

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Public Schools of Petoskey	County Emmet
Audit Date 6/30/05	Opinion Date 8/5/05	Date Accountant Report Submitted to State: 10/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below

- | | | |
|------------------------------|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241) |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95) |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations	✓		
Reports on individual federal financial assistance programs (program audits)			✓
Single Audit Reports (ASLGU)	✓		

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 902 S. Huron Street	City Cheboygan	State MI	ZIP 49721
Accountant Signature <i>Annette Eustice CPA, CGFM</i>		Date 10/27/05	



Public Schools of Petoskey

A Special Place for Everyone

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

PUBLIC SCHOOLS OF PETOSKEY

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INDEPENDENT AUDITORS' REPORT

August 5, 2005

Board of Education
Public Schools of Petoskey
Petoskey, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Public Schools of Petoskey***, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of ***Public Schools of Petoskey'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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ***Public Schools of Petoskey*** as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2005 on our consideration of ***Public Schools of Petoskey***'s internal control over financial reporting and 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 the 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 on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the ***Public Schools of Petoskey***'s basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of ***Public Schools of Petoskey***. 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 of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of ***Public Schools of Petoskey***. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplementary information included on pages 54-56 is presented for additional analysis and is not a required part of the basic financial statements and accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Public Schools of Petoskey (District), a K-12 school District located in Emmet and Charlevoix Counties, Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

The District's basic financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains other supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status. These statements present an aggregate view of the District's finances and a longer-term view of those finances.
- The next statements are *fund financial statements* that focus on individual parts of the District. These statements look at the District's operations in more detail than the District-wide financial statements by providing information about the District's most significant funds – the General Fund, Debt Service Fund, and the Sinking Fund, with all other funds presented in one column as Nonmajor Funds.

The statement of fiduciary assets and liabilities presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

District-wide financial statements. The *District-wide financial statements* report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets and the statement of activities, which appear first in the District's financial statements, include all assets and liabilities and use the accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The two District-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

The relationship between revenues and expenses is the District's operating results. However, it should be noted that unlike most private-sector companies where improving shareholder wealth is the goal, the District's goal is to provide services to our students. Therefore, in order to assess the overall health of the District, one must consider many non-financial factors such as the quality of education provided, breadth of curriculum offered, condition of school facilities, and the safety of the schools.

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

Fund financial statements. The District's *fund financial statements* provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants, though the District may establish other funds to help control and manage money for particular purposes. It may also establish other funds to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

The fund financial statements are formatted to comply with the legal requirements of the Michigan Department of Education's Bulletin 1022. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including:

- Debt Service Fund – consisting of the 1993 bonds, 1998 bonds, 2005 refunding bonds, Durant bonds, and Foster Land Contract.
- Special Revenue Funds – consisting of the Food Service Fund and the Athletic Fund
- Capital Projects Funds – consisting of the Building & Site Fund, Roof Repair Fund, 1998 Capital Projects Fund, and Sinking Fund.

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

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 assets and liabilities. 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.

Financial Analysis of the District as a Whole

As stated earlier, the summary of net assets provides the perspective of the District as a whole. The District's net assets decreased 3.9 percent to approximately \$24 million. Table 1 provides a summary of the District's net assets as of June 30, 2005 and June 30, 2004:

Public Schools of Petoskey
Condensed Statement of Net Assets
Table 1

	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>2005</u>	<u>2004</u>	<u>Change</u>
Assets			
Current assets	\$ 9,281,504	\$ 8,707,498	6.59%
Capital assets, net of accumulated depreciation	<u>46,047,172</u>	<u>47,149,071</u>	<u>-2.34%</u>
Total assets	55,328,676	55,856,569	-0.95%
Liabilities			
Current liabilities	4,906,549	2,802,957	75.05%
Long-term liabilities	<u>26,393,508</u>	<u>28,045,634</u>	<u>-5.89%</u>
Total liabilities	31,300,057	30,848,591	1.46%
Invested in capital assets, net of related debt	20,022,216	19,543,958	2.45%
Restricted	2,161,814	2,306,695	-6.28%
Unrestricted	<u>1,844,589</u>	<u>3,157,325</u>	<u>-41.58%</u>
Total net assets	<u>\$ 24,028,619</u>	<u>\$ 25,007,978</u>	<u>-3.92%</u>

Capital assets net of related debt, \$20 million, is the original cost of the District's capital assets, less depreciation, less the long-term debt outstanding used to finance the acquisition of those assets. This debt will be repaid from voter-approved property taxes collected as the debt and interest payments come due. Restricted net assets of \$2.2 million are shown separately to recognize legal constraints from debt covenants and enabling legislation. These constraints limit the District's ability to use those net assets for day-to-day operations.

The remaining amount of net assets of \$1.8 million was unrestricted and 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 District as a whole are reported in the statement of activities, summarized in Table 2, which shows the changes in net assets for fiscal year 2005 and 2004.

Public Schools of Petoskey
Condensed Statement of Change in Net Assets
Table 2

	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>2005</u>	<u>2004</u>	<u>Change</u>
Revenue			
Program Revenues			
Charges for services	\$ 994,427	\$ 1,123,299	-12.96%
Grants and contributions	2,854,488	2,688,473	5.82%
General Revenues			
Property taxes	17,243,902	16,113,446	6.56%
State foundation allowance	7,767,634	8,302,771	-6.89%
Other	<u>191,574</u>	<u>192,478</u>	<u>-.47%</u>
Total revenues	<u>29,052,025</u>	<u>28,420,467</u>	<u>2.17%</u>
Expenses			
Instruction	16,988,502	15,376,357	9.49%
Support services	7,919,829	7,498,815	5.32%
Community services	36,558	36,135	1.16%
Food services	998,641	982,870	1.58%
Athletics	577,738	554,989	3.94%
Interest/fees on long-term debt	1,251,304	1,351,738	-8.03%
Depreciation (unallocated)	<u>2,258,812</u>	<u>2,240,881</u>	<u>.80%</u>
Total Expenses	<u>30,031,384</u>	<u>28,041,785</u>	<u>6.63%</u>
(Decrease) Increase in Net Assets	<u>\$ (979,359)</u>	<u>\$ 378,682</u>	<u>-358.62%</u>

Of the District's total revenues available to operate the District, approximately 3.4 percent or one million came from fees charged to those who benefited from the programs. Approximately 10 percent or \$2.9 million of revenues came from other governments or organizations that subsidize certain programs with grants and other directed types of funding.

Local property taxes, in the amount of \$17.2 million, supported the remaining portion of the governmental activities. This is \$1.1 million more than the prior year due to increased property tax values, combined with voter passage of a Headlee override millage increase. The property tax revenue comes mainly from the 18 mills on all non-homestead property, which we are required to levy by the State in order to receive our full State foundation allowance. The District enjoys the support of the community in maintaining our facilities, as \$1.6 million of the \$17.2 million in tax revenue is generated by a special millage specifically for capital expenditures. The proceeds and expenditures of this special millage are exclusively tracked in the District's Sinking Fund. This special millage was renewed by voters in May 2005, and is now set to expire on December 31, 2012.

The State foundation allowance accounted for 27 percent or \$7.8 million of the revenue available. This revenue is determined by a formula that incorporates pupil headcount, the annual per pupil allowance, and the non-homestead property taxable values of the District.

The expense portion of Table 2 shows the financial support each functional area required during the year. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for \$17 million or 57 percent of total expenses. Support services cost \$7.9 million or 26 percent of all expenses, which includes such items as transportation, maintenance, security, supervision, counseling, health care, and a variety of similar services that support the District's mission of educating children.

The District experienced a decrease in net assets of \$979,359 or approximately 3.9 percent. Included in the current fiscal year was a freeze in the foundation allowance funding by the State of Michigan at \$6,700 per student, for the third year in a row while costs have continued to escalate. A further revenue reduction was caused by a decrease in student enrollment of 12 students, for a total enrollment of 3,083 students. Overall, revenue increased approximately 2.2%, while expenses increased by approximately 6.6%. Finally, it should be noted that under the accrual basis of accounting, property taxes collected for debt service are recognized as revenue, while only interest on the debt is recognized as expense. The decrease in net assets differs from the change in fund balance and a reconciliation appears later in the financial statements.

Financial Analysis of The District's Funds

As noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide, and may provide more insight in the District's overall financial health. As the District completed this year, the governmental funds reported a combined fund balance of \$4.4 million, which is a decrease of \$1,725,364 from the prior year.

Approximately 50% of this total amount, or \$2.2 million, constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder of the fund balance, or \$2.2 million, is *reserved* to indicate that it is not available for spending at the District's discretion. Of the reserved fund balance, \$2 million is earmarked for capital improvements and .2 million for payments on long-term debt.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,116,580, while total fund balance was \$2,143,258. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 8.6 percent of total general fund expenditures and transfers.

The fund balance of the District's general fund decreased by \$1,535,194 during the current fiscal year. This decrease is primarily attributable to a freeze in the foundation allowance, for a third year in a row, while costs have continued to increase. See the above discussion relative to District-wide governmental activities.

General Fund Budgetary Highlights

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

- Final budgeted local sources of revenue decreased from the original budget by \$.5 million. The original budget was created using estimated taxable values from the townships. The revised budget used actual taxable values, which were less than the original estimate.
- Final budgeted state sources of revenue increased from the original budget by \$.3 million, which is due to the taxable value issue noted above. Under the state aid foundation formula, the amount of State Aid received from the State is directly, and inversely, related to the amount of tax revenue received by the local school district. Therefore, as tax revenue decreases due to changes in taxable value, State Aid increases by a similar amount.
- The District's final, actual General Fund expenditures differed by \$441,298 from the final budget, a variance of 1.8 percent. The reduction of actual expenditures over budget is due to cost saving programs implemented throughout the year.

Capital Asset and Debt Administration

Capital Assets. By the end of June 30, 2005, the District had invested \$64.6 million in a broad range of capital assets, including school buildings, land, athletic facilities, furniture, and equipment. This represents a net increase (including all additions and disposals) of \$1.1 million or 2.3 percent from last year. More detailed information about capital assets is available in Note III C to the financial statements.

This year's capital assets additions include completion of window and casework renovation projects at all of our elementary schools and high school. Construction in progress consists of a parking lot replacement project, and a bathroom renovation project at the high school. It also includes a major roof replacement project at Central Elementary School.

**Public Schools of Petoskey
Capital Assets
Table 3**

	<u>2005</u>	<u>2004</u>
Land	\$ 2,448,187	\$ 2,448,187
Construction-in-progress	226,784	56,655
Buildings	54,733,309	53,903,958
Furniture and equipment	<u>7,222,188</u>	<u>7,064,755</u>
Total capital assets	64,630,468	63,473,555
Less accumulated depreciation	<u>18,583,296</u>	<u>16,324,484</u>
Net capital assets	<u>\$ 46,047,172</u>	<u>\$ 47,149,071</u>

Debt. At year-end, the District had \$25 million in general obligation bonds and other long-term debt outstanding – a reduction of eight percent from last year – as shown in Table 4. More detailed information about the District’s long-term debt is presented in Note III F to the financial statements, and in the Other Supplemental Information section.

**Public Schools of Petoskey
Long-Term Debt
Table 4**

	2005	2004
General obligation bonds	\$ 24,710,000	\$ 26,820,000
Other general obligation debt	1,683,508	1,225,634
Total long-term debt	\$ 26,393,508	\$ 28,045,634

In 2004, the District entered into a land contract for the purchase of land. The original amount of the land contract was \$700,000, and the remaining balance at year end is \$648,330.

During the year, the District refunded its 1998 School Building and Site Bonds realizing an economic gain of approximately \$700,000.

Factors Bearing on the District’s Future

We consider many factors when setting the District’s 2005-06 fiscal year budget. One of the most important factors affecting our budget is our student count. The State foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2005-06 budget is 25 percent and 75 percent of the February 2005 and September 2005 student counts, respectively. The 2005-06 fiscal year budget was adopted in June 2005, based on an estimate of students that will be enrolled in September 2005. Approximately 67% percent of total General Fund revenues are from the foundation allowance. Under State law, the District cannot access additional property tax revenue for general operations. As a result, the District funding is heavily dependent on the State’s ability to fund local school operations.

Since the 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 the revenues to fund its appropriation to school districts. In fiscal year 2002-03, the State set the foundation allowance at \$6,700 per pupil. Later that same year, the State issued Executive Order cuts that resulted in a reduction of approximately \$180,000 in revenue for the District. In fiscal year 2003-04, the State again set the foundation allowance at \$6,700 per pupil. State ordered cuts later that same year resulted in a reduction of approximately \$229,000 in revenue for the District. In 2004-05, the foundation allowance was set at \$6,700 for a third year in a row. Early indications from the State for funding levels for fiscal year 2005-06 indicate the foundation allowance will be set at \$6,875, a \$175 per student increase. Recent State revenue-estimating conferences are unclear whether actual collections are meeting the estimates used in setting the 2005-06 foundation allowance funding level. This makes it difficult to estimate whether the District will incur revenue reductions during the upcoming school year.

In reaction to three straight years of stagnant State funding, coupled with escalating costs, the District cut approximately \$1.6 million in expenses out of the 2005-06 budget. These cuts were made through a combination of measures that mostly affected non-educational areas, and included some limited work force reductions. Based on current funding projections, no additional cuts are anticipated for the 2005-06 school year.

The District's labor contracts with the Petoskey Education Association and the Petoskey Educational Support Personnel Association, which represents both the District's teachers and the District's support personnel, are set to expire in August 2005. Negotiations are on going and settlement is expected prior to, or just after, the start of the school year.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. It is also designed to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, 1130 Howard Street, Petoskey, Michigan 49770.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

PUBLIC SCHOOLS OF PETOSKEY

STATEMENT OF NET ASSETS GOVERNMENTAL ACTIVITIES

JUNE 30, 2005

ASSETS

Cash and cash equivalents	\$ 2,187,840
Investments	4,048,724
Receivables	2,203,645
Other assets	841,295
Capital assets not being depreciated	2,674,971
Capital assets being depreciated, net	<u>43,372,201</u>

Total assets

55,328,676

LIABILITIES

Accounts payable and accrued expenditures	3,586,690
Premium on bond refunding	653,655
Deferred revenue	666,204
Long-term liabilities	
Due within one year	1,274,141
Due in more than one year	<u>25,119,367</u>

Total liabilities

31,300,057

NET ASSETS

Invested in capital assets, net of related debt	20,585,166
Restricted for capital projects	1,949,161
Restricted for debt service	212,653
Unrestricted	<u>1,281,639</u>

Total net assets

\$ 24,028,619

The accompanying notes are an integral part of these basic financial statements.

PUBLIC SCHOOLS OF PETOSKEY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 16,988,502	\$ 196,990	\$ 2,467,011	\$ (14,324,501)
Supporting services	7,919,829	59,717	-	(7,860,112)
Community services	36,558	-	-	(36,558)
Food services	998,641	604,999	387,477	(6,165)
Athletics	577,738	132,721	-	(445,017)
Interest on long-term debt	1,251,304	-	-	(1,251,304)
Unallocated depreciation	2,258,812	-	-	(2,258,812)
Total governmental activities	\$ 30,031,384	\$ 994,427	\$ 2,854,488	(26,182,469)
General revenues				
Property taxes - operations				14,367,037
Property taxes - debt service				2,876,865
Unrestricted state aid				7,767,634
Unrestricted investment earnings				159,555
Other				32,019
Total general revenues				25,203,110
Change in net assets				(979,359)
Net assets, beginning of year				25,007,978
Net assets, end of year				\$ 24,028,619

The accompanying notes are an integral part of these basic financial statements.

FUND FINANCIAL STATEMENTS

PUBLIC SCHOOLS OF PETOSKEY

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2005

	<u>General</u>	<u>Sinking</u>	<u>Debt Service</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 131,679	\$ 1,629,601	\$ 46,063	\$ 380,497	\$ 2,187,840
Investments	3,815,587	186,680	46,457	-	4,048,724
Accounts receivable	-	-	-	2,330	2,330
Due from other funds	6,468	-	-	11,752	18,220
Due from other governmental units	1,976,274	81,489	120,933	22,619	2,201,315
Inventory and prepaid expenditures	26,678	-	-	13,962	40,640
Total assets	\$ 5,956,686	\$ 1,897,770	\$ 213,453	\$ 431,160	\$ 8,499,069
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,001,913	\$ -	\$ 800	\$ 86,258	\$ 1,088,971
Contracts payable	-	194,695	-	-	194,695
Salaries payable	1,319,243	-	-	-	1,319,243
Accrued expenses	819,178	-	-	-	819,178
Due to other funds	11,752	-	-	6,468	18,220
Deferred revenue	661,342	-	-	4,862	666,204
Total liabilities	3,813,428	194,695	800	97,588	4,106,511
Fund balances					
Reserved for inventory and prepaid items	26,678	-	-	13,962	40,640
Reserved for capital improvements	-	1,703,075	-	246,086	1,949,161
Reserved for debt service	-	-	212,653	-	212,653
Unreserved					
Undesignated, reported in nonmajor special revenue funds	-	-	-	73,524	73,524
Undesignated	2,116,580	-	-	-	2,116,580
Total fund balances	2,143,258	1,703,075	212,653	333,572	4,392,558
Total liabilities and fund balances	\$ 5,956,686	\$ 1,897,770	\$ 213,453	\$ 431,160	\$ 8,499,069

Continued...

PUBLIC SCHOOLS OF PETOSKEY

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2005

**Reconciliation of fund balances on the balance sheet for governmental funds to
net assets of governmental activities on the statement of net assets**

Fund balances - total governmental funds **\$ 4,392,558**

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 reported governmental funds.

Add	- capital assets	64,630,468
Deduct	- accumulated depreciation	(18,583,296)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Add	- bond issuance costs, net of amortization	800,655
Deduct	- bond premium, net of amortization	(653,655)
	- bonds and other long-term liabilities	(26,024,956)
	- accrued interest on bonds payable	(164,603)
	- compensated absences	(368,552)

Net assets of governmental activities **\$ 24,028,619**

Concluded

The accompanying notes are an integral part of these basic financial statements.

PUBLIC SCHOOLS OF PETOSKEY

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Sinking</u>	<u>Debt Service</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Local sources					
Property taxes	\$ 12,805,762	\$ 1,561,275	\$ 2,876,865	\$ -	\$ 17,243,902
Charges for services	76,429	-	-	733,436	809,865
Tuition	120,561	-	-	-	120,561
Rent income	-	-	-	59,717	59,717
Interest income	100,077	27,219	27,613	4,646	159,555
Other income	69,939	-	-	4,284	74,223
State sources	8,669,797	-	-	73,071	8,742,868
Federal sources	550,218	-	-	314,406	864,624
Interdistrict sources	1,014,630	-	-	-	1,014,630
Total revenues	23,407,413	1,588,494	2,904,478	1,189,560	29,089,945
Expenditures					
Instruction	16,492,050	-	-	-	16,492,050
Supporting services	7,946,166	-	-	-	7,946,166
Community services	36,558	-	-	-	36,558
Food services	-	-	-	1,040,581	1,040,581
Athletics	-	-	-	597,738	597,738
Capital outlay	-	1,049,799	-	24,308	1,074,107
Other	-	11,184	26,736	-	37,920
Debt service					
Principal	-	-	1,698,107	-	1,698,107
Interest	-	-	1,300,082	-	1,300,082
Total expenditures	24,474,774	1,060,983	3,024,925	1,662,627	30,223,309
Revenues over (under) expenditures	(1,067,361)	527,511	(120,447)	(473,067)	(1,133,364)
Other financing sources (uses)					
Bond proceeds	-	-	21,370,000	-	21,370,000
Payment to refunded debt escrow agent	-	-	(21,815,000)	-	(21,815,000)
Deferred costs	-	-	(800,655)	-	(800,655)
Premium on bond refunding	-	-	653,655	-	653,655
Transfers in	-	-	66,427	467,833	534,260
Transfers out	(467,833)	(66,427)	-	-	(534,260)
Total other financing sources (uses)	(467,833)	(66,427)	(525,573)	467,833	(592,000)
Net change in fund balances	(1,535,194)	461,084	(646,020)	(5,234)	(1,725,364)
Fund balances, beginning of year	3,678,452	1,241,991	858,673	338,806	6,117,922
Fund balances, end of year	\$ 2,143,258	\$ 1,703,075	\$ 212,653	\$ 333,572	\$ 4,392,558

Continued...

PUBLIC SCHOOLS OF PETOSKEY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Reconciliation of the statement of revenues, expenditures and change in fund balance of governmental funds to the statement of activities

Net change in fund balances - total governmental funds **\$ (1,725,364)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

	Add - capital outlay	1,156,913
	Deduct - depreciation expense	(2,258,812)

Governmental funds report bond refunding costs and bond premiums as expenditures and revenue, respectively. However, in the statement of activities, these costs are allocated over the life of the related bonds and reported as amortization expense.

	Add - bond refunding costs, net of amortization	800,655
	Deduct - bond premium, net of amortization	(653,655)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

	Add - principal payments on long-term liabilities	23,513,107
	Deduct - bond proceeds	(21,370,000)

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

	Add - decrease in accrued interest payable on bonds	48,778
	Add - decrease in the accrual for compensated absences	71,969
	Deduct - increase in early retirement incentives	(562,950)

Change in net assets - governmental activities **\$ (979,359)**

Concluded

The accompanying notes are an integral part of these basic financial statements.

PUBLIC SCHOOLS OF PETOSKEY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>		<u>Actual</u>	Variance - Positive (Negative) Amended to Actual
	<u>Original</u>	<u>Final Amended</u>		
Revenues				
Local sources	\$ 13,516,236	\$ 13,008,396	\$ 13,172,768	\$ 164,372
State sources	8,414,389	8,704,454	8,669,797	(34,657)
Federal sources	489,699	561,912	550,218	(11,694)
Interdistrict sources	793,850	1,126,683	1,014,630	(112,053)
Total revenues	23,214,174	23,401,445	23,407,413	5,968
Expenditures				
Education				
Instruction	16,553,493	16,696,429	16,492,050	204,379
Support services	8,086,188	8,174,843	7,946,166	228,677
Community services	42,328	44,800	36,558	8,242
Total expenditures	24,682,009	24,916,072	24,474,774	441,298
Revenues (under) over expenditures	(1,467,835)	(1,514,627)	(1,067,361)	447,266
Other financing uses				
Transfers out	(472,942)	(467,833)	(467,833)	-
Net change in fund balance	(1,940,777)	(1,982,460)	(1,535,194)	447,266
Fund balance, beginning of year	3,678,452	3,678,452	3,678,452	-
Fund balance, end of year	\$ 1,737,675	\$ 1,695,992	\$ 2,143,258	\$ 447,266

The accompanying notes are an integral part of these basic financial statements.

PUBLIC SCHOOLS OF PETOSKEY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

JUNE 30, 2005

ASSETS

Cash and cash equivalents	\$ 63,620
Investments	336,380

Total assets	\$ 400,000
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LIABILITIES

Due to student groups	\$ 130,168
Scholarships payable	232,313
Due to others	37,519

Total liabilities	\$ 400,000
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The accompanying notes are an integral part of these basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Public Schools of Petoskey (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

B. 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 non-fiduciary activities of the primary government. For the most part, the effect of 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. The District had no *business-type activities* during the year ended June 30, 2005.

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

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.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

C. Measurement focus, basis of accounting, and financial statement presentation

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. However, agency funds do not have a measurement focus. 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement type grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes 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 government.

The District reports the following major governmental funds:

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

The *Sinking Fund* is used to record capital project activities funded with the Sinking Fund millage.

The *Debt Service Fund* accounts for the property tax revenue collected and the payment of principal and interest on the District's outstanding debt other than the Durant Settlement bonds.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

Additionally, the District reports the following fund types:

The *Special Revenue Funds* account for the various food service and athletic programs sponsored by the District.

The *Debt Service Fund* accounts for the principal and interest payments on the Durant Settlement bonds.

The *Capital Project Funds* account for the financial resources used for the acquisition or construction of major capital facilities.

The *Agency Fund* accounts for assets held for other groups and organizations and is custodial in nature.

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the District-wide financial statements.

D. Assets, liabilities and equity

1. Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). There were no interfund advance loans outstanding at June 30, 2005.

3. *Inventory and prepaid items*

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for sale or consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Payments made to vendors for services that will benefit future periods are reported as prepaid items.

4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5-50
Furniture and equipment	5-15

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

5. *Compensated absences*

District policy permits certain employees to accumulate earned but unused sick pay benefits which are paid when the employee separates from service with the District. A liability is recorded in the government-wide financial statements for such amounts. No liability is recorded for accumulated vacation since hours earned do not vest.

6. *Long-term obligations*

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary information**

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

The General Fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budget for the General Fund is adopted on a functional basis.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and cash equivalents and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets

Cash and cash equivalents	\$ 2,187,840
Investments	4,048,724

Statement of Fiduciary Net Assets

Agency Funds

Cash and cash equivalents	63,620
Investments	<u>336,380</u>

Total **\$ 6,636,564**

Bank deposits (checking accounts, savings accounts and CDs)	\$ 2,587,240
Investments	4,048,724
Cash on hand	<u>600</u>

Total **\$ 6,636,564**

Michigan law authorizes the District to deposit and invest in:

- (a) 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, bills, 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.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the 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.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) 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.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following deposits and investments:

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Bank deposits	n/a	\$ 2,587,640	n/a
Michigan Liquid Asset Fund	n/a	<u>4,048,724</u>	S&P – AAAM
		<u>\$ 6,635,964</u>	

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$58,148 of the District's bank balance of \$3,158,148 was exposed to custodial credit risk because it was uninsured and uncollateralized. In addition to the standard FDIC insurance coverage, the District has opted to purchase additional insurance coverage on their bank deposits in the amount of \$3 million.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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 investments listed above, there is no custodial credit risk, as these investments 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 above. 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.

B. Receivables

Receivables in the governmental activities are entirely due from other governments.

C. Capital assets

Capital assets activity was as follows for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Transfers	Balance June 30, 2005
Capital assets not being depreciated				
Land	\$ 2,448,187	\$ -	\$ -	\$ 2,448,187
Construction in process	56,655	226,784	(56,655)	226,784
Total capital assets not being depreciated	2,504,842	226,784	(56,655)	2,674,971
Capital assets being depreciated				
Buildings and improvements	53,903,958	772,696	56,655	54,733,309
Furniture and equipment	7,064,755	157,433	-	7,222,188
Total capital assets being depreciated	60,968,713	930,129	56,655	61,955,497

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

	Balance July 1, 2004	Additions	Transfers	Balance June 30, 2005
Accumulated depreciation				
Buildings and improvements	\$(12,455,053)	\$ (1,087,553)	-	\$(13,542,606)
Furniture and equipment	<u>(3,869,431)</u>	<u>(1,171,259)</u>	-	<u>(5,040,690)</u>
Total accumulated depreciation	<u>(16,324,484)</u>	<u>(2,258,812)</u>	<u>-</u>	<u>(18,583,296)</u>
Total capital assets being depreciated, net	<u>44,644,229</u>	<u>(1,328,683)</u>	<u>56,655</u>	<u>43,372,201</u>
Governmental activities capital assets, net	<u>\$ 47,149,071</u>	<u>\$ (1,101,899)</u>	<u>\$ -</u>	<u>\$ 46,047,172</u>

Unallocated depreciation expense of \$2,258,812 was charged to the governmental activities.

D. Accounts payable and accrued expenses

Payables are 30 percent vendors, 5 percent contracts, and 64 percent accrued expenses.

E. Interfund receivables, payables and transfers

The following balances represent individual fund interfund receivables and payables at June 30, 2005:

	Interfund Receivables	Interfund Payables
General Fund	\$ 6,468	\$ 11,752
Nonmajor Funds	<u>11,752</u>	<u>6,468</u>
Total	<u>\$ 18,220</u>	<u>\$ 18,220</u>

The District reports interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

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

For the year ended June 30, 2005, the District's General Fund transferred \$467,833 to the Athletic Special Revenue Fund to subsidize the athletic programs and the Sinking Capital Project Fund transferred \$66,427 to the Debt Service Fund for debt principal and interest payments on the land contract.

F. Long-Term Debt

Long-term debt of the District consists of the following:

	Balance July 1, 2004	Increases	(Decreases)	Balance June 30, 2005	Due Within One Year
Bonds payable					
General obligation	\$ 26,820,000	\$ 21,370,000	\$(23,480,000)	\$ 24,710,000	\$ 1,225,000
Durant resolution	<u>103,676</u>	<u>-</u>	<u>-</u>	<u>103,676</u>	<u>7,855</u>
Total bonds payable	<u>26,923,676</u>	<u>21,370,000</u>	<u>(23,480,000)</u>	<u>24,813,676</u>	<u>1,232,855</u>
Other liabilities					
Land contract	681,437	-	(33,107)	648,330	34,800
Early retirement incentives	-	562,950	-	562,950	-
Compensated absences	<u>440,521</u>	<u>-</u>	<u>(71,969)</u>	<u>368,552</u>	<u>6,486</u>
Total other liabilities	<u>1,121,958</u>	<u>562,950</u>	<u>(105,076)</u>	<u>1,579,832</u>	<u>41,286</u>
Total long-term liabilities	<u>\$ 28,045,634</u>	<u>\$ 21,932,950</u>	<u>\$(23,585,076)</u>	<u>\$ 26,393,508</u>	<u>\$ 1,274,141</u>

Long-term debt at June 30, 2005 includes the following:

General Obligation Bonds

1998 school building and site bonds, partially refunded, due in annual installments ranging from \$1,025,000 to \$1,205,000 with interest of 4.6%; final payment due May 1, 2008.

\$ 3,340,000

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

2005 refunding bonds due in annual installments ranging from \$200,000 to \$2,125,000 with interest ranging from 3.0% to 5.00%; final payment due May 2019. \$ 21,370,000

Total general obligation bonds 24,710,000

Durant Resolution Bond

1998 series, school improvement bond due in annual installments ranging from \$7,855 to \$37,536 with interest charged at 4.76%. This bond is a self-liquidating bond. The principal and interest is payable solely through annual appropriations by the State of Michigan. If the legislature fails to appropriate the funds, the District is under no obligation for payment. Final payment is due May 15, 2013. 103,676

Total bonds **24,813,676**

Other Liabilities

Land contract payable in monthly installments of \$5,536 including interest charged at 5.00%; final payment due May 1, 2019. 648,330

Early retirement incentives 562,950

Compensated absences 368,552

Total long-term debt **\$ 26,393,508**

The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service. During the year ended June 30, 2003, the State postponed all Durant debt service requirements. No debt service is required for May 15, 2003, 2004, or 2005. The debt service payments will resume in 2006.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

Bond debt service requirements

The annual requirements to service the bonds, land contract outstanding and early retirement incentive (not including accrued compensated absences) to maturity, including both principal and interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,267,655	\$ 1,022,786	\$ 2,290,441
2007	1,947,067	1,045,485	2,992,552
2008	1,477,073	972,079	2,449,152
2009	1,624,451	907,522	2,531,973
2010	1,681,949	849,899	2,631,848
2011-2015	9,373,527	3,204,766	12,578,293
2016-2019	<u>8,653,234</u>	<u>905,287</u>	<u>9,558,521</u>
Total	<u>\$ 26,024,956</u>	<u>\$ 8,907,824</u>	<u>\$ 34,932,780</u>

Interest expense and paying agent fees were \$1,251,304 for the year ended June 30, 2005.

Compensated absences and the early retirement incentives are generally liquidated by the General Fund.

Current refunding

During the year ended June 30, 2005, the District issued 2005 Refunding Bonds. The bond proceeds and \$592,000 of other District resources were used to pay interest on and call the 1998 School Building and Site Bonds with maturities of May 1, 2009 and beyond with a principal balance of \$21,815,000 at the time of refunding. As a result, the refunded bonds are considered to be defeased and the liabilities have been removed from the financial statements of the District.

Due to the District's refunding of its 1998 bond series, the cash flow requirements necessary to service debt payments decreased by \$1,096,333.

An economic gain (the difference between the present value of the debt service payments of the old debt and the present value of the refunding debt plus additional contributions) of approximately \$702,310 will be realized.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION

A. Risk management

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

The shared-risk pool program in which the 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.

B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. School related property taxes are levied on December 1 each year, based on the previous years assessment, by township governments whose boundaries include property within the District, and are due on February 28. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year end, if any.

C. Defined benefit pension plan

Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer 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, and death benefits to plan members and beneficiaries. Benefit provisions are established and must 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, 7150 Harris Drive, PO Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 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; 4.3% 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.

The current rate is 14.87% of annual covered payroll. 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 District's contributions to MPSERS for the years ended June 30, 2005, 2004 and 2003 were \$1,975,949, \$1,756,250, and \$1,662,755, respectively, equal to the required contributions for each year.

Other Post-employment Benefits

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 MPSERS 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:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. 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).

D. Sinking funds

The Sinking Capital Projects Fund records capital project activities funded with a sinking fund millage. For this fund, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

PUBLIC SCHOOLS OF PETOSKEY

NOTES TO THE FINANCIAL STATEMENTS

E. School improvement fund

The 1998 Capital Projects Fund includes capital projects activities funded with bonds issued after May 1, 1994. For this capital project, the District has complied with the applicable provisions of §1351a of the Revised School Code.

F. Commitments and contingencies

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2005.

* * * * *

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

PUBLIC SCHOOLS OF PETOSKEY

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2005

	Special Revenue Funds		Debt Service Fund
	Food Service	Athletics	Durant Settlement
ASSETS			
Cash and cash equivalents	\$ 94,485	\$ 39,926	\$ -
Accounts receivable	-	2,330	-
Due from other funds	-	11,752	-
Due from other governmental units	22,619	-	-
Inventory	13,962	-	-
Total assets	\$ 131,066	\$ 54,008	\$ -
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 85,158	\$ 1,100	\$ -
Due to other funds	6,468	-	-
Deferred revenue	4,862	-	-
Total liabilities	96,488	1,100	-
Fund balances			
Reserved for inventory	13,962	-	-
Reserved for capital improvements	-	-	-
Unreserved, undesignated	20,616	52,908	-
Total fund balances	34,578	52,908	-
Total liabilities and fund balances	\$ 131,066	\$ 54,008	\$ -

Capital Project Funds			Total Nonmajor Governmental Funds
Roof Repair	Building and Site	1998 Capital Projects	
\$ 13,389	\$ 232,697	\$ -	\$ 380,497
-	-	-	2,330
-	-	-	11,752
-	-	-	22,619
-	-	-	13,962
\$ 13,389	\$ 232,697	\$ -	\$ 431,160
\$ -	\$ -	\$ -	\$ 86,258
-	-	-	6,468
-	-	-	4,862
-	-	-	97,588
-	-	-	13,962
13,389	232,697	-	246,086
-	-	-	73,524
13,389	232,697	-	333,572
\$ 13,389	\$ 232,697	\$ -	\$ 431,160

PUBLIC SCHOOLS OF PETOSKEY

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

FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Funds		Debt Service Fund
	Food Service	Athletics	Durant Settlement
Revenues			
Local sources			
Charges for services	\$ 604,999	\$ 128,437	\$ -
Rent income	-	-	-
Interest income	-	-	-
Other	-	4,284	-
State sources	73,071	-	-
Federal sources	314,406	-	-
Total revenues	992,476	132,721	-
Expenditures			
Food services	1,040,581	-	-
Athletics	-	597,738	-
Capital outlay	-	-	-
Total expenditures	1,040,581	597,738	-
Revenues over (under) expenditures	(48,105)	(465,017)	-
Other financing sources (uses)			
Transfers in	-	467,833	-
Net change in fund balances	(48,105)	2,816	-
Fund balances, beginning of year	82,683	50,092	-
Fund balances, end of year	\$ 34,578	\$ 52,908	\$ -

Capital Project Funds			Total Nonmajor Governmental Funds
Roof Repair	Building and Site	1998 Capital Projects	
\$ -	\$ -	\$ -	\$ 733,436
-	59,717	-	59,717
305	3,906	435	4,646
-	-	-	4,284
-	-	-	73,071
-	-	-	314,406
305	63,623	435	1,189,560
-	-	-	1,040,581
-	-	-	597,738
7,029	16,260	1,019	24,308
7,029	16,260	1,019	1,662,627
(6,724)	47,363	(584)	(473,067)
-	-	-	467,833
(6,724)	47,363	(584)	(5,234)
20,113	185,334	584	338,806
\$ 13,389	\$ 232,697	\$ -	\$ 333,572

PUBLIC SCHOOLS OF PETOSKEY

**BALANCE SHEET
GENERAL FUND**

**JUNE 30, 2005
(WITH COMPARATIVE BALANCES FOR JUNE 30, 2004)**

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 131,679	\$ 1,367,232
Investments	3,815,587	2,987,352
Accounts receivable	-	58,943
Due from other funds	6,468	-
Due from other governmental units	1,976,274	1,707,744
Inventory and prepaid expenditures	26,678	20,876
Total assets	<u>\$ 5,956,686</u>	<u>\$ 6,142,147</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,001,913	\$ 51,811
Salaries payable	1,319,243	1,263,559
Accrued expenses	819,178	704,500
Due to other funds	11,752	-
Deferred revenue	661,342	443,825
Total liabilities	<u>3,813,428</u>	<u>2,463,695</u>
Fund balance		
Reserved for inventory and prepaid expenditures	26,678	20,876
Unreserved, undesignated	2,116,580	3,657,576
Total fund balance	<u>2,143,258</u>	<u>3,678,452</u>
Total liabilities and fund balance	<u>\$ 5,956,686</u>	<u>\$ 6,142,147</u>

PUBLIC SCHOOLS OF PETOSKEY

**SCHEDULE OF REVENUES
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004)**

	<u>2005</u>	<u>2004</u>
Revenues		
Local sources		
Property taxes	\$ 12,805,762	\$ 11,937,258
Sales	76,429	178,347
Tuition	120,561	126,669
Interest	100,077	49,086
Other local revenue	69,939	216,570
Total local sources	<u>13,172,768</u>	<u>12,507,930</u>
State sources		
State school aid - Proposal A	2,916,734	3,627,049
State school aid - Discretionary	4,850,900	4,675,722
State school aid - Headlee	-	488,060
At-risk	332,300	252,654
Other state revenue	569,863	35,046
Total state sources	<u>8,669,797</u>	<u>9,078,531</u>
Federal sources		
Title I	358,280	309,690
Title II	116,639	116,559
Title V	1,876	2,463
Title IX	45,051	44,625
Other	28,372	13,992
Total federal sources	<u>550,218</u>	<u>487,329</u>
Interdistrict sources		
Vocational education - Millage	289,732	323,872
Vocational education - Added Cost	136,682	100,434
Expense reimbursements	586,216	515,323
Summer School	2,000	2,000
Total interdistrict sources	<u>1,014,630</u>	<u>941,629</u>
Total revenues	<u>\$ 23,407,413</u>	<u>\$ 23,015,419</u>

PUBLIC SCHOOLS OF PETOSKEY

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)**

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies, Materials and Other Expenses</u>
Instruction				
Basic programs				
Elementary	\$ 3,456,216	\$ 1,829,315	\$ 88,045	\$ 110,702
Middle school	2,073,332	1,158,851	17,480	35,371
High school	2,378,929	1,384,583	135,220	96,430
Summer school	39,314	8,100	-	782
Total basic programs	7,947,791	4,380,849	240,745	243,285
Added needs				
Special education	1,095,852	579,297	6,715	6,436
Compensatory education	326,652	241,729	45,913	40,238
Vocational education	719,165	334,179	73,533	197,801
Total added needs	2,141,669	1,155,205	126,161	244,475
Total instruction	10,089,460	5,536,054	366,906	487,760
Supporting services				
Pupil services				
Guidance services	315,408	129,572	-	24,711
Health services	11,055	2,493	135,571	1,197
Social work services	61,256	28,044	-	220
Other	53,911	12,232	-	-
Total pupil services	441,630	172,341	135,571	26,128
Instructional staff services				
Improvement of instruction	640	132	25,129	-
Library	266,417	147,449	8,345	37,502
Technology assisted instruction	138,604	70,305	17,406	28,260
Supervision	192,445	123,154	19,198	5,999
Total instructional staff services	598,106	341,040	70,078	71,761

Capital Outlay	Total	
	2005	2004
\$ -	\$ 5,484,278	\$ 5,061,825
-	3,285,034	2,981,065
-	3,995,162	3,486,466
-	48,196	6,898
-	12,812,670	11,536,254
-	1,688,300	1,610,880
-	654,532	566,823
11,870	1,336,548	1,387,003
11,870	3,679,380	3,564,706
11,870	16,492,050	15,100,960
-	469,691	436,089
-	150,316	220,435
-	89,520	84,957
-	66,143	68,324
-	775,670	809,805
-	25,901	32,332
-	459,713	449,212
-	254,575	236,830
-	340,796	287,302
-	1,080,985	1,005,676

Continued...

PUBLIC SCHOOLS OF PETOSKEY

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)**

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies, Materials and Other Expenses</u>
General administration				
Board of education	\$ 1,299	\$ -	\$ 59,402	\$ 7,477
Executive administration	186,643	97,824	114,161	10,099
Total general administration	<u>187,942</u>	<u>97,824</u>	<u>173,563</u>	<u>17,576</u>
School administration				
Office of the principal	<u>986,901</u>	<u>690,684</u>	<u>31,483</u>	<u>31,941</u>
Business services				
Fiscal services	<u>172,025</u>	<u>90,661</u>	<u>17,799</u>	<u>191,633</u>
Transportation	<u>-</u>	<u>-</u>	<u>964,225</u>	<u>-</u>
Operations and maintenance	<u>660,741</u>	<u>466,295</u>	<u>562,849</u>	<u>687,657</u>
Security services	<u>6,177</u>	<u>472</u>	<u>50,515</u>	<u>548</u>
Total supporting services	<u>3,053,522</u>	<u>1,859,317</u>	<u>2,006,083</u>	<u>1,027,244</u>
Community services				
Community services direction	<u>16,620</u>	<u>11,022</u>	<u>8,166</u>	<u>750</u>
Total operating expenditures	<u>\$ 13,159,602</u>	<u>\$ 7,406,393</u>	<u>\$ 2,381,155</u>	<u>\$ 1,515,754</u>
Other financing uses				
Transfers out				
Total expenditures and other financing uses				

Capital Outlay	Total	
	2005	2004
\$ -	\$ 68,178	\$ 68,160
-	408,727	401,480
-	476,905	469,640
-	1,741,009	1,593,430
-	472,118	264,473
-	964,225	926,864
-	2,377,542	2,354,939
-	57,712	42,339
-	7,946,166	7,467,166
-	36,558	36,135
\$ 11,870	24,474,774	22,604,261
	467,833	447,712
	\$ 24,942,607	\$ 23,051,973

Concluded

PUBLIC SCHOOLS OF PETOSKEY

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS**

**JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2004)**

	Food Service	Athletics	Total	
			2005	2004
ASSETS				
Assets				
Cash and cash equivalents	\$ 94,485	\$ 39,926	\$ 134,411	\$ 130,862
Accounts receivable	-	2,330	2,330	340
Due from other funds	-	11,752	11,752	-
Due from other governmental units	22,619	-	22,619	12,120
Inventory	13,962	-	13,962	8,630
Total assets	\$ 131,066	\$ 54,008	\$ 185,074	\$ 151,952
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 85,158	\$ 1,100	\$ 86,258	\$ 13,368
Due to other funds	6,468	-	6,468	-
Deferred revenue	4,862	-	4,862	5,809
Total liabilities	96,488	1,100	97,588	19,177
Fund balances				
Reserved for inventory	13,962	-	13,962	8,630
Unreserved, undesignated	20,616	52,908	73,524	124,145
Total fund balances	34,578	52,908	87,486	132,775
Total liabilities and fund balances	\$ 131,066	\$ 54,008	\$ 185,074	\$ 151,952

PUBLIC SCHOOLS OF PETOSKEY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)**

	Food Service	Athletics	Total	
			2005	2004
Revenues				
Local sources				
Lunch sales	\$ 325,081	\$ -	\$ 325,081	\$ 275,736
Breakfast sales	13,947	-	13,947	16,607
Ala Carte sales	265,971	-	265,971	298,555
Athletic ticket sales	-	128,437	128,437	136,082
Contributions	-	-	-	1,588
Other	-	4,284	4,284	4,101
Interest income	-	-	-	117
State sources	73,071	-	73,071	74,460
Federal sources	314,406	-	314,406	328,857
Total revenues	992,476	132,721	1,125,197	1,136,103
Expenditures				
Salaries	246,068	297,174	543,242	529,396
Employee benefits	203,429	81,751	285,180	255,752
Purchased services	96,960	49,293	146,253	153,080
Supplies, materials and other expenditures	95,733	104,683	200,416	120,985
Food costs	398,391	-	398,391	411,456
Transportation	-	64,837	64,837	67,190
Total expenditures	1,040,581	597,738	1,638,319	1,537,859
Revenues over (under) expenditures	(48,105)	(465,017)	(513,122)	(401,756)
Other financing sources (uses)				
Transfers in	-	467,833	467,833	447,712
Net change in fund balances	(48,105)	2,816	(45,289)	45,956
Fund balances, beginning of year	82,683	50,092	132,775	86,819
Fund balances, end of year	\$ 34,578	\$ 52,908	\$ 87,486	\$ 132,775

PUBLIC SCHOOLS OF PETOSKEY

**COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS**

**JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2004)**

ASSETS	Sinking Fund	Roof Repair	Building and Site	1998 Capital Projects
Assets				
Cash and cash equivalents	\$ 1,629,601	\$ 13,389	\$ 232,697	\$ -
Investments	186,680	-	-	-
Due from other governmental units	81,489	-	-	-
Total assets	\$ 1,897,770	\$ 13,389	\$ 232,697	\$ -
 LIABILITIES AND FUND BALANCES				
Liabilities				
Contracts payable	\$ 194,695	\$ -	-	\$ -
Due to other funds	-	-	-	-
Total liabilities	194,695	-	-	-
Fund balances				
Reserved for capital improvements	1,703,075	13,389	232,697	-
Total liabilities and fund balances	\$ 1,897,770	\$ 13,389	\$ 232,697	\$ -

		Total	
		2005	2004
\$	1,875,687	\$	1,334,858
	186,680		221,543
	81,489		-
\$	2,143,856	\$	1,556,401

\$	194,695	\$	106,704
	-		1,675
	194,695		108,379
	1,949,161		1,448,022
\$	2,143,856	\$	1,556,401

PUBLIC SCHOOLS OF PETOSKEY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)**

	<u>Sinking Fund</u>	<u>Roof Repair</u>	<u>Building and Site</u>	<u>1998 Capital Projects</u>
Revenues				
Property taxes	\$ 1,561,275	\$ -	\$ -	\$ -
Rent income	-	-	59,717	-
Interest income	27,219	305	3,906	435
Total revenues	1,588,494	305	63,623	435
Expenditures				
Capital outlay	1,049,799	7,029	16,260	1,019
Other	11,184	-	-	-
Total expenditures	1,060,983	7,029	16,260	1,019
Revenues over (under) expenditures	527,511	(6,724)	47,363	(584)
Other financing sources (uses)				
Land contract proceeds	-	-	-	-
Transfers out	(66,427)	-	-	-
Total other financing sources (uses)	(66,427)	-	-	-
Net change in fund balances	461,084	(6,724)	47,363	(584)
Fund balances, beginning of year	1,241,991	20,113	185,334	584
Fund balances, end of year	\$ 1,703,075	\$ 13,389	\$ 232,697	\$ -

		Total	
		2005	2004
\$	1,561,275	\$	1,475,784
	59,717		60,010
	31,865		13,470
	1,652,857		1,549,264
	1,074,107		1,266,066
	11,184		-
	1,085,291		1,266,066
	567,566		283,198
	-		700,000
	(66,427)		(38,749)
	(66,427)		661,251
	501,139		944,449
	1,448,022		503,573
\$	1,949,161	\$	1,448,022

PUBLIC SCHOOLS OF PETOSKEY

**COMBINING SCHEDULE OF DEBT SERVICE BALANCES
DEBT SERVICE FUND**

**JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2004)**

	<u>1993 Bonds</u>	<u>1998 Bonds</u>	<u>2005 Refunding Bonds</u>	<u>Foster Land Contract</u>
ASSETS				
Cash and cash equivalents	\$ (31,443)	\$ 39,406	\$ 38,100	\$ -
Investments	-	46,457	-	-
Due from other funds	-	-	-	-
Due from other governmental units	31,443	89,490	-	-
Total assets	<u><u>\$ -</u></u>	<u><u>\$ 175,353</u></u>	<u><u>\$ 38,100</u></u>	<u><u>\$ -</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 800	\$ -
Fund balances				
Reserved for debt service	-	175,353	37,300	-
Total liabilities and fund balances	<u><u>\$ -</u></u>	<u><u>\$ 175,353</u></u>	<u><u>\$ 38,100</u></u>	<u><u>\$ -</u></u>

Note: This schedule represents various debt issues that are accounted for in the Debt Service Fund.

		Total	
		2005	2004
\$	46,063	\$	194,238
	46,457		662,760
	-		1,675
	120,933		-
\$	213,453	\$	858,673

\$	800	\$	-
	212,653		858,673
\$	213,453	\$	858,673

PUBLIC SCHOOLS OF PETOSKEY

**COMBINING SCHEDULE OF DEBT SERVICE ACTIVITIES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND**

**FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)**

	1993 Bonds	1998 Bonds	2005 Refunding Bonds	Foster Land Contract
Revenues				
Local sources				
Property taxes	\$ 747,985	\$ 2,128,880	\$ -	\$ -
Interest income	7,179	16,568	3,866	-
Total revenues	755,164	2,145,448	3,866	-
Expenditures				
Principal	740,000	925,000	-	33,107
Interest	38,630	1,228,132	-	33,320
Other	6,951	19,785	-	-
Total expenditures	785,581	2,172,917	-	66,427
Revenues over (under) expenditures	(30,417)	(27,469)	3,866	(66,427)
Other financing sources (uses)				
Bond proceeds	-	-	21,370,000	-
Payment to refunded debt escrow agent	-	-	(21,815,000)	-
Deferred costs	-	-	(800,655)	-
Premium on bond refunding	-	-	653,655	-
Transfers out	(33,434)	(592,000)	-	-
Transfers in	-	-	625,434	66,427
Total other financing sources (uses)	(33,434)	(592,000)	33,434	66,427
Net change in fund balances	(63,851)	(619,469)	37,300	-
Fund balances, beginning of year	63,851	794,822	-	-
Fund balances, end of year	\$ -	\$ 175,353	\$ 37,300	\$ -

Note: This schedule represents various debt issues that are accounted for in the Debt Service Fund.

		Total	
		2005	2004
\$	2,876,865	\$	2,700,404
	27,613		19,277
	2,904,478		2,719,681
	1,698,107		1,608,563
	1,300,082		1,361,832
	26,736		-
	3,024,925		2,970,395
	(120,447)		(250,714)
	21,370,000		-
	(21,815,000)		-
	(800,655)		-
	653,655		-
	(625,434)		-
	691,861		38,749
	(525,573)		38,749
	(646,020)		(211,965)
	858,673		1,070,638
\$	212,653	\$	858,673

PUBLIC SCHOOLS OF PETOSKEY

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

FOR THE YEAR ENDED JUNE 30, 2005

	Balances July 1, 2004	Receipts	Disbursements	Balances June 30, 2005
ASSETS				
Cash	\$ 397,799	\$ 125,461	\$ 459,640	\$ 63,620
Investments	-	336,380	-	336,380
Total assets	\$ 397,799	\$ 461,841	\$ 459,640	\$ 400,000
LIABILITIES				
Due to student groups	\$ 134,952	\$ 381,477	\$ 386,261	\$ 130,168
Scholarships payable	230,170	16,131	13,988	232,313
Due to others	32,677	64,233	59,391	37,519
Total liabilities	\$ 397,799	\$ 461,841	\$ 459,640	\$ 400,000

The balances consist of the following:

Deposits due to student groups

Student groups				
6th Grade Club	\$ 2,251	\$ 25,483	\$ 25,080	\$ 2,654
7th Grade Club	3,815	13,862	12,933	4,744
8th Grade Fund	1,104	19,144	19,089	1,159
Middle School Art Club	1,357	6,011	4,675	2,693
Middle School Athletics	564	-	-	564
Middle School Drama	2	36	36	2
Middle School Ecology Club	416	1,500	1,395	521
Middle School Enrichment	357	2,094	1,608	843
Middle School Football	1,032	3,086	2,964	1,154
Middle School Japan Trip	526	-	-	526
Middle School Journalism/Onlooker	597	-	-	597
Middle School Learning Center	274	-	185	89
Middle School Photo Club	347	375	127	595
Middle School Student Council	1,963	4,526	4,282	2,207
Middle School Track	1,678	4,496	4,209	1,965
Middle School Vocal	749	5,745	5,700	794
Middle School Volleyball	1,187	1,544	710	2,021
Middle School Yearbook	5,186	9,844	11,437	3,593
Middle School Math	-	1,169	1,169	-
Odyssey Of The Mind	670	-	-	670
Ottawa 4th Grade Field Trip	29	3,527	2,703	853
Ottawa 5th Grade Field Trip	1,535	4,687	5,529	693
Sheridan 3rd Grade	364	692	767	289
Sheridan 4th Grade	195	2,212	1,973	434
Sheridan 5th Grade	190	-	89	101
Sheridan Drama Club	113	878	495	496
Special Needs-Kilborn	108	200	308	-

Continued...

PUBLIC SCHOOLS OF PETOSKEY

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

FOR THE YEAR ENDED JUNE 30, 2005

	Balances July 1, 2004	Receipts	Disbursements	Balances June 30, 2005
Builder's Club	\$ 526	\$ 60	\$ 231	\$ 355
Building Trades Fund	552	3,750	3,632	670
Business Club	76	-	-	76
Central 5th Grade	2,613	4,267	4,593	2,287
Central 3rd Grade	-	271	200	71
Central Learning Center	80	-	-	80
Central Library & Computer	4,201	4,000	8,151	50
Central School Fund	1,272	1,905	1,719	1,458
Central School Store	653	1,475	1,474	654
Class of 1991	96	-	-	96
Class of 1992	1,131	-	-	1,131
Class of 1993	8	-	-	8
Class of 1994	602	-	-	602
Class of 1995	81	-	-	81
Class of 1997	443	-	-	443
Class of 1998	526	-	-	526
Class of 1999	289	-	-	289
Class of 2004	1,794	-	1,794	-
Class Of 2005	10,813	7,055	16,785	1,083
Class Of 2006	1,524	12,822	4,287	10,059
Class of 2007	-	1,775	6	1,769
Class of 2008	-	928	-	928
DECA	256	73	180	149
Debate Club	3,521	4,074	4,777	2,818
Elementary Enrichment	3,366	2,775	2,438	3,703
Elementary Enrichment Play	(35)	7,096	6,158	903
Elementary Music Fund	367	1,193	1,230	330
English Trip Fund	(341)	82	-	(259)
FCCLA	182	3,022	2,954	250
FCCLA Region II	-	786	786	-
French Club	141	1,002	1,098	45
Future Farmers of America	3,946	396	2,628	1,714
G Wing Productions	-	2,120	1,399	721
HOSA	838	3,544	3,396	986
High School Art Club	2,331	1,465	1,855	1,941
High School Cheerleaders	400	-	400	-
High School Chess Club	592	-	-	592
High School Drama Club	3,116	6,622	7,356	2,382
High School Fall Play	1,059	1,805	782	2,082
High School Journalism	(23)	500	390	87
High School Learning Center	2,834	1,000	1,132	2,702
High School Fund	2,848	5,910	1,992	6,766
High School Steel Drum Bank	-	12,100	12,100	-
High School Enrichment	-	4,673	4,683	(10)
High School Quiz Bowl Team	165	940	986	119
High School Student Council	2,822	18,348	21,057	113

Continued...

PUBLIC SCHOOLS OF PETOSKEY

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

FOR THE YEAR ENDED JUNE 30, 2005

	Balances July 1, 2004	Receipts	Disbursements	Balances June 30, 2005
High School Vocal	\$ 391	\$ 8,539	\$ 8,392	\$ 538
High School Yearbook	33	27,145	23,831	3,347
Hospitality Foods Tip Fund	399	5,443	5,758	84
Inward Bound Fund	1,009	5	253	761
Key Club	212	-	100	112
Landscape Project Fund	1,835	1,000	1,126	1,709
Lincoln Learning Center	3	-	-	3
Lincoln School Fund	2,394	5,610	3,652	4,352
Lincoln 4th Grade	-	1,000	-	1,000
Middle School Enrichment Play	2,169	927	896	2,200
Middle School Book Fair	282	2,493	2,495	280
Middle School Fund	1,379	3,326	4,054	651
Middle School Store	44	2,158	1,760	442
Middle School Adventure Education	278	-	250	28
Middle School Washington DC Club	820	435	524	731
National Honor Society	426	53	26	453
Northmen Club	5,035	168	-	5,203
Ottawa After-School	1,123	330	147	1,306
Ottawa Learning Center	6	-	-	6
Ottawa Popcorn Sales	1,413	52	616	849
Ottawa Playground Fund	56	-	-	56
Ottawa School Fund	2,340	4,567	3,750	3,157
Ottawa School Store	-	267	34	233
Petoskey High School Papermakers	1,962	2,514	447	4,029
Robert Motely Memorial Fund	3,606	-	500	3,106
Sheridan School	3,384	6,270	5,009	4,645
Spanish Club	109	41	150	-
VICA Club	226	793	1,019	-
World History Trip Fund	7,318	12,233	15,674	3,877
Athletic Hall Of Fame	770	2,299	2,888	181
Wall Of Fame	-	1,300	2,287	(987)
Boys Basketball	1,338	-	895	443
Boys Golf	3,196	3,950	6,211	935
Golf Camp	-	3,300	-	3,300
Communications Camp	635	2,915	292	3,258
Equestrian Club	12	-	12	-
Girls Basketball	4,993	6,104	6,339	4,758
Girls Golf	592	3,180	2,326	1,446
Girls Softball	359	-	-	359
Boys Tennis	-	658	658	-
Girls Tennis	1,593	1,100	1,996	697
Girls Track	1,479	50	771	758
Dance	-	1,546	1,215	331
High School Baseball	67	-	-	67
High School Boys Soccer	2,801	5,991	6,565	2,227
High School Cross Country	227	-	103	124

Continued...

PUBLIC SCHOOLS OF PETOSKEY

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

FOR THE YEAR ENDED JUNE 30, 2005

	Balances July 1, 2004	Receipts	Disbursements	Balances June 30, 2005
High School Football	\$ 45	\$ -	\$ -	\$ 45
High School Girls Soccer	725	4,028	4,288	465
High School Hockey	(5,769)	26,594	34,747	(13,922)
Indian Education - Unity Trip	229	700	879	50
Varsity Club	156	-	156	-
Volleyball	978	3,448	3,058	1,368
Total due to student groups	134,952	381,477	386,261	130,168
Scholarships payable				
Doris Reber - Class of 1932 Scholarship	193,006	3,707	5,000	191,713
Henshaw Memorial Scholarship	4,058	76	-	4,134
Middle School Foundation Grant	2,798	-	571	2,227
McClutchey Memorial Scholarship	5,757	100	500	5,357
Midshipmen Scholarship	7,454	147	140	7,461
PEF Grants - High School	646	4,530	2,935	2,241
PEF Grants - Lincoln	163	1,104	582	685
PEF Grants - Sheridan	143	130	130	143
PEF Grants - Central	-	750	667	83
PEF Grants - Ottawa	-	1,461	806	655
PEF Grants - Middle School	-	3,315	2,062	1,253
Vaughn Memorial Scholarship	16,016	311	250	16,077
Wil Moyer Music Scholarship	129	500	345	284
Total scholarships payable	230,170	16,131	13,988	232,313
Due to others				
Sheridan PTO	283	-	-	283
Central Gym Project	50	-	-	50
Central PTO	92	5,251	5,864	(521)
COATS	13,674	27,365	23,086	17,953
Fine Arts Fund	16	-	16	-
Guidance Dept Testing	749	1,611	1,159	1,201
Katie Graham Playground Fund	536	-	536	-
Lincoln PTO	294	4,492	4,488	298
Middle School Celebration Garden	784	-	-	784
Ottawa PTO	712	4,249	5,353	(392)
Robert Woodruff Memorial Fund	17	-	17	-
Spitler Building Pop Fund	89	116	116	89
Student Reserve	14,807	18,929	16,059	17,677
Weight Room Donations	574	2,220	2,697	97
Total due to others	32,677	64,233	59,391	37,519
Totals	\$ 397,799	\$ 461,841	\$ 459,640	\$ 400,000

Concluded

PUBLIC SCHOOLS OF PETOSKEY

SCHEDULE OF BOND INDEBTEDNESS

FOR THE YEAR ENDED JUNE 30, 2005

PURPOSE	2005 Refunding Bonds
DATE OF ISSUE	May 27, 2005
RATE OF INTEREST	3.00% to 5.00%
ORIGINAL OBLIGATION	\$ 21,370,000
AMOUNT PREVIOUSLY PAID	-
BALANCE OUTSTANDING - June 30, 2005	<u>\$ 21,370,000</u>

<u>Fiscal Year</u>	<u>November 1, Interest</u>	<u>May 1, Interest</u>	<u>May 1, Principal</u>	<u>Annual Requirements</u>
2005-2006	\$ 384,529	\$ 449,450	\$ 200,000	\$ 1,033,979
2006-2007	446,450	446,450	200,000	1,092,900
2007-2008	442,950	442,950	225,000	1,110,900
2008-2009	439,575	439,575	1,575,000	2,454,150
2009-2010	412,013	412,013	1,630,000	2,454,026
2010-2011	383,488	383,488	1,685,000	2,451,976
2011-2012	354,000	354,000	1,735,000	2,443,000
2012-2013	310,625	310,625	1,825,000	2,446,250
2013-2014	278,688	278,688	1,880,000	2,437,376
2014-2015	231,688	231,688	1,970,000	2,433,376
2015-2016	182,438	182,438	2,070,000	2,434,876
2016-2017	130,688	130,688	2,125,000	2,386,376
2017-2018	86,594	86,594	2,125,000	2,298,188
2018-2019	43,563	43,563	2,125,000	2,212,126
	<u>\$ 4,127,289</u>	<u>\$ 4,192,210</u>	<u>\$ 21,370,000</u>	<u>\$ 29,689,499</u>

CALL PROVISION

Bonds of this issue maturing on or after May 1, 2016, are subject to redemption at the option of the issuer in multiples of \$5,000 in such order as the issuer may determine, and by lot within any maturity, on any date occurring on or after May 1, 2015, at par plus accrued interest to the date fixed for redemption.

Continued...

PUBLIC SCHOOLS OF PETOSKEY

SCHEDULE OF BOND INDEBTEDNESS

FOR THE YEAR ENDED JUNE 30, 2005

PURPOSE	1998 School Building and Site Bonds
DATE OF ISSUE	November 1, 1998
RATE OF INTEREST	4.50% to 5.10%
ORIGINAL OBLIGATION	\$ 29,700,000
AMOUNT REFUNDED DURING 04/05	21,815,000
AMOUNT PREVIOUSLY PAID	<u>4,545,000</u>
BALANCE OUTSTANDING - June 30, 2005	<u>\$ 3,340,000</u>

<u>Fiscal Year</u>	<u>November 1, Interest</u>	<u>May 1, Interest</u>	<u>May 1, Principal</u>	<u>Annual Requirements</u>
2005-2006	\$ 76,820	\$ 76,820	\$ 1,025,000	\$ 1,178,640
2006-2007	53,245	53,245	1,110,000	1,216,490
2007-2008	<u>27,715</u>	<u>27,715</u>	<u>1,205,000</u>	<u>1,260,430</u>
	<u>\$ 157,780</u>	<u>\$ 157,780</u>	<u>\$ 3,340,000</u>	<u>\$ 3,655,560</u>

CALL PROVISION

Bonds of this issue maturing on or after May 1, 2009, are subject to redemption at the option of the issuer in multiples of \$5,000 in such order as the issuer may determine, but lot within any maturity, on any interest payment date occurring on or after May 1, 2008, at par and interest to the date fixed for redemption.

These bonds were partially advanced refunded during the year ended June 30, 2005, with the 2005 Refunding Bonds.

Continued...

PUBLIC SCHOOLS OF PETOSKEY

SCHEDULE OF BOND INDEBTEDNESS

FOR THE YEAR ENDED JUNE 30, 2005

PURPOSE	Durant Resolution Package Bonds
DATE OF ISSUE	November 24, 1998
RATE OF INTEREST	4.76%
ORIGINAL OBLIGATION	\$ 162,282
AMOUNT PREVIOUSLY PAID	<u>58,606</u>
BALANCE OUTSTANDING - June 30, 2005	<u>\$ 103,676</u>

<u>Fiscal Year</u>	<u>May 1, Interest</u>	<u>May 1, Principal</u>	<u>Annual Requirements</u>
2005-2006	\$ 3,541	\$ 7,855	\$ 11,396
2006-2007	16,240	37,536	53,776
2007-2008	2,775	8,621	11,396
2008-2009	2,365	9,031	11,396
2009-2010	1,935	9,461	11,396
2010-2011	1,484	9,912	11,396
2011-2012	1,012	10,383	11,395
2012-2013	518	10,877	11,395
	<u>\$ 29,870</u>	<u>\$ 103,676</u>	<u>\$ 133,546</u>

CALL PROVISION

This bond is not subject to redemption prior to maturity.

Continued...

PUBLIC SCHOOLS OF PETOSKEY

SCHEDULE OF BOND INDEBTEDNESS

FOR THE YEAR ENDED JUNE 30, 2005

PURPOSE	Purchase of Foster property on land contract.
DATE OF ISSUE	November 14, 2003
RATE OF INTEREST	5.00%
ORIGINAL OBLIGATION	\$ 700,000
AMOUNT PREVIOUSLY PAID	<u>51,670</u>
BALANCE OUTSTANDING - June 30, 2005	<u><u>\$ 648,330</u></u>

<u>Fiscal Year</u>	<u>Interest</u>	<u>May 1, Principal</u>	<u>Annual Requirements</u>
2005-2006	\$ 31,626	\$ 34,800	\$ 66,426
2006-2007	29,846	36,581	66,427
2007-2008	27,974	38,452	66,426
2008-2009	26,007	40,420	66,427
2009-2010	23,939	42,488	66,427
2010-2011	21,765	44,661	66,426
2011-2012	19,480	46,946	66,426
2012-2013	17,078	49,348	66,426
2013-2014	14,554	51,873	66,427
2014-2015	11,900	54,527	66,427
2015-2016	9,110	57,317	66,427
2016-2017	6,178	60,249	66,427
2017-2018	3,095	63,332	66,427
2018-2019	343	27,336	27,679
	<u>\$ 242,895</u>	<u>\$ 648,330</u>	<u>\$ 891,225</u>

Concluded

OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)

PUBLIC SCHOOLS OF PETOSKEY
SCHEDULE OF PROPERTY TAX INFORMATION (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2005

Taxing District	Tax Levy	Collections and Other Reductions	Delinquent Personal Property Taxes	Percentage of Current Year Levy Collected
Bear Creek Township	\$ 4,436,965	\$ 4,434,958	\$ 2,007	99.95%
Littlefield Township	55,834	55,221	613	98.90%
Little Traverse Township	317,463	317,172	291	99.91%
Resort Township	2,665,660	2,664,839	821	99.97%
Springvale Township	719,229	719,046	183	99.97%
City of Petoskey	7,865,907	7,818,393	47,514	99.40%
Chandler Township	270,230	269,638	592	99.78%
Hayes Township	41,589	41,588	1	100.00%
Melrose Township	725,414	724,282	1,132	99.84%
Total	\$ 17,098,291	\$ 17,045,137	\$ 53,154	99.69%
Allocated as follows				
General Fund	\$ 12,690,083	\$ 12,644,360	\$ 45,723	99.64%
Debt Service Funds	2,855,982	2,851,783	4,199	99.85%
Capital Projects Fund	1,552,226	1,548,994	3,232	99.79%
Total allocated to all funds	\$ 17,098,291	\$ 17,045,137	\$ 53,154	99.69%

PUBLIC SCHOOLS OF PETOSKEY

TEN-YEAR SUMMARY OF ENROLLMENT (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2005

Year	Special Education	Elementary School	Middle School	High School	Total	Non-Resident	Resident
1996	33.93	\$ 1,263.63	680.53	837.21	2,815.30	43.15	2,772.15
1997	32.89	1,244.00	708.11	882.25	2,867.25	81.52	2,785.73
1998	27.50	1,214.47	765.75	924.87	2,932.59	136.00	2,796.59
1999	32.13	1,209.31	734.97	941.78	2,918.19	164.33	2,753.86
2000	37.45	1,208.86	743.03	963.84	2,953.18	202.00	2,751.18
2001	47.45	1,212.21	734.35	1,027.19	3,021.20	209.00	2,812.20
2002	49.59	1,240.31	719.32	1,065.06	3,074.28	260.00	2,814.28
2003	67.10	1,265.09	693.36	1,057.77	3,083.32	270.00	2,813.32
2004	79.38	1,240.37	712.35	1,062.48	3,094.58	287.00	2,807.58
2005	73.51	1,271.12	692.69	1,037.45	3,074.77	300.51	2,774.26

Note: Data above extracted from the September pupil counts only.

PUBLIC SCHOOLS OF PETOSKEY
TEN-YEAR SUMMARY OF GENERAL FUND
EXPENDITURES, STUDENT ENROLLMENT AND
PER PUPIL COSTS (UNAUDITED)

Year	Expenditures and Transfers*	Enrollment	Expenditures Per Pupil
1996	\$ 15,916,393	2,815.30	\$ 5,654
1997	16,848,070	2,867.25	5,876
1998	17,411,853	2,932.59	5,937
1999	17,473,707	2,918.19	5,988
2000	18,718,957	2,953.18	6,339
2001	20,110,469	3,021.20	6,656
2002	21,642,904	3,074.28	7,040
2003	22,412,914	3,083.32	7,269
2004	23,051,973	3,094.58	7,449
2005	24,942,607	3,074.77	8,112

* General Fund expenditures and transfers only.



**INDEPENDENT AUDITORS' 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***

August 5, 2005

Board of Education
Public Schools of Petoskey
Petoskey, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Public Schools of Petoskey* (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 5, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is described as follows:

Due to staff size, there is limited segregation of duties over cash receipts and disbursements and the recording of these transactions. The District recognizes this risk, but no change will be implemented because the costs would exceed the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

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 audit committee, management, others within the organization and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lehmann Johnson".

SINGLE AUDIT

PUBLIC SCHOOLS OF PETOSKEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title/Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2004
U.S. Department of Education			
Indian Education			
03/04	84.060A	\$ 44,625	\$ 44,625
04/05	84.060A	45,051	-
Total Indian Education		89,676	44,625
Passed Through the Michigan Department of Education			
ECIA Title I			
041530-0304 Carryover	84.010	326,750	39,019
050520-0405 Regular	84.010	326,750	-
Total ECIA Title I		653,500	39,019
Title IIA - Improving Teacher Quality			
040520-0304 Carryover	84.367	108,614	14,149
050520-0405 Regular	84.367	108,335	-
Total Title IIA - Improving Teacher Quality		216,949	14,149
Title V - Innovative Education			
050250-0405 Regular	84.298	1,876	-
Technology Literacy Challenge Grant			
054290-0405 Regular	84.318	8,304	-
Total Passed Through Michigan Department of Education		880,629	53,168

<u>(Memo Only)</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Receipts</u> <u>Cash Basis</u>	<u>Accrued</u> <u>(Deferred)</u> <u>Revenue</u> <u>June 30,</u> <u>2005</u>
\$ 44,625	\$ -	\$ 44,625	\$ -
-	45,051	45,051	-
44,625	45,051	89,676	-
285,272	41,478	80,497	-
-	316,802	309,548	7,254
285,272	358,280	390,045	7,254
108,614	-	14,149	-
-	108,335	108,335	-
108,614	108,335	122,484	-
-	1,876	1,876	-
-	8,304	8,304	-
393,886	476,795	522,709	7,254

Continued...

PUBLIC SCHOOLS OF PETOSKEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title/Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2004
Passed Through ISD			
Drug Free Schools			
052860-0405 Regular	84.186A	\$ 3,446	\$ -
IDEA			
050490-TS, Transition	84.027	2,283	-
050450-0405, Flowthrough	84.027	720	-
Total IDEA		3,003	-
Medicaid Administrative Outreach Claims	93.778	14,727	-
Total Passed Through ISD		21,176	-
Total U.S. Department of Education		991,481	97,793
U.S. Department of Agriculture			
Passed through Michigan Department of Education			
Commodities			
Entitlement Commodities	10.550	29,530	-
Bonus Commodities	10.550	3,689	-
Total Commodities		33,219	-
National School Lunch - Breakfast			
41970	10.553	50,377	2,549
51970	10.553	44,491	-
Total National School Lunch - Breakfast		94,868	2,549
National School Lunch			
Section 4 All Lunches -31950	10.555	58,379	2,197
Section 11 Free & Reduced - 31960	10.555	182,811	7,312
Section 4 All Lunches - 41950	10.555	47,088	-
Section 11 Free & Reduced - 41960	10.555	160,239	-
Total National School Lunch		448,517	9,509

<u>(Memo Only)</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Receipts</u> <u>(Cash Basis)</u>	<u>Accrued</u> <u>(Deferred)</u> <u>Revenue</u> <u>June 30,</u> <u>2005</u>
\$ -	\$ 3,446	\$ 3,446	\$ -
-	2,283	2,283	-
-	720	720	-
-	3,003	3,003	-
-	14,727	14,727	-
-	21,176	21,176	-
438,511	543,022	633,561	7,254
-	29,530	29,530	-
-	3,689	3,689	-
-	33,219	33,219	-
41,194	3,415	5,964	-
-	47,539	44,491	3,048
41,194	50,954	50,455	3,048
45,285	4,965	7,162	-
147,390	15,861	23,173	-
-	47,088	44,619	2,469
-	160,239	151,654	8,585
192,675	228,153	226,608	11,054

Continued...

PUBLIC SCHOOLS OF PETOSKEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title/Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2004
Special Milk Program for Children			
41940	10.556	\$ 1,274	\$ 62
51940	10.556	1,751	-
Total Special Milk Program for Children		3,025	62
Total U.S. Department of Agriculture		579,629	12,120
U.S. Department of Homeland Security			
Passed through Michigan State Police State Homeland Security Grant Part II		7,521	325
Total Federal Financial Awards		\$ 1,578,631	\$ 110,238

Notes to Schedule of Expenditures of Federal Awards

1) Basis of Presentation-

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Public Schools of Petoskey and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2) Management has utilized the Grants Section Auditors Report (Form 7120) in preparing the Schedule of Expenditures of Federal Awards.

<u>(Memo Only)</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Receipts</u> <u>(Cash Basis)</u>	<u>Accrued</u> <u>(Deferred)</u> <u>Revenue</u> <u>June 30,</u> <u>2005</u>
\$ 1,274	\$ 201	\$ 263	\$ -
-	1,878	1,751	127
1,274	2,079	2,014	127
235,143	314,405	312,296	14,229
325	7,197	7,522	-
\$ 673,979	\$ 864,624	\$ 953,379	\$ 21,483

Continued...

PUBLIC SCHOOLS OF PETOSKEY

RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

RECONCILIATION TO GRANT SECTION AUDITORS' REPORT

Current payments per the grant sections auditors' report	\$	835,696
Less		
State funded grants		
Driver education		(10,720)
School breakfast program		(23,190)
Plus		
Amounts passed through		
Charlevoix-Emmet Intermediate School District		21,176
Entitlement and bonus commodities		33,219
Direct award from Department of Education		89,676
Direct award from Department of Homeland Security		<u>7,522</u>
Total current year receipts per schedule of expenditures of federal awards	\$	<u>953,379</u>

Concluded



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

August 5, 2005

Board of Education
Public Schools of Petoskey
Petoskey, Michigan

Compliance

We have audited the compliance of **Public Schools of Petoskey** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. **Public Schools of Petoskey's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Public Schools of Petoskey's** management. Our responsibility is to express an opinion on **Public Schools of Petoskey's** compliance based on our audit.

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

In our opinion, **Public Schools of Petoskey** complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of *Public Schools of Petoskey* 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 *Public Schools of Petoskey's* 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Lehmann Johnson".

PUBLIC SCHOOLS OF PETOSKEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to financial statements
noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? _____ yes X none reported

Type of auditors’ report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? _____ yes X no

Continued...

PUBLIC SCHOOLS OF PETOSKEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITORS’ RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555 and 10.556	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

* * * * *



August 5, 2005

Superintendent and Members of
the Board of Education
Public Schools of Petoskey
Petoskey, Michigan

Through our role in performing financial statement services for the past three years, we have become familiar with your systems, operations and management team. As we work with our clients, we strive to provide direction and constructive feedback to help facilitate their success. The better we get to know you and your objectives, the more we can offer in terms of proactive advice.

In planning and performing our audit of the financial statements of the **Public Schools of Petoskey** for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during the above-mentioned engagement, we became aware of certain informational matters. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated August 5, 2005 on the financial statements of the **Public Schools of Petoskey**.

We have already discussed these comments with the Business Manager, and we would be pleased to discuss them in further detail at your convenience.

If we can be of assistance, we hope you will view us as an integral part of your team.

Best wishes for a successful 2005-2006.

Encl.1

PUBLIC SCHOOLS OF PETSOKEY
COMMENTS AND RECOMMENDATIONS
JUNE 30, 2005

NO CHILD LEFT BEHIND – REQUIREMENT REMINDER

No Child Left Behind Act (NCLB Act) enacted on January 8, 2002, required that all paraprofessionals hired after January 8, 2002 must have (1) completed two years of study at an institution of higher education; (2) obtained an associate's (or higher) degree; or (3) demonstrate, through a formal State or local academic assessment, knowledge of and the ability to assist in instructing reading, writing, and mathematics (or, as appropriate, reading readiness, writing readiness, and mathematics readiness). Paraprofessionals hired before January 8, 2002 and working in a program supported with Title I funds also must meet these requirements by January 8, 2006.

MICHIGAN FINANCE QUALIFYING STATEMENT

Beginning January 1, 2004, all governmental units subject to the Revised Municipal Finance Act (PA 34 of 2001) must submit their qualifying statement electronically using the Department of Treasury's website. The District is required to file this statement with the Department of Treasury by December 31, 2005.

ELECTRONICALLY FILING THE FINANCIAL STATEMENTS

Beginning with the fiscal year ended June 30, 2005, the District must submit their financial statements to the State of Michigan electronically. To do so, the financial statements must be created electronically in an Adobe Acrobat file. This file may also be forwarded to bond counsel for preparation of the SEC continuing disclosures and to the Michigan Department of Education to fulfill the District's annual reporting requirements. We will provide an electronic version of the financial statements for your use.

CONCLUSION

It has been a pleasure to provide audit services to the *Public Schools of Petoskey*. Management was well prepared for the audit, providing us with all requested information.

We appreciate your business! Thank you.

FORM SF-SAC (5-2004)

U.S. DEPT. OF COMM - Econ. and Stat. Admin. - U.S. CENSUS BUREAU ACTING AS COLLECTING AGENT FOR OFFICE OF MANAGEMENT AND BUDGET

Data Collection Form for Reporting on AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS for Fiscal Year Ending Dates in 2004, 2005, or 2006

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."



Federal Audit Clearinghouse 1201 E. 10th Street Jeffersonville, IN 47132

PART I

GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)

1. Fiscal period ending date for this submission: Month 06, Day 30, Year 2005. 2. Type of Circular A-133 audit: 1 [X] Single audit, 2 [] Program-specific audit.

3. Audit period covered: 1 [X] Annual, 2 [] Biennial, 3 [] Other. 4. FEDERAL GOVERNMENT USE ONLY: Date received by Federal clearinghouse.

5. Auditee Identification Numbers: a. Primary Employer Identification Number (EIN) 38-6001179. b. Are multiple EINs covered in this report? 1 [] Yes, 2 [X] No.

d. Data Universal Numbering System (DUNS) Number. e. Are multiple DUNS covered in this report? 1 [] Yes, 2 [X] No.

6. AUDITEE INFORMATION: a. Auditee name: PUBLIC SCHOOLS OF PETOSKEY. b. Auditee address: 1130 HOWARD STREET, PETOSKEY, MI. c. Auditee contact: KENT CARTWRIGHT, BUSINESS MANAGER.

7. AUDITOR INFORMATION (To be completed by auditor): a. Auditor name: REHMANN ROBSON. b. Auditor address: 902 S HURON STREET, CHEBOYGAN, MI. c. Auditor contact: ANNETTE EUSTICE, PRINCIPAL.

g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133... Signature of certifying official: Kent J. Cartwright, Date: 10/21/2005.

9. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. Signature of auditor: Annette M. Eustice, Date: 10/20/05.

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report

Mark either: 1 Unqualified opinion **OR**
any combination of: 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report? 1 Yes 2 No

3. Is a reportable condition disclosed? 1 Yes 2 No - SKIP to Item 5

4. Is any reportable condition reported as a material weakness? 1 Yes 2 No

5. Is a material noncompliance disclosed? 1 Yes 2 No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12) 1 Yes 2 No

2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))

3. Did the auditee qualify as a low-risk auditee? (§ .530) 1 Yes 2 No

4. Is a reportable condition disclosed for any major program? (§ .510(a)(1)) 1 Yes 2 No -SKIP to Item 6

5. Is any reportable condition reported as a material weakness? (§ .510(a)(1)) 1 Yes 2 No

6. Are any known questioned costs reported? (§ .510(a)(3) or (4)) 1 Yes 2 No

7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b)) 1 Yes 2 No

8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)

- | | | | |
|--|--|---|--|
| <input type="checkbox"/> 98 U.S. Agency for International Development | <input type="checkbox"/> 83 Federal Emergency Management Agency | <input type="checkbox"/> 43 National Aeronautics and Space Administration | <input type="checkbox"/> 96 Social Security Administration |
| <input type="checkbox"/> 10 Agriculture | <input type="checkbox"/> 39 General Services Administration | <input type="checkbox"/> 89 National Archives and Records Administration | <input type="checkbox"/> 19 U.S. Department of State |
| <input type="checkbox"/> 23 Appalachian Regional Commission | <input type="checkbox"/> 93 Health and Human Services | <input type="checkbox"/> 05 National Endowment for the Arts | <input type="checkbox"/> 20 Transportation |
| <input type="checkbox"/> 11 Commerce | <input type="checkbox"/> 97 Homeland Security | <input type="checkbox"/> 06 National Endowment for the Humanities | <input type="checkbox"/> 21 Treasury |
| <input type="checkbox"/> 94 Corporation for National and Community Service | <input type="checkbox"/> 14 Housing and Urban Development | <input type="checkbox"/> 07 National Science Foundation | <input type="checkbox"/> 82 United States Information Agency |
| <input type="checkbox"/> 12 Defense | <input type="checkbox"/> 03 Institute of Museum and Library Services | <input type="checkbox"/> 07 Office of National Drug Control Policy | <input type="checkbox"/> 64 Veterans Affairs |
| <input type="checkbox"/> 84 Education | <input type="checkbox"/> 15 Interior | <input type="checkbox"/> 59 Small Business Administration | <input checked="" type="checkbox"/> 00 None |
| <input type="checkbox"/> 81 Energy | <input type="checkbox"/> 16 Justice | | <input type="checkbox"/> Other - Specify: |
| <input type="checkbox"/> 66 Environmental Protection Agency | <input type="checkbox"/> 17 Labor | | <input type="text"/> |
| | <input type="checkbox"/> 09 Legal Services Corporation | | <input type="text"/> |

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives
- and, if not marked above, the Federal cognizant agency

Count total number of boxes marked above and submit this number of reporting packages

PART III

FEDERAL PROGRAMS - Continued

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS					
Federal Agency Prefix ¹	CFDA Number Extension ²	Research and development ³	Name of Federal program	Amount expended	Direct award	Major program		Type(s) of compliance requirement(s) ⁴	Audit finding reference number(s) ⁵
						(a)	(b)		
8 4	060A	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	INDIAN EDUCATION	\$ 45,051.00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	010	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	EICA TITLE I	\$ 358,280.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	367	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE IIA-IMPROVING TEACHER QUALITY	\$ 108,335.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	INNOVATIVE EDUCATION	\$ 1,876.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	318	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TECHNOLOGY LITERACY CHALLENGE GRANT	\$ 8,304.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	186A	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	DRUG FREE SCHOOLS	\$ 3,446.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	IDEA	\$ 3,003.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
9 3	778	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	MEDICAID ADMINISTRATION OUTREACH CLAIMS	\$ 14,727.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
1 0	550	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ENTITLEMENT/BONUS COMMODITIES	\$ 33,219.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
1 0	553	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NATIONAL SCHOOL LUNCH - BREAKFAST	\$ 50,954.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	N/A
TOTAL FEDERAL AWARDS EXPENDED				\$ 864,624.00					

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.
² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)
³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.
⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.
⁵ N/A for NONE

A. Activities allowed or unallowed
 B. Allowable costs/cost principles
 C. Cash management
 D. Davis - Bacon Act
 E. Eligibility
 F. Equipment and real property management
 G. Matching, level of effort, earmarking
 H. Period of availability of Federal funds
 I. Procurement and suspension and debarment
 J. Program income
 K. Real property acquisition and relocation assistance
 L. Reporting
 M. Subrecipient monitoring
 N. Special tests and provisions
 O. None
 P. Other

PART III FEDERAL PROGRAMS - Continued

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR

Federal Agency Prefix ¹ (a)	CFDA Number Extension ² (b)	Research and development (c)		Name of Federal program (d)	Amount expended (e)	Direct award (f)		Major program (g)		If yes, type of audit report ³ (h)	10. AUDIT FINDINGS	
		1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No			1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No		Type(s) of compliance requirement(s) ⁴ (a)	Audit finding reference number(s) ⁵ (b)
1 0	.555	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No	NATIONAL SCHOOL LUNCH	\$ 228,153.00	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No	U	O	N/A
1 0	.556	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No	SPECIAL MILK PROGRAM	\$ 2,079.00	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No	U	O	N/A
1 6	.007	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No	STATE HOMELAND SECURITY GRANT PART II	\$ 7,197.00	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No		O	N/A
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