Retirement Fund	Capital Projects Fund	Non-major Governmental School Food Service Fund	Totals
REVENUES:					
Local sources	\$ 398,334	\$ 508,387	\$ 18,025	\$ 43,336	\$ 968,082
State sources	1,721,989	-	-	4,385	1,726,374
Federal sources	206,913	-	-	74,116	281,029
Total revenues	<u>2,327,236</u>	<u>508,387</u>	<u>18,025</u>	<u>121,837</u>	<u>2,975,485</u>
EXPENDITURES:					
Instruction	1,466,244	-	-	-	1,466,244
Supporting services	646,618	-	-	-	646,618
Debt service	-	105,929	-	-	105,929
Capital projects	-	-	396,529	-	396,529
School food service	-	-	-	108,473	108,473
Athletics	71,107	-	-	-	71,107
Total expenditures	<u>2,183,969</u>	<u>105,929</u>	<u>396,529</u>	<u>108,473</u>	<u>2,794,900</u>
Excess (deficiency) of revenue over expenditures	<u>143,267</u>	<u>402,458</u>	<u>(378,504)</u>	<u>13,364</u>	<u>180,585</u>
OTHER FINANCING SOURCES (USES):					
Sale of fixed assets	3,625	-	-	-	3,625
Indirect recovery (costs)	6,516	-	-	(6,516)	-
Bond/lease payments	(32,000)	(394,024)	-	-	426,024
Total other financing sources (uses)	<u>(21,859)</u>	<u>(394,024)</u>	<u>-</u>	<u>(6,516)</u>	<u>(422,399)</u>
NET CHANGE IN FUND BALANCE	121,408	8,434	(378,504)	6,848	(241,814)
FUND BALANCES - BEGINNING OF YEAR	<u>357,024</u>	<u>65,919</u>	<u>802,805</u>	<u>11,309</u>	
FUND BALANCES - END OF YEAR	<u>\$ 478,432</u>	<u>\$ 74,353</u>	<u>\$ 424,301</u>	<u>\$ 18,157</u>	

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

Governmental funds do not record depreciation, report capital outlays or gain/losses activities; in the statement of activities these are recorded, capitalized and allocated over their estimated useful lives as depreciation.	249,252
Accrued expenses are recorded in the statement of activities when incurred and are not reported in governmental funds until paid.	29,530
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases installment purchase and lease payments are an expenditure in the governmental funds, but not in the statement of activities (where it decreases long-term debt).	20,025
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	<u>394,024</u>
Change in net assets of governmental activities	<u>\$ 451,017</u>

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

CHASSELL TOWNSHIP SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	<u>Fiduciary Fund</u>
ASSETS:	
Cash and investments	<u>\$ 19,202</u>
LIABILITIES:	
Due to student groups	<u>\$ 19,202</u>

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

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Chassell Township Schools (the "District") is governed by the Chassell Township Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal manners. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 District's government-wide activities are considered governmental activities.

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

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

The District first utilizes restricted resources to finance qualifying activities.

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

The District does allocate indirect costs.

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

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

Non-major funds include Special Revenue Funds - These type funds are used to account for the activities of specific school service revenue sources such as the School Food Service activities.

Fiduciary Fund - The Trust and Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to account for assets that the District holds for others in an agency capacity (primary student activities). Fiduciary funds are not included in the government-wide statements.

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

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

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

State Revenue - The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts and the local county treasurer. For the year ended June 30, 2011, the foundation allowance was based on pupil membership counts taken in February and September of 2010.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2011. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

Foundation		\$ 7,316.00
Less Local Support:		
Assumed Local Revenue	286,215	
Divided by General Education K-12 membership	<u>273.77</u>	
Calculated Local Support		<u>(1,045.46)</u>
Foundation Grant Allowance Per Pupil		<u>\$ 6,270.54</u>

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Cash and cash equivalents

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

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For the year ended June 30, 2011, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.00
Capital Projects - Non-homestead	0.20
Debt service fund - Homestead and non-homestead	9.56

Receivables and Payables - Activity between funds are reported as “due to/from other funds.” All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory - Inventory in the District's Special Revenue Fund consists of food, a la carte items, and USDA Commodities totaling \$4,584. The District utilizes the consumption method of recording inventories of food supplies in the School Food Service Fund. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

All other funds utilize the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Capital Assets - Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. 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 & maintenance that do not add to the value or materially extend asset lives are not capitalized.

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	5-10 years

Accrued Benefits - The liabilities for compensated sick and retirement incentive reported in the government-wide statements in the amount of \$2,400, consisted of sick leave balances and retirement incentives.

Sick Leave - Substantially all District employees are allowed to accumulate sick days to a maximum of 160 days. Employees with over twenty-five years of employment are paid \$15 per day for accrued sick days upon retirement. At June 30, 2011, accumulated unpaid sick leave was \$2,400.

Retirement Incentive - The District's contract with the Copper Country Education Association includes a retirement incentive payment to retiring teachers when the number of years of service to the District and one's age total 80. The maximum benefit is \$5,000 and is reduced each year after eligibility by \$1,000 until zero is reached. As of June 30, 2011 no one qualified for the early retirement incentive.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Fund Balance - The District adopted the provisions of GASB Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, in the current year. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is presented on the face of the balance sheet.

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either a.) Not in spendable form, or b.) Legally or contractually require to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. *Committed fund balance*, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

Reclassification - Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE C - CASH AND INVESTMENTS

At year-end, the District’s cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 786,928	\$ -	\$ 786,928
Restricted cash	42,439	19,202	61,641
Total cash and cash equivalents	829,367	19,202	848,569
Investments	3,760	-	3,760
Restricted investments	65	-	65
Total deposits and investments	<u>\$ 833,192</u>	<u>\$ 19,202</u>	<u>\$ 852,394</u>

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

Investment Type	Fair Value	Rating
MILAF + Cash Mgmt	\$ 1,254	AAA
MILAF + MAX class	2,571	AAA
Total investments	<u>\$ 3,825</u>	

Investment and Deposit Risk

Interest Rate Risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements. The District’s investments held at year end do not have maturity dates.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments pools as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2011, \$469,830 of the District’s bank balance of \$865,390 was exposed to custodial credit risk because it was uninsured and collateralized.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE C - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investment listed above, there is no custodial credit risk, as these investment are uncategorized as to credit risk.

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

Michigan law authorizes the District to deposit and invest in:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers’ acceptance issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

NOTE D - FIXED ASSETS

Fixed Asset activity of the District’s governmental activities was as follows:

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11
Land	\$ 60,002	\$ -	\$ -	\$ 60,002
Building and additions	3,421,170	393,908	-	3,815,078
Improvements other than building	417,775	-	-	417,775
Equipment and furniture	504,526	19,605	-	524,131
School buses	206,997	-	-	206,997
Vehicles	13,410	-	-	13,410
Subtotal	4,623,880	\$ 413,513	\$ 0	5,037,393
Accumulated depreciation:				
Building and additions	1,231,087	\$ 104,118	\$ -	1,335,205
Improvements other than building	354,985	20,874	-	375,859
Equipment and furniture	382,338	32,806	-	415,144
School buses	192,634	4,788	-	197,422
Vehicles	7,683	1,676	-	9,359
	2,168,727	\$ 164,262	\$ -	2,332,989
Net capital assets	\$ 2,455,153		\$ -	\$ 2,704,404

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE D - FIXED ASSETS (Continued)

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

Athletic	\$	6,459
School Food Service		236
Instruction		146,152
Operations		6,628
Transportation		<u>4,787</u>
TOTAL	\$	<u><u>164,262</u></u>

NOTE E - RECEIVABLES

Receivables from governmental units at June 30, 2011 that are expected to be collected within one year consist of the following:

	General Fund	Debt Retirement	Capital Projects	School Service	Total
State aid	\$ 339,271	\$ -	\$ -	\$ 788	\$ 340,059
Accounts	13,028	-	-	193	13,221
Taxes	<u>33,348</u>	<u>31,867</u>	<u>666</u>	-	<u>65,881</u>
	<u>\$ 385,647</u>	<u>\$ 31,867</u>	<u>\$ 666</u>	<u>\$ 981</u>	<u>\$ 419,161</u>

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2011 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General	\$ 12,072	General	\$ 21,453
Debt Retirement	1,652	Debt Retirement	1,445
Capital Projects	15	Capital Projects	10,627
School Food Service	19,786		
TOTAL	<u>\$ 33,525</u>	TOTAL	<u>\$ 33,525</u>

There were no transfers between funds for the year ended June 30, 2011.

NOTE G - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2011, for the District's individual major funds and non-major funds in the aggregate, are as follows:

Fund Financial Statements:	General	Debt	Food Service	Total
Accounts payable	\$ 23,947	\$ 225	\$ 5,857	\$ 30,029
Salaries payable	156,842	-	-	156,842
Accrued expenses	<u>77,713</u>	-	-	<u>77,713</u>
	<u>258,502</u>	<u>225</u>	<u>5,857</u>	<u>264,584</u>
District-wide Financial Statements:				
Accrued interest on long-term debt	-	21,130	-	21,130
Total accounts payable and accrued liabilities	<u>\$ 258,502</u>	<u>\$ 21,355</u>	<u>\$ 5,857</u>	<u>\$ 285,714</u>

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE H - LONG TERM DEBT

2004 Advance Refunding

On February 9, 2004, the District issued \$2,350,000 of unlimited tax general obligation bonds to advance refund \$2,255,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used to pay off the 1994 Advance Refunding Bonds dated January 12, 1994 and the 1995 School Building and Site Bonds dated March 1, 1995.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 2.00% to 4.25% per annum. Interest payments started on May 1, 2004, and are payable semi-annually on May 1 and November 1 as indicated. The bonds are to be both term and serial. Bonds or portions of bonds maturing on or after May 1, 2015, shall be subject to redemption at the option of the School Board in multiples of \$5,000 in such order as the District may determine, by lot within any maturity, on any date occurring on or after May 1, 2014, at par and accrued interest to the date fixed for redemption.

Payable School Year	November 1 Interest	May 1 Interest	May 1 Principal	Total
2011-2012	\$ 26,950	\$ 26,950	\$ 140,000	\$ 193,900
2012-2013	24,710	24,710	140,000	189,420
2013-2014	22,330	22,330	140,000	184,660
2014-2015	19,740	19,740	140,000	179,480
2015-2016	17,150	17,150	140,000	174,300
2016-2017	14,420	14,420	140,000	168,840
2017-2018	11,690	11,690	140,000	163,380
2018-2019	8,820	8,820	140,000	157,640
2019-2020	5,950	5,950	140,000	151,900
2020-2021	2,975	2,975	140,000	145,950
TOTAL	<u>\$ 154,735</u>	<u>\$ 154,735</u>	<u>\$ 1,400,000</u>	<u>\$ 1,709,470</u>

Installment Purchase Agreement

On September 21, 2009, the District entered into an installment purchase agreement with River Valley State Bank in the amount of \$280,000 for energy improvements. The agreement has an annual percentage interest rate of 4.95% and fixed annual payments of \$32,000 which include interest. The agreement will expire in September 2018, at which time the District will legally own all the energy improvements. The following is a schedule of the installment payments:

Payable School Year	Interest	Principal	Total
2011-2012	\$ 11,332	\$ 20,668	\$ 32,000
2012-2013	10,285	21,715	32,000
2013-2014	9,186	22,814	32,000
2014-2015	8,031	23,969	32,000
2015-2016	6,817	25,183	32,000
2016-2017	5,542	26,458	32,000
2017-2018	4,202	27,798	32,000
2018-2019	2,794	29,206	32,000
2019-2020	1,315	25,972	27,287
TOTAL	<u>\$ 59,504</u>	<u>\$ 223,783</u>	<u>\$ 283,287</u>

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE H - LONG TERM DEBT (Continued)

2010 School Building Bond

On June 28, 2010, the District issued \$625,000 Building and Site of unlimited tax general obligation bonds for the replacement of the roof at the school building. Construction of this project began on July 1, 2010. The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates not to exceed 5.0% per annum. Interest payments started on November 1, 2010, and are payable semi-annually on May 1 and November 1 as indicated. The bonds are non-callable.

<u>Payable School Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2011-2012	\$ 11,700	\$ 11,700	\$ 85,000	\$ 108,400
2012-2013	10,000	10,000	90,000	110,000
2013-2014	8,200	8,200	95,000	111,400
2014-2015	6,300	6,300	100,000	112,600
2015-2016	4,300	4,300	100,000	108,600
2016-2017	2,200	2,200	100,000	104,400
TOTAL	\$ 42,700	\$ 42,700	\$ 570,000	\$ 655,400

School Bond Loan Fund

During the year ended June 30, 2011, the District did not borrow funds from the Michigan School Bond Loan Fund. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can loan the school district funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. At June 30, 2011, the balance due to the School Bond Loan Fund was \$344,589 including accrued interest of \$580.

The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the District's 1995 bond issue. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds. The interest rate associated with loans from the school bond loan fund is established periodically by the State Administrative Board. The rate at June 30, 2011 was 5.125%

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2011:

	<u>Balance June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2011</u>	<u>Current Portion</u>
Bonds	\$ 1,540,000	\$ -	\$ 140,000	\$ 1,400,000	\$ 140,000
2010 School Building Bond	625,000	-	55,000	570,000	85,000
Installment Purchase-RVSB	243,455	-	19,672	223,783	20,668
Capital Lease - Reinhart	354	-	354	-	-
School Bond Loan	<u>543,034</u>	<u>-</u>	<u>199,024</u>	<u>344,010</u>	<u>-</u>
	2,951,843	-	414,050	2,537,793	\$ 245,668
Accrued Interest	20,092	1,038	-	21,130	
Accrued Benefits	32,968	-	30,568	2,400	
TOTAL	\$ 3,004,903	\$ 1,038	\$ 444,618	\$ 2,561,323	

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE H - LONG TERM DEBT (Continued)

As of June 30, 2011, the aggregate maturities of long-term debt for the next five years are as follows:

Payable School Year	Interest	Principal	Total
2011-2012	\$ 88,632	\$ 245,668	\$ 334,300
2012-2013	79,705	251,715	331,420
2013-2014	70,246	257,814	328,060
2014-2015	60,111	263,969	324,080
2015-2016	49,717	265,183	314,900
2016-2017	36,782	266,458	303,240
2017-2018	27,582	167,798	195,380
2018-2019	20,434	169,206	189,640
2019-2020	13,215	165,972	179,187
2020-2021	19,965	484,010	503,975
TOTAL	<u>\$ 466,389</u>	<u>\$ 2,537,793</u>	<u>\$ 3,004,182</u>

NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

The retirement system is a tiered plan. Employees participate in either the Basic Plan, the Member Investment Plan (MIP), or the Hybrid Plan.

Plan Description

The District contributes to the Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, PO Box 30171, Lansing, Michigan 48909, by calling (517) 322-5103 or online at the State of Michigan's web-site: <http://www.michigan.gov/orsschools>.

Funding Policy

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2010 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2010 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Employees hired on or after July 1, 2010 are enrolled in a new pension plan, the Pension Plus Plan, with a blending of defined benefit and defined contribution components. Under this plan, employees would not be able to receive pension payments until age 60, and would be required to have worked at least ten years as a public school employee. The employee contributes \$510 annually, plus 7.3% of salary above \$15,000. Additionally, the employer matches member contributions at a rate of 50% of the employee's first 2% of salary contribution. The employee is able to contribute more than the 2% of salary, but employer contributions do not exceed 1% of total salary deposited.

The rates for the year ended June 30, 2011 were 16.94% of covered compensation through September 30, 2010 and 20.66% for the remainder of the year for MIP members, and 19.16% for the Pension Plus Plan members. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The total amount contributed to MPERS for the years ended June 30, 2011, 2010, and 2009, were \$220,368, \$202,053, and \$206,642 respectively, equal to the required contributions for each year.

Other Post Employee Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

- Retirees not yet eligible for Medicare coverage pay an annual amount equal to Medicare Part B premiums.
- Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

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

NOTE J - 403(b) RETIREMENT PLAN

In 2008-09 the District established a 403(b) plan, a qualified, tax sheltered annuity or custodial account plan for the exclusive benefit of eligible employees and their beneficiaries. The plan is self administered by the District with a plan year ending each December 31. Participants in the plan must be an employee receiving compensation for personal service in covered employment.

The plan is intended to be a qualified tax sheltered annuity or custodial account plan in which payments are taxable to the recipient only upon actual distribution of benefits under Section 72 and 403(b) of the Internal Revenue Code of 1986, as amended (the Code).

The Employer is not required to make contributions. Accounts are established by the employee's investment provider for each type of contribution.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011

NOTE K - RECONCILIATION OF MDE GRANT REPORTS

The amounts reported as current payments on MDE grant reports prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 17 as follows:

Total cumulative payments per MDE grant reports	\$	282,837
Less:		
Prior year receivable - ARRA Educational Stabilization		(60,911)
Plus:		
USDA Commodities		8,664
REAP		26,776
Learn & Serve		14,517
Special Education flow through from ISD		9,146
Total Federal Financial Assistance	\$	<u>281,029</u>

The District expended less than \$500,000 in Federal awards during the fiscal year ended June 30, 2011 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

NOTE L- CONTINGENT LIABILITIES

Risk Pool

Chassell Township Schools is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Chassell Township Schools joined together with other school districts currently operating a common risk management and insurance program. Chassell Township Schools pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Chassell Township Schools continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2011, which can be obtained through the District.

NOTE M - ECONOMIC DEPENDENCY

The District received approximately 70% of its General Fund revenue from the Michigan Department of Education Membership Allowance. Due to the significance of this revenue source to the District, the District is considered to be economically dependent.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

CHASSELL TOWNSHIP SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Local sources	\$ 345,025	\$ 383,595	\$ 398,334	\$ 14,739
State sources	1,720,375	1,722,025	1,721,989	(36)
Federal sources	87,379	207,475	206,913	(562)
TOTAL REVENUE	2,152,779	2,313,095	2,327,236	14,141
EXPENDITURES:				
Instruction:				
Basic programs	1,320,621	1,287,435	1,282,188	5,247
Added needs	174,900	186,300	184,056	2,244
Support Services:				
Pupil support	3,975	3,670	3,642	28
Instructional staff	21,955	22,155	21,394	761
Executive administration	224,205	229,435	218,836	10,599
School administration	39,615	50,375	47,687	2,688
Business services	40,470	38,815	38,628	187
Operation and maintenance	205,718	200,670	189,382	11,288
Pupil transportation	99,669	101,879	90,927	10,952
Communication services	5,750	7,000	6,487	513
Athletics	58,675	69,100	71,107	(2,007)
Other professional and technology	23,415	31,415	29,635	1,780
TOTAL EXPENDITURES	2,218,968	2,228,249	2,183,969	44,280
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(66,189)	84,846	143,267	(58,421)
OTHER FINANCING SOURCES (USES)				
Incoming transfers - other schools	10,000	10,000	-	(10,000)
Operating transfer out	(9,200)	-	-	-
Sale of fixed assets	-	2,800	3,625	825
Facility Acquisitions	(965)	(965)	-	965
Indirect recovery	6,550	6,753	6,516	(237)
Lease payments	(32,000)	(32,000)	(32,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(25,615)	(13,412)	(21,859)	(8,447)
NET CHANGE IN FUND BALANCE	\$ (91,804)	\$ 71,434	121,408	\$ 66,868
FUND BALANCE - BEGINNING OF YEAR			357,024	
FUND BALANCE - END OF YEAR			\$ 478,432	

CHASSELL TOWNSHIP SCHOOLS
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Local sources	\$ 635,000	\$ 17,828	\$ 18,025	\$ 197
EXPENDITURES:				
Buildings and additions	625,000	393,373	393,364	9
Equipment and furniture	-	2,820	2,816	4
Other improvements	-	351	349	2
	<u>625,000</u>	<u>396,544</u>	<u>396,529</u>	<u>15</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 10,000</u>	<u>\$ (378,716)</u>	(378,504)	<u>\$ 182</u>
FUND BALANCE - BEGINNING OF YEAR			<u>802,805</u>	
FUND BALANCE - END OF YEAR			<u>\$ 424,301</u>	

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

CHASSELL TOWNSHIP SCHOOLS
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2011
With Comparative Amounts for Year Ended June 30, 2010

	2011			2010
	Budget	Actual	Variance	
REVENUES:				
Local sources:				
Taxes	\$ 290,600	\$ 298,224	\$ 7,624	\$ 272,620
Other local sources:				
Investment revenue	2,275	2,704	429	2,127
Rentals	11,500	12,024	524	18,570
Contributions	26,235	26,493	258	119,495
Athletics	12,200	23,999	11,799	18,526
Miscellaneous	40,785	34,890	(5,895)	28,897
Total other local sources	92,995	100,110	7,115	187,615
Total local sources	383,595	398,334	14,739	460,235
State sources:				
Unrestricted grant - State Aid	1,641,880	1,641,885	5	1,587,031
Restricted grants:				
Special Education	12,320	12,321	1	28,057
Special Education from ISD	9,235	9,238	3	10,936
At-Risk	52,180	52,134	(46)	59,006
CEPI Teacher Student Datalink	1,480	1,481	1	-
Headlee Obligation for Data Collection	4,460	4,460	-	-
Other state revenue	470	470	-	-
Total restricted grants	80,145	80,104	(41)	97,999
Total state sources	1,722,025	1,721,989	(36)	1,685,030
Federal sources:				
Title I	34,300	34,300	-	33,608
Title I ARRA	-	-	-	18,566
Title II	12,530	12,533	3	12,426
Title IID ARRA	-	-	-	683
ARRA Education Stabilization	49,130	49,136	6	60,911
Education Jobs	60,505	60,505	-	-
Special Education ARRA	9,235	9,146	(89)	9,146
Other federal sources	41,775	41,293	(482)	38,321
Total federal sources	207,475	206,913	(562)	173,661
TOTAL REVENUES	2,313,095	2,327,236	14,141	2,318,926
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	536,820	537,135	(315)	548,083
High School	750,615	745,053	5,562	768,897
Total basic program	1,287,435	1,282,188	5,247	1,316,980

CHASSELL TOWNSHIP SCHOOLS
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Continued)
Year Ended June 30, 2011
With Comparative Amounts for Year Ended June 30, 2010

	2011			2010
	Budget	Actual	Variance	
Added needs:				
Special Education	82,695	82,141	554	68,020
Compensatory education	50,120	49,780	340	67,238
At-Risk	53,485	52,135	1,350	58,420
Total added needs	<u>186,300</u>	<u>184,056</u>	<u>2,244</u>	<u>193,678</u>
Total instruction	<u>1,473,735</u>	<u>1,466,244</u>	<u>7,491</u>	<u>1,510,658</u>
Supporting services:				
Pupil support	3,670	3,642	28	3,097
Instructional staff	22,155	21,394	761	22,695
Executive administration	229,435	218,836	10,599	221,600
School administration - Principal	50,375	47,687	2,688	137,549
Business services	38,815	38,628	187	36,017
Operation & maintenance	200,670	189,382	11,288	187,263
Pupil transportation	101,879	90,927	10,952	89,275
Communications services	7,000	6,487	513	5,759
Athletics	69,100	71,107	(2,007)	57,185
Other professional and technology	31,415	29,635	1,780	30,626
Total supporting services	<u>754,514</u>	<u>717,725</u>	<u>36,789</u>	<u>791,066</u>
TOTAL EXPENDITURES	<u>2,228,249</u>	<u>2,183,969</u>	<u>44,280</u>	<u>2,301,724</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>84,846</u>	<u>143,267</u>	<u>(58,421)</u>	<u>17,202</u>
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	10,000	-	10,000	5,500
Sale of fixed assets	2,800	3,625	(825)	-
Indirect recovery	6,753	6,516	237	6,654
Facility acquisition	(965)	-	(965)	-
Lease payments	(32,000)	(32,000)	-	(32,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(13,412)</u>	<u>(21,859)</u>	<u>8,447</u>	<u>(19,846)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 71,434</u>	<u>121,408</u>	<u>\$ 49,974</u>	<u>(2,644)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>357,024</u>		<u>359,668</u>
FUND BALANCE, END OF YEAR		<u>\$ 478,432</u>		<u>\$ 357,024</u>

CHASSELL TOWNSHIP SCHOOLS
DEBT RETIREMENT FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2011

With Comparative Amounts for Year Ended June 30, 2010

	2011			
	Budget	Actual	Variance	2010
REVENUES:				
Local sources:				
Current taxes	\$ 499,610	\$ 499,508	\$ (102)	\$ 392,605
Interest income	3,425	3,779	354	1,559
Other taxes	1,900	2,504	604	450
Penalties & interest on delinquent taxes	500	2,596	2,096	-
TOTAL REVENUES	505,435	508,387	2,952	394,614
EXPENDITURES:				
Interest on bonds	105,555	105,552	3	108,895
Other expenses	400	377	23	225
TOTAL EXPENDITURES	105,955	105,929	26	109,120
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	399,480	402,458	(2,978)	285,494
OTHER FINANCING SOURCES (USES):				
Redemption of bond principal	(394,025)	(394,024)	1	(278,255)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 5,455	8,434	\$ 2,979	7,239
FUND BALANCE, BEGINNING OF YEAR		65,919		58,680
FUND BALANCE, END OF YEAR		\$ 74,353		\$ 65,919

CHASSELL TOWNSHIP SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2011

With Comparative Amounts for Year Ended June 30, 2010

	2011			2010
	Budget	Actual	Variance	
REVENUES:				
Local sources:				
Contributions	\$ 10,730	\$ 10,472	\$ (258)	\$ -
Interest	7,098	7,553	455	1,568
TOTAL REVENUE	<u>17,828</u>	<u>18,025</u>	<u>197</u>	<u>1,568</u>
EXPENDITURES:				
Buildings and additions	393,373	393,364	9	21,380
Equipment and furniture	2,820	2,816	4	-
Other improvements	351	349	2	2,504
TOTAL EXPENDITURES	<u>396,544</u>	<u>396,529</u>	<u>15</u>	<u>23,884</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(378,716)</u>	<u>(378,504)</u>	<u>212</u>	<u>(22,316)</u>
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	-	-	-	625,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ (378,716)</u>	<u>(378,504)</u>	<u>\$ 212</u>	<u>602,684</u>
FUND BALANCE, BEGINNING OF YEAR		<u>802,805</u>		<u>200,121</u>
FUND BALANCE, END OF YEAR		<u>\$ 424,301</u>		<u>\$ 802,805</u>

CHASSELL TOWNSHIP SCHOOLS
SCHOOL FOOD SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2011

With Comparative Amounts for Year Ended June 30, 2010

	2011			2010
	Budget	Actual	Variance	
REVENUES:				
Local sources:				
Adult lunches	\$ 3,500	\$ 3,572	\$ 72	\$ 4,111
A-La-Carte	35	37	2	333
Student lunches	29,100	29,382	282	27,767
Miscellaneous	11,660	10,345	(1,315)	12,531
Total local sources	<u>44,295</u>	<u>43,336</u>	<u>(959)</u>	<u>44,742</u>
State sources	<u>4,380</u>	<u>4,385</u>	<u>5</u>	<u>6,035</u>
Federal sources:				
School lunch program	65,750	65,452	(298)	62,583
USDA entitlements	5,565	8,664	3,099	6,049
USDA bonus entitlements	1,000	-	1,000	580
Total federal sources	<u>72,315</u>	<u>74,116</u>	<u>1,801</u>	<u>69,212</u>
TOTAL REVENUES	<u>120,990</u>	<u>121,837</u>	<u>847</u>	<u>119,989</u>
EXPENDITURES:				
Salaries	-	-	-	2,049
Employee benefits	-	-	-	586
Purchase services	45,740	45,175	565	43,908
Supplies, materials, and other	59,265	61,472	(2,207)	59,897
Capital outlay	1,830	1,826	4	-
TOTAL EXPENDITURES	<u>106,835</u>	<u>108,473</u>	<u>(1,638)</u>	<u>106,440</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,155	13,364	791	13,549
OTHER FINANCING SOURCES (USES)				
Indirect costs	(6,753)	(6,516)	237	(6,654)
TOTAL FINANCING SOURCES (USES)	<u>(6,753)</u>	<u>(6,516)</u>	<u>237</u>	<u>(6,654)</u>
EXCESS (DEFICIENCY) OF FINANCING SOURCES (USES) OVER EXPENDITURES	<u>\$ (7,402)</u>	6,848	<u>\$ (554)</u>	6,895
FUND BALANCE, BEGINNING OF YEAR		<u>11,309</u>		<u>4,414</u>
FUND BALANCE, END OF YEAR		<u>\$ 18,157</u>		<u>\$ 11,309</u>

CHASSELL TOWNSHIP SCHOOLS
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2011

	Balance July 1, 2010	Receipts	Disbursements	Balance June 30, 2011
ASSETS:				
Cash	\$ 20,603	\$ 30,227	\$ 31,628	\$ 19,202
LIABILITIES:				
Due to Student Groups:				
Assembly	\$ 4,339	\$ 6,434	\$ 5,094	\$ 5,679
Class of 2009	214	-	-	214
Class of 2010	20	-	-	20
Class of 2011	4,285	7,416	11,519	182
Class of 2012	-	1,384	298	1,086
Class of 2015	111	-	-	111
Yearbook	3,263	3,928	5,857	1,334
Elementary Fund	3,418	2,097	1,533	3,982
Elementary Playground	277	-	-	277
Student Council	557	362	351	568
Magazine Fund	59	-	-	59
Quiz Bowl	546	240	190	596
Band Equipment	28	-	-	28
Band	887	500	152	1,235
Robotics	50	-	-	50
Athletic Fund	565	-	-	565
BHK Scholarship	-	500	-	500
Loree Kalliainen Scholarship	1,000	1,000	1,000	1,000
Kalliainen Professional Development	234	1,000	778	456
Chassell VFW Post 6507 Scholarship	-	2,000	1,000	1,000
Butch/Erma Burkman Scholarship	750	-	750	-
Helman Scholarship	-	1,000	1,000	-
Track Uniforms	-	2,366	2,106	260
TOTAL LIABILITIES	\$ 20,603	\$ 30,227	\$ 31,628	\$ 19,202

RUKKILA | NEGRO AND ASSOCIATES

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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

To the Board of Education
Chassell Township Schools
Chassell, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chassell Township Schools as of and for the year then ended June 30, 2011 which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will be not be prevented, detected and corrected on a timely basis.

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

Compliance

As part of obtaining reasonable assurance about whether the District'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 the District's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

November 9, 2011

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

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COMMUNICATION WITH THOSE IN CHARGE OF GOVERNANCE

Board of Education
Chassell Township Schools
Chassell, Michigan

We have audited the financial statements of the governmental activities and each major fund of Chassell Township Schools for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 3, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Chassell Township Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 9, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of the board and management of Chassell Township Schools and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate your business, thank you.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

November 9, 2011