

CLARE PUBLIC SCHOOL DISTRICT
Clare, Michigan

Financial Statements
With Supplemental Information
June 30, 2012



Clare Public School District
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June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Clare Public School District
Clare, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clare Public School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants
September 17, 2012

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Our discussion and analysis of the Clare School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

The School District's net assets decreased \$701,545 or 9.3%. Program revenues accounted for \$2.37 million or 17% of total revenues and general revenues accounted for \$11.3 million or 83%.

The General Fund reported a positive fund balance in excess of \$1.65 million.

Using this Annual Financial Report

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

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

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and library funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2012 and 2011:

	Governmental Activities	
Exhibit A	2012	2011
Assets		
Current and other assets	\$ 5,900,000	\$ 6,750,000
Capital assets - net of accumulated depreciation	12,000,000	12,550,000
Total assets	17,900,000	19,300,000
Liabilities		
Current liabilities	1,500,000	1,700,000
Long-term liabilities	9,500,000	10,000,000
Total liabilities	11,000,000	11,700,000
Net Assets		
Invested in property and equipment - net of related debt	2,600,000	2,600,000
Restricted	2,700,000	2,500,000
Unrestricted	1,600,000	2,500,000
Total net assets	\$ 6,900,000	\$ 7,600,000

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

The preceding table focuses on net assets (see Exhibit A). The School District's net assets were \$6,900,000 at June 30, 2012. Capital assets, net of related debt totaling \$2,600,000, compares the original costs, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

The \$1,600,000 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net assets for the years ended June 30, 2012 and 2011.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Exhibit B	Governmental Activities	
	2012	2011
Revenue		
Program revenue:		
Charges for services	\$ 320,000	\$ 330,000
Grants and categoricals	2,050,000	2,210,000
General revenue:		
Property taxes	2,350,000	2,350,000
State foundation allowance	8,760,000	9,340,000
Other	160,000	330,000
Total revenue	13,640,000	14,560,000
Function/Program Expenses		
Instruction	8,430,000	8,110,000
Support services	4,310,000	4,610,000
Food services	600,000	520,000
Other Expenditures	120,000	170,000
Interest on long-term debt	250,000	270,000
Depreciation and amortization (unallocated)	630,000	650,000
Total expenses	14,340,000	14,330,000
Prior Period Adjustment		_ 230,000
Change in net assets	\$ (700,000)	\$ 470,000

CLARE PUBLIC SCHOOLS
 Management's Discussion and Analysis
For the Year Ended June 30, 2012

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$14.3 million. Certain activities were partially funded from those who benefited from the programs (\$320,000) or by the other governments and organizations that subsidized certain programs with grants and categorical (\$2.1 million). We paid for the remaining “public benefit” portion of our governmental activities with \$2.3 million in taxes, \$8.8 million in State Foundation Allowance and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets of \$700,000. The decrease was due to the excess of expenditures over revenues. The decrease in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of \$4.3 million, which is below last year's total of \$5.0 million. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Fund Balance</u> <u>June 30, 2011</u>	<u>Change</u>
General	\$ 1,650,225	\$ 2,525,354	\$ (875,129)
Special Revenue	171,211	170,405	806
Debt Service	2,297,986	2,097,204	200,782
Capital Projects	209,058	248,595	(39,537)
Total	<u>\$ 4,328,480</u>	<u>\$ 5,041,558</u>	<u>\$ (713,078)</u>

The School District completed this year with a combined fund balance decrease of \$713,078 from the previous year.

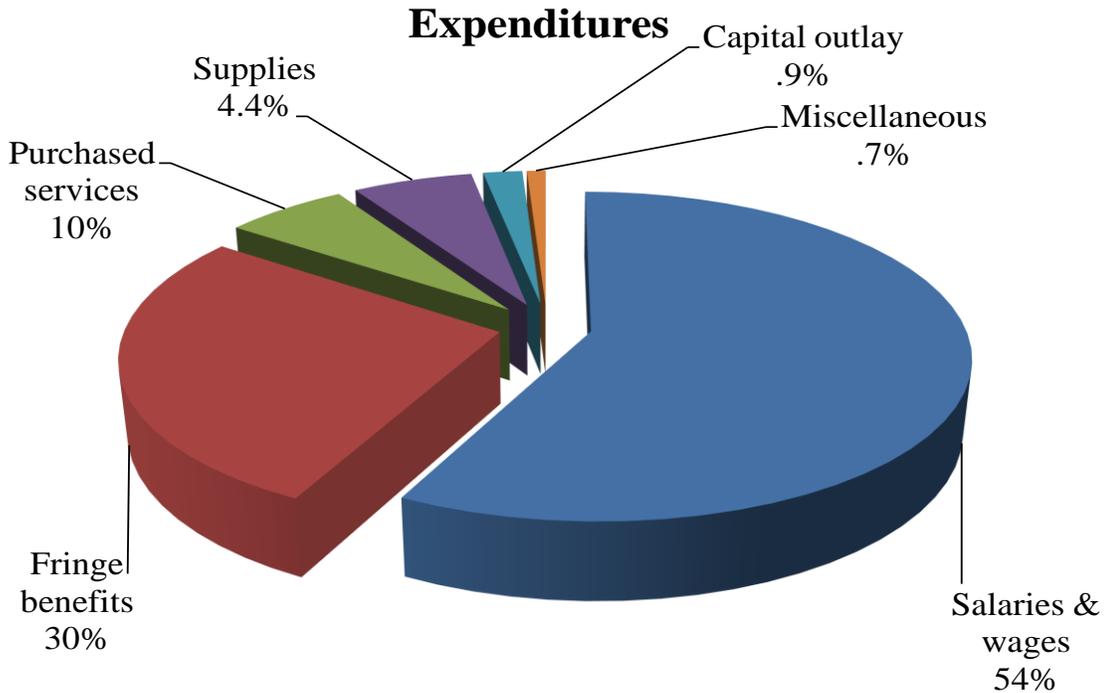
- The General Fund balance decreased by \$875,129 due to losing 30 more students than anticipated and the planned use of fund balance. Overall, the General Fund activity was within 99 percent of budgeted revenues and expenditures.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

- Our Capital Projects Funds' balances decreased by \$39,537. This increase was the result of a transfer to General Fund to pay for the High School wireless internet project.
- Our Debt Service Funds' balances increased by \$200,782. The increase was mainly due to a regular payment to the QZAB escrow account for \$167,000.
- Our Special Revenue Funds' balances increased by \$806. Through normal operations, the Food Service Fund brought in \$806 more than it spent.

CLARE PUBLIC SCHOOLS
 Management's Discussion and Analysis
For the Year Ended June 30, 2012

As the graph below illustrates, the largest portions of General Fund expenditures (excluding fund transfers) are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



<i>Expenditures by object</i>	<u>2012</u>	<u>2011</u>
Salaries and wages	\$ 7,039,575	\$ 7,137,654
Fringe benefits	3,930,622	3,661,293
Purchased services	1,325,029	1,521,900
Supplies	581,105	500,051
Capital outlay	115,001	204,749
Miscellaneous	87,687	34,534
Total	<u>\$13,079,019</u>	<u>\$13,060,181</u>

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Expenditures (not including transfers) are up \$18,838 or .1%. Salaries and benefits have increased by \$171,250. This change is due to an increase in the retirement rate.

General Fund Budgetary Highlights

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

- Final budgeted revenues were \$61,512 more than the original budget, mainly due to a slight increase in Federal grant money available.
- The actual revenues were \$10,291 more than the final budgeted revenues. This was due to a combination of small variances within all three major funding sources.
- Final budgeted expenditures were \$205,525 above the original budget. This was mainly due to the addition of a Kindergarten teacher, literacy coach, a general duty parapro adjustment, and an At Risk position adjustment..
- The actual expenditures were \$237,869 lower than the final budgeted expenditures. This was mainly due to slightly less spending in many areas including transportaton and utilities.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Capital Assets

At June 30, 2012, the School District had \$12 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of \$514,417, or 4%, from last year.

	<u>2012</u>	<u>2011</u>
Land	\$ 298,976	\$ 298,976
Buildings and improvements	15,779,296	15,779,296
Buses and other vehicles	696,824	696,824
Furniture and equipment	<u>6,932,087</u>	<u>6,818,847</u>
 Total capital assets	 23,707,183	 23,593,943
 Less accumulated depreciation	 <u>11,667,872</u>	 <u>11,040,215</u>
 Net capital assets	 <u><u>\$ 12,039,311</u></u>	 <u><u>\$ 12,553,728</u></u>

This year's additions included \$113,240 for the installation of wireless internet in the Primary, Middle, and High Schools. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$8,989,490 in bonds outstanding versus \$9,378,549 in the previous year – a decrease of 4.2%. The decrease reflects principal payments made on the 2006 refunding bond and the Durant bond.

	<u>2012</u>	<u>2011</u>
2006 Refunding Bonds	\$ 6,220,000	\$ 6,600,000
2001 Revenue Bonds	0	0
2001 QZAB Bonds	2,760,000	2,760,000
2002 QZAB Bonds	0	0
Durant Bonds	<u>9,490</u>	<u>18,549</u>
	<u><u>\$ 8,989,490</u></u>	<u><u>\$ 9,378,549</u></u>

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2012 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2012 fiscal year budget was adopted in June 2012, based on an estimate of students that will be enrolled in October 2012. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2012-13 school year, we anticipate that the fall student count will exceed the estimates used in creating the 2012 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Requests For Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Clare Public School District
201 East State Street
Clare, Michigan 48617

**DISTRICT-WIDE
FINANCIAL STATEMENTS**



Clare Public Schools
Statement of Net Assets
June 30, 2012

Assets

Current assets

Cash and cash equivalents	\$ 3,824,050
Accounts receivable	3,929
Due from other governmental units	1,960,923
Inventory	854
Prepaid expenses	66,830
Total current assets	5,856,586

Noncurrent assets

Land	298,976
Capital assets less accumulated depreciation	11,740,336
Total noncurrent assets	12,039,312

Total assets 17,895,898

Liabilities

Current liabilities

Accounts payable	212,924
Salaries payable	788,540
Accrued interest on short-term note payable	4,227
Payroll deductions and other withholdings	53,544
Short-term note payable	468,871
Accrued interest on long-term debt	-
Current portion of long-term obligations	1,307,355
Total current liabilities	2,835,461

Noncurrent liabilities

Noncurrent portion of long-term obligations	7,687,865
Capital lease	-
Compensated absences	160,800
Post-employment benefits	336,527
Total noncurrent liabilities	8,185,192

Total liabilities 11,020,653

Net assets

Invested in capital assets, net of related debt	2,745,116
Restricted for:	
Debt service	2,297,986
Capital projects	209,058
Food service	171,211
Unrestricted	1,451,874
Total net assets	\$ 6,875,245

Clare Public Schools
Statement of Activities
For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 8,434,367	\$ -	\$ 1,640,814	\$ (6,793,553)
Support services	4,313,090	-	-	(4,313,090)
Food service	597,253	184,408	410,848	(1,997)
Community services	19,051	132,324	-	113,273
Interest and fees on long-term debt	247,972	-	-	(247,972)
Other expenditures	100,827	-	-	(100,827)
Depreciation - unallocated	627,657	-	-	(627,657)
Total governmental activities	<u>\$ 14,340,217</u>	<u>\$ 316,732</u>	<u>\$ 2,051,662</u>	<u>(11,971,823)</u>
General revenues:				
Property taxes				2,349,682
State sources				8,764,832
Unrestricted interest and investment earnings				1,994
Restricted interest and investment earnings				57,613
Miscellaneous				96,157
Total general revenues				<u>11,270,278</u>
Change in net assets				(701,545)
Net assets - beginning				<u>7,576,790</u>
Net assets - ending				<u>\$ 6,875,245</u>

FUND FINANCIAL STATEMENTS



Clare Public Schools
Balance Sheet - Governmental Funds
June 30, 2012

	Major Funds				Totals
	General	Food Service	Capital Projects	Debt Service	
Assets					
Cash and cash equivalents	\$ 1,199,336	\$ 117,673	\$ 209,058	\$ 2,297,983	\$ 3,824,050
Accounts receivable	1,296	2,633	-	-	3,929
Due from other funds	-	-	-	3	3
Due from other governmental units	1,957,226	3,697	-	-	1,960,923
Inventory	-	854	-	-	854
Prepaid expenses	16,830	50,000	-	-	66,830
Total assets	<u>\$ 3,174,688</u>	<u>\$ 174,857</u>	<u>\$ 209,058</u>	<u>\$ 2,297,986</u>	<u>\$ 5,856,589</u>
Liabilities					
Accounts payable	\$ 212,924	\$ -	\$ -	\$ -	\$ 212,924
Due to other funds	3	-	-	-	3
Accrued interest	4,227	-	-	-	4,227
Salaries payable	788,540	-	-	-	788,540
Deferred revenues	49,898	3,646	-	-	53,544
Short term note payable	468,871	-	-	-	468,871
Total liabilities	<u>1,524,463</u>	<u>3,646</u>	<u>-</u>	<u>-</u>	<u>1,528,109</u>
Fund balance					
Non-spendable					
Inventory	-	854	-	-	854
Prepaid expenses	16,830	50,000	-	-	66,830
Restricted	-	120,357	209,058	2,281,103	2,610,518
Committed	-	-	-	16,883	16,883
Unassigned	1,633,395	-	-	-	1,633,395
Total fund balance	<u>1,650,225</u>	<u>171,211</u>	<u>209,058</u>	<u>2,297,986</u>	<u>4,328,480</u>
Total liabilities and fund balance	<u>\$ 3,174,688</u>	<u>\$ 174,857</u>	<u>\$ 209,058</u>	<u>\$ 2,297,986</u>	<u>\$ 5,856,589</u>

Clare Public Schools
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
 to Net Assets of Governmental Activities on the Statement of Net Assets
 For the Year Ended June 30, 2012

Total fund balance - governmental funds		\$ 4,328,480
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>		
Add: Cost of capital assets	\$ 23,707,184	
Deduct: Accumulated depreciation	<u>(11,667,872)</u>	
		12,039,312
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
<p>Long-term debt obligations</p>		
Deduct: 2006 Refunding Bonds	(6,220,000)	
Deduct: 2001 School Building & Site Bonds, Series B	(2,760,000)	
Deduct: Durant Non-Plaintiff Bond	(9,490)	
Deduct: Woodlawn Special Assessment Debt	<u>(5,730)</u>	
		(8,995,220)
<p>Other long-term obligations</p>		
Deduct: Compensated absences payable		(160,800)
Deduct: Accrued interest on long-term liabilities		-
Deduct: Post-employment benefits		(336,527)
Deduct: Copier capital lease		<u>-</u>
Total net assets - governmental activities		<u><u>\$ 6,875,245</u></u>

Clare Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2012

	Major Funds				Totals
	General	Food Service	Capital Project	Debt Service	
Revenues					
Local sources	\$ 1,771,835	\$ 187,211	\$ 712	\$ 866,322	\$ 2,826,080
State sources	9,525,660	23,124	-	9,942	9,558,726
Federal sources	866,144	387,724	-	-	1,253,868
Total revenues	<u>12,163,639</u>	<u>598,059</u>	<u>712</u>	<u>876,264</u>	<u>13,638,674</u>
Expenditures					
Instruction					
Basic programs	6,774,910	-	-	-	6,774,910
Added needs	1,852,897	-	-	-	1,852,897
Adult / continuing education	31,384	-	-	-	31,384
Total instruction	<u>8,659,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,659,191</u>
Support services					
Pupil	371,221	-	-	-	371,221
Instructional staff	142,763	-	-	-	142,763
General administration	330,457	-	-	-	330,457
School administration	743,182	-	-	-	743,182
Business services	333,921	-	-	-	333,921
Operation and maintenance	1,346,915	-	-	-	1,346,915
Pupil transportation	393,696	-	-	-	393,696
Central	323,617	-	-	-	323,617
Athletics	327,318	-	-	-	327,318
Total support services	<u>4,313,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,313,090</u>
Food service	-	597,253	-	-	597,253
Community services	19,051	-	-	-	19,051
Debt service					
Principal payments	-	-	-	389,059	389,059
Interest, fees and other	-	-	-	273,283	273,283
Other	87,687	-	-	13,140	100,827
Total expenditures	<u>13,079,019</u>	<u>597,253</u>	<u>-</u>	<u>675,482</u>	<u>14,351,754</u>
Excess (deficiency) of revenues over expenditures	(915,380)	806	712	200,782	(713,080)
Other financing sources (uses)					
Operating transfers in (out)	<u>40,251</u>	<u>-</u>	<u>(40,251)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures	(875,129)	806	(39,539)	200,782	(713,080)
Fund balances - beginning	2,525,354	170,405	248,597	2,097,204	5,041,560
Prior period adjustment	-	-	-	-	-
Fund balances - ending	<u>\$ 1,650,225</u>	<u>\$ 171,211</u>	<u>\$ 209,058</u>	<u>\$ 2,297,986</u>	<u>\$ 4,328,480</u>

Clare Public Schools
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (713,080)

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 as depreciation expense.

Add:	Capital outlay	113,240
Deduct:	Depreciation expense	(627,657)

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 funds.

Add:	Decrease in accrual for compensated absences	45,530
Add:	Decrease in accrual for other post-employment benefits	66,054
Add:	Decrease in accrued interest on long term debt	17,025

Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).

Long-term obligations

Add:	2006 Refunding Bonds	380,000
Add:	2001 School Building & Site Bonds, Series B	-
Add:	Durant Non-Plaintiff Bond	9,059
Add:	Woodlawn Special Assessment Debt	2,865

Capital leases

Add:	Copier capital lease	5,421
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Change in net assets - governmental activities \$ (701,545)

Clare Public Schools
Fiduciary Funds - Statement of Net Assets
For the Year Ended June 30, 2012

	Private Purpose Trust	Agency Fund
Assets		
Cash and cash equivalents	\$ 25,000	\$ 188,080
Liabilities		
Due to student and other groups	-	188,080
Net Assets		
Restricted net assets	<u>\$ 25,000</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Clare Public School District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District.

Reporting Entity

The District is governed by a Board of Education which has responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements

The District-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. 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. All of the District-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, including taxes and intergovernmental payments, not properly included among program revenues are reported instead as general revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Financial Statements – The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Clare Public School District
Notes to the Financial Statements
June 30, 2012

Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. 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 severance pay, are recorded only when payment is due.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

- The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The debt service fund is used to record tax, interest, other revenue for payment, principal and other expenditures on bond issues.
- The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The school service funds maintained by the District are the capital projects and food service fund.

Additionally, the District reports the following fund types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary fund net assets and results of operations are not included in the District-wide statements. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve measurement of results of operations.

The District presently maintains a student activity fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

The District also maintains a non-expendable trust fund to account for assets of which the principal may not be spent. These funds have been accumulated to pay scholarships and awards to students.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

Budgets are adopted by the District for the general and special revenue funds. The budgets are adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level and control is exercised at the activity level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Clare Public School District
Notes to the Financial Statements
June 30, 2012

State statute authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District's deposits are in accordance with statutory authority.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the State of Michigan.

Property Tax Revenue

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. For Clare Public Schools taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

The taxable value for the District amounted to \$227,228,006, which includes \$83,455,060 attributable to non-homesteads. The District levied 18.00 mills for school general operations on the non-homestead taxable value, which totaled \$1,540,780. The District also levied an additional 3.50 mills on all property in the District for the purpose of debt service, which totaled \$808,902.

State Aid Revenue

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

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

Inventory

Inventories are valued at cost, on a first in, first out (FIFO) basis. Fund balance is reserved for the amount of inventories on hand as of June 30th.

USDA donated commodities are recorded as a deferred revenue and inventory when received based on their fair market value as determined by the U.S. Department of Agriculture. Revenues and expenditures are then recognized when the commodities are used. Ending inventory for USDA donated commodities was immaterial and, therefore, was not recorded.

Clare Public School District
Notes to the Financial Statements
June 30, 2012

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the District-wide financial statements. Capital assets are defined by the District as individual assets with an initial cost equal to or 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.

The District does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the District-wide financial statements.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Buildings & Additions	10 - 50
Machinery & Equipment	5 - 20
Vehicles	7
Construction In Process	Not Depreciated

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Compensated Absences (unused sick pay is calculated using the termination payoff rate of \$40 for eligible employees times the number of unused days (maximum 155 days). At June 30, 2012, the amount of \$160,800 has been reflected in the District-wide financial statements.

Deferred Revenue

Deferred revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the fund financial statements and District-wide financial statements, and revenue is recognized.

Long-Term Obligations

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

Net Assets and Fund Balances

Restricted net assets shown in the District-wide financial statements will generally be different from amounts reported in fund balances in the governmental fund financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Fund Balances

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Capital Projects and Debt Service fund balances are considered restricted. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Assets – Restrictions

Net assets in the government-wide financial statements are reported as restricted when constraints placed on net assets use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Unemployment Compensation

The District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the District must reimburse the Employment Commission for all benefits charged against the District for the year. No provision has been made for possible future claims.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Of Expenditures Over Appropriations

Budgets are adopted at the functional level and on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in governmental funds.

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2012.

A detailed comparison of budget to actual revenues and expenses are shown at the back of the report.

NOTE 3. DEPOSITS AND INVESTMENTS

At June 30th, the carrying amount of the District's cash, deposits and investments was as follows:

Cash, Deposits, And Investments	Amount
Petty Cash	\$ 900
Checking, Savings, & Money Market Accounts	3,180,538
State Investment Pool – MILAF	642,612
Total	\$ 3,824,050

Deposits with Financial Institutions

At year-end, the carrying amount of the District's deposits was \$3,180,538 and the bank balance was \$3,327,142. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits that exceed FDIC insurance coverage limits are held at local banks.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Clare Public School District
Notes to the Financial Statements
June 30, 2012

The District voluntarily invests certain excess funds in external pooled investment funds which includes money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school Districts. MILAF is not regulated nor is it registered with the SEC. As of June 30, 2012, MILAF reports the fair value of the District’s investments is the same as the value of the pool shares.

Investments

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

Investment Type	Fair Value	Weighted Average Maturity (years)	Rating	%
MILAF External Investment pool-MICMC	\$ 65,611	0.0027	AAAm	10.21
MILAF External Investment pool-MIMAX	577,001	0.0027	AAAm	89.79
Total fair value	\$ 642,612			100.00
Portfolio weighted average maturity: 1 day maturity equals 0.0027, one year equals 1.00				

MILAF investments are rated by Standard and Poor’s.

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

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

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. See above for amount of deposits held by the District that are exposed to custodial credit risk because it is uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, it 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. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

Clare Public School District
Notes to the Financial Statements
June 30, 2012

NOTE 4. INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivable and payable shown on the fund financial statements as of June 30th, are as follows:

Fund	Due From	Due To
General	\$ -	\$ 3
Debt Service	3	-

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
General Fund:	
Federal Grants	\$ 205,617
State of Michigan – State Aid	1,751,609
Hot Lunch Fund:	
State of Michigan – State Aid	3,697
Totals	\$ 1,960,923

NOTE 6. PREPAIDS

Prepaid expenses represent payments for the following expenses that will benefit future periods:

Description	Amount
General Fund:	
Prepaid Expenses	\$ 16,830
Hot Lunch Fund:	
Chartwells	50,000
Totals	\$ 66,830

Clare Public School District
Notes to the Financial Statements
June 30, 2012

NOTE 7. CAPITAL ASSETS

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

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 298,976	\$ -	\$ -	\$ 298,976
Buildings & improvements	15,779,296	-	-	15,779,296
Vehicles	696,824	-	-	696,824
Furniture and equipment	6,818,848	113,240	-	6,932,088
Total Capital Assets	23,593,944	113,240	-	23,707,184
Accumulated Depreciation				
Buildings & improvements	(5,024,082)	(291,321)	-	(5,315,404)
Vehicles	(625,322)	(35,223)	-	(660,545)
Furniture and equipment	(5,390,811)	(301,112)	-	(5,691,923)
Total Accumulated Depreciation	(11,040,215)	(627,656)	-	(11,667,872)
Net Capital Assets	\$ 12,553,729	\$ (514,416)	\$ -	\$ 12,039,312

Depreciation for the year ended June 30, 2012 totaled \$ 627,656. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 8. ACCRUED INTEREST

Accrued interest represents interest accrued on outstanding debt from the date of the last payment to the end of the fiscal year as follows:

Description	Amount
2006 Bonds	\$ 32,150

NOTE 9. SALARIES PAYABLE

Salaries payable represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

NOTE 10. DEFERRED REVENUE

Deferred revenue represents revenues received in advance of the amount expended as follows:

Description	Amount
General Fund	\$ 49,898
Food Service Fund	3,646
Total	\$ 53,544

NOTE 11. SHORT-TERM NOTE PAYABLE

On August 22, 2011, the District borrowed \$900,000 in two notes (\$500,000 and \$400,000) from the Michigan Finance Authority in the form of State Aid Anticipation Notes for the purpose of providing funds for school operations. The interest rates are stated at 0.60% and 0.311%, respectively. The \$500,000 & \$400,000 notes are payable at maturity on August 20, 2012. The balances of these loans are shown as a current liability (less set asides) in the General Fund.

On August 20, 2012 (after the end of the current fiscal year), the District borrowed \$1,700,000 in three notes (\$500,000, \$660,000 and \$540,000) from the Michigan Finance Authority in the form of State Aid Anticipation Notes for the purpose of providing funds for school operations. The interest rates are stated at 0.4%. These notes are payable at maturity on August 20, 2013. These loans were acquired after the end of the fiscal year and, therefore, are not shown as current liabilities in the General Fund.

NOTE 12. LONG-TERM DEBT

2001 School Building & Site Bonds, Series B

During 2001, the District issued \$2,760,000 of QZAB bonds due in annual installments of \$900,000 to \$930,000 through May 1, 2015. The interest rate is 0%.

2006 Refunding Bonds

During 2006, the District refunded \$6,680,000 of serial bonds due in annual installments of \$20,000 to \$455,000 through May 1, 2026. The interest rate varies from 4.0% to 5.0%.

Woodlawn Special Assessment Debt

The Woodlawn Special Assessment Debt was assessed for the sewer services to property owned by the School District. Principal is due each August 28th through 2014 in the amount of \$2,865 plus interest at 6.3864%.

Durant Bonds

The District elected to receive the balance of the settlement by participating in the bonding program. Consequently, the District borrowed from the School Loan Bond Fund and will make the annual principal and interest payments from the annual appropriation from the State of Michigan. The bonds are the obligation of the District and are recorded in the District-wide financial statements. The State of Michigan is the only revenue source for making the annual debt service payments on the bonds. However, if the legislature fails to appropriate the funds, the District is under no obligation for payment.

Restrictions on the use of these funds is stated in the Revised School Code Part 17, Sections 1351 and include the following: school buses, electronic instructional material and software, textbooks, technology, infrastructure or infrastructure improvement, school security, training for technology, or to reduce or eliminate certain voter-approved debt.

For the terms of the bonds, see the bond payment schedule included in this report.

Clare Public School District
Notes to the Financial Statements
June 30, 2012

Summary of Long-term Debt Transactions

The changes in long-term debt during the current fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Less: Current Portion	Total due after one year
Compensated abs	\$ 206,330	\$ -	\$ (45,530)	\$ 160,800	\$ -	\$ 160,800
2001 Bond - Series B	2,760,000	-	-	2,760,000	900,000	1,860,000
2006 Refunding Bond	6,600,000	-	(380,000)	6,220,000	395,000	5,825,000
Durant Bonds	18,549	-	(9,059)	9,490	9,490	-
Woodlawn	8,595	-	(2,865)	5,730	2,865	2,865
Total	\$ 9,593,474	\$ -	\$ (437,454)	\$ 9,156,020	\$ 1,307,355	\$ 7,848,665

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2012, are shown in the Schedule of Long-term Debt.

NOTE 13. FUND BALANCE

Fund balance for the General Fund and Food Service Fund are deemed non-spendable for inventory and prepaid expenses. Fund balance in the Debt Service Fund is restricted for debt service. Fund balance in the Capital Projects Fund is restricted for capital outlay. Fund balance in the Food Service Fund is restricted for food service.

NOTE 14. EMPLOYEE RETIREMENT SYSTEM

Plan Description

The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPSERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy

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

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

Clare Public School District
Notes to the Financial Statements
June 30, 2012

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate through September 30, 2011 was 20.66% of payroll and increased to 24.46% for the base plan and 23.23% for pension plus members effective October 1, 2011 through October 31, 2012 at which time it increased again due to the number of retirees associated with the early retirement incentive to 27.37% for basic plan members and 26.14% for pension plus members for the period October 1, 2012 through September 30, 2013. In addition, the district is required to match 50% up to 1% of the employees contribution in the pension plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The health care portion is 5.5% before the 3% for the injunction. The District contributions to MPSERS for the year ended June 30, 2012, 2011, and 2010 were \$1,647,904, \$1,392,618, and \$1,193,018, respectively.

Other Post-Employment Benefits

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account. Effective April 1, 2011, a court order eliminated this requirement. The court order is being appealed by the State of Michigan.

Pension recipients are generally eligible for 80% paid Master Health Plan coverage and 80% paid Dental Plan, Vision Plan and Hearing coverage.

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

NOTE 15. POST-EMPLOYMENT BENEFITS

Plan Description

The School District provides another post-employment benefit (OPEB), in accordance with contractual language, to all teaching, support, and qualifying administrative personnel who retire with 10 years of service to the School District. The School District will pay \$10,000 per retiring teacher up to a maximum of five (5) in any one fiscal year. The School District will pay \$10,000 per retiring administrator with 10 years of service. The School District also pays retiring support personnel, excluding maintenance, custodial and transportation personnel, \$100 to \$200 per year of service for personnel with 10 years of service. Retiring maintenance and custodial personnel receive \$100 to \$175 per year of service for personnel with 10 years of service. Retiring transportation personnel receive \$50 to \$175 per year of service for personnel with 10 years of service.

Funding Policy

The required contribution is funded on a cash basis.

Clare Public School District
Notes to the Financial Statements
June 30, 2012

Annual OPEB Cost and net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Description	Amount
OPEB obligation – beginning of year	\$ 402,581
Increase (decrease) in net OPEB obligation	(66,054)
OPEB obligation – end of year	\$ 336,527

Funded Status and Funding Progress

As of June 30, 2012, unfunded actuarial accrued liability (UAAL) for benefits was \$336,527, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include years until retirement, turnover rate and discount percentage. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plans members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Turnover – Historical average retirement age for the covered groups and probability that active members would remain employed until the assumed retirement criteria were met were both used to develop an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Benefit growth rate – Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 5.5% was used.

NOTE 16. 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 participates in the SET/SEG risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 17. TRANSFERS

The capital projects fund also transferred \$40,251 to the general fund to install wireless service in the high school during the 2012 fiscal year.

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULES



Clare Public Schools
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance -
	Original	Final		Actual to Final Budget
Revenues				
Local sources	\$ 1,741,390	\$ 1,743,406	\$ 1,771,835	\$ 28,429
State sources	9,541,766	9,512,742	9,525,660	12,918
Federal sources	808,680	897,200	866,144	(31,056)
Total revenues	<u>12,091,836</u>	<u>12,153,348</u>	<u>12,163,639</u>	<u>10,291</u>
Expenditures				
Instruction				
Basic programs	6,648,386	6,837,379	6,774,910	62,469
Added needs	1,913,242	1,907,919	1,852,897	55,022
Adult / continuing education	36,484	32,271	31,384	887
Total instruction	<u>8,598,112</u>	<u>8,777,569</u>	<u>8,659,191</u>	<u>118,378</u>
Support services				
Pupil	425,614	391,670	371,221	20,449
Instructional staff	134,201	143,724	142,763	961
General administration	298,845	338,066	330,457	7,609
School administration	678,579	744,348	743,182	1,166
Business services	458,594	347,174	333,921	13,253
Operation and maintenance	1,367,203	1,395,333	1,346,915	48,418
Pupil transportation	416,394	415,970	393,696	22,274
Central	327,613	329,137	323,617	5,520
Athletics	300,735	324,743	327,318	(2,575)
Total support services	<u>4,407,778</u>	<u>4,430,165</u>	<u>4,313,090</u>	<u>117,075</u>
Community services				
Other	29,976	22,432	19,051	3,381
Total expenditures	<u>13,111,363</u>	<u>13,316,888</u>	<u>13,079,019</u>	<u>237,869</u>
Excess (deficiency) of revenues over expenditures	(1,019,527)	(1,163,540)	(915,380)	248,160
Other financing sources (uses)				
Operating transfers (out)	-	40,251	40,251	-
Excess (deficiency) of revenues and other sources over expenditures	(1,019,527)	(1,123,289)	(875,129)	248,160
Fund balances - beginning	2,525,354	2,525,354	2,525,354	-
Prior period adjustment	-	-	-	-
Fund balances - ending	<u>\$ 1,505,827</u>	<u>\$ 1,402,065</u>	<u>\$ 1,650,225</u>	<u>\$ 248,160</u>

Clare Public Schools
 Budgetary Comparison Schedule for the Food Service Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance - Actual to Final Budget
	Original	Final		
Revenues				
Local sources	\$ 195,530	\$ 187,808	\$ 187,211	\$ (597)
State sources	31,500	23,124	23,124	-
Federal sources	320,000	381,407	387,724	6,317
Total revenues	<u>547,030</u>	<u>592,339</u>	<u>598,059</u>	<u>5,720</u>
Expenditures				
Food service	<u>547,030</u>	<u>592,607</u>	<u>597,253</u>	<u>(4,646)</u>
Excess (deficiency) of revenues over expenditures	-	(268)	806	1,074
Fund balances - beginning	<u>170,405</u>	<u>170,405</u>	<u>170,405</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 170,405</u></u>	<u><u>\$ 170,137</u></u>	<u><u>\$ 171,211</u></u>	<u><u>\$ 1,074</u></u>

OTHER SUPPLEMENTAL INFORMATION



Clare Public Schools
 General Fund
 Statement of Revenues
 For the Year Ended June 30, 2012

Local sources	
Property taxes	\$ 1,540,780
Interest	1,994
Recreation fees	132,324
Local grant	3,900
Other local revenues	92,837
Total local sources	<u>1,771,835</u>
State sources	
General state aid	8,754,890
Categorical:	
Special education	239,150
Adult education	36,491
At risk	302,340
Data collection and Datalink	33,148
Vocational education	25,473
MPSERS Cost Offset	134,168
Total state sources	<u>9,525,660</u>
Federal sources	
Title I	420,811
American Recovery and Reinvestment Act (ARRA)	19,071
Edujobs	25,518
Special education flowthrough	228,082
Title II	132,100
Title VI	29,786
Other	10,776
Total federal sources	<u>866,144</u>
Incoming transfers and other transactions	
Transfer from capital projects fund	<u>40,251</u>
Total general fund revenues	<u><u>\$ 12,203,890</u></u>

Clare Public Schools
 General Fund
 Statement of Expenditures
 For the Year Ended June 30, 2012

Instruction

Basic programs

Elementary

Salaries	\$ 1,601,131
Employee benefits	901,422
Purchased services	35,861
Supplies, materials and other	52,172
Total elementary	2,590,586

Middle/junior high

Salaries	1,335,672
Employee benefits	737,465
Purchased services	22,697
Supplies, materials and other	20,133
Total middle school	2,115,967

High school

Salaries	1,231,858
Employee benefits	671,157
Purchased services	98,253
Supplies, materials and other	54,199
Total high school	2,055,467

Readiness program

Salaries	9,441
Employee benefits	2,670
Supplies, materials and other	779
Total readiness program	12,890

Total basic programs

6,774,910

Added needs

Special education

Salaries	542,775
Employee benefits	319,362
Purchased services	19,218
Supplies, materials and other	4,836
Total special education	886,191

Clare Public Schools
 General Fund
 Statement of Expenditures
 For the Year Ended June 30, 2012

Instruction (continued)

Added needs (continued)

Title I

Salaries	\$ 155,658
Employee benefits	145,251
Purchased services	1,236
Supplies, materials and other	46,525
Total Title I	348,670

Vocational education

Salaries	122,383
Employee benefits	71,491
Purchased services	96,350
Supplies, materials and other	25,473
Total vocational education	315,697

At risk

Salaries	205,394
Employee benefits	86,131
Supplies, materials and other	10,814
Total at risk	302,339

Total added needs

1,852,897

Adult / continuing education

Adult education program

Salaries	20,824
Employee benefits	6,680
Purchased services	1,705
Supplies, materials and other	2,175
Total adult / continuing education	31,384

Total instruction

8,659,191

Support services

Pupil services

Guidance services

Salaries	144,700
Employee benefits	83,437
Purchased services	833
Supplies, materials and other	1,685
Total guidance services	230,655

School Nurse

Salaries	17,340
Employee benefits	5,915
Purchased services	8,417
Supplies, materials and other	653
Total school nurse	32,325

Clare Public Schools
 General Fund
 Statement of Expenditures
 For the Year Ended June 30, 2012

Support services (continued)

Pupil services

Social Worker

Salaries	\$ 11,992
Supplies, materials and other	745
Total social worker	12,737

Other pupil services

Salaries	54,394
Employee benefits	9,892
Purchased services	30,181
Supplies, materials and other	1,037
Total other pupil services	95,504

Total pupil services	371,221
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Instructional staff

Educational media services

Salaries	48,737
Employee benefits	39,740
Purchased services	8,178
Supplies, materials and other	2,974
Total educational media services	99,629

Technology assisted instruction

Salaries	8,628
Employee benefits	4,615
Supplies, materials and other	29,891
Total technology assisted instruction	43,134

Total instructional staff	142,763
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General administration

Board of education

Purchased services	66,322
Supplies, materials and other	4,408
Total board of education	70,730

Executive administration

Salaries	156,807
Employee benefits	95,387
Supplies, materials and other	7,533
Total executive administration	259,727

Total general administration	330,457
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Clare Public Schools
 General Fund
 Statement of Expenditures
 For the Year Ended June 30, 2012

Support services (continued)

School administration	
Offices of the principals	
Salaries	\$ 468,001
Employee benefits	260,868
Purchased services	3,691
Supplies, materials and other	10,622
Total school administration	<u>743,182</u>
 Business services	
Fiscal services	
Salaries	103,161
Employee benefits	67,961
Purchased services	14,836
Supplies, materials and other	5,856
Total fiscal services	<u>191,814</u>
 Business services	
Other business services	
Workmen's compensation	13,157
Insurances	49,686
Interest	10,694
Taxes abated and written off	68,570
Total other business services	<u>142,107</u>
 Total business services	<u>333,921</u>
 Operation and maintenance	
Salaries	466,825
Employee benefits	212,931
Purchased services	523,586
Supplies, materials and other	143,573
Total operation and maintenance	<u>1,346,915</u>
 Pupil transportation	
Salaries	168,216
Employee benefits	89,832
Purchased services	26,067
Supplies, materials and other	109,581
Total pupil transportation	<u>393,696</u>
 Central	
Salaries	67,882
Employee benefits	24,863
Purchased services	149,646
Supplies, materials and other	13,167
Capital outlay	68,059
Total central	<u>323,617</u>

Clare Public Schools
General Fund
Statement of Expenditures
For the Year Ended June 30, 2012

Support services (continued)

Athletics	
Salaries	\$ 135,753
Employee benefits	59,602
Purchased services	99,689
Supplies, materials and other	32,274
Total athletics	<u>327,318</u>
 Total support services	 <u>4,313,090</u>

Community services

Recreation	
Salaries	8,990
Purchased services	6,932
Total recreation	<u>15,922</u>
 Parenting	
Purchased services	<u>3,129</u>
 Total community services	 <u>19,051</u>

Outgoing transfers and other transactions

Other transactions	
Special education billback	29,512
Durant	9,942
Other	48,233
Total other transactions	<u>87,687</u>
 Total general fund expenditures	 <u>\$ 13,079,019</u>

Clare Public Schools
Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

Revenues

Local sources		
Student lunches	\$	108,829
Adult lunches		5,697
Ala-carte		52,384
Interest		195
Catering		17,498
Other local sources		2,608
Total local sources		187,211
State sources		
School lunch program		23,124
Federal sources		
National school lunch program		353,680
USDA donated commodities		34,044
Total federal sources		387,724
Total revenues		598,059

Expenditures

Salaries		131,278
Purchased services		397,915
Supplies, materials and other		68,060
Total expenditures		597,253
Excess (deficiency) of revenues over expenditures		806
Fund balances - beginning		170,405
Fund balances - ending		\$ 171,211

Clare Public Schools
 Capital Project Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended June 30, 2012

	<u>Capital Investment</u>	<u>Pioneer Development</u>	<u>Total</u>
Revenues			
Local sources	\$ 170	\$ 542	\$ 712
Expenditures			
Supplies, materials and other	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	170	542	712
Other financing sources (uses)			
Operating transfers (out)	<u>(40,251)</u>	<u>-</u>	<u>(40,251)</u>
Excess (deficiency) of revenues and other sources over expenditures	(40,081)	542	(39,539)
Fund balances - beginning	<u>221,538</u>	<u>27,059</u>	<u>248,597</u>
Fund balances - ending	<u>\$ 181,457</u>	<u>\$ 27,601</u>	<u>\$ 209,058</u>

Clare Public Schools
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2012

Revenues	Durant Bond	2001 & 2006 Bonds	2001 QZAB Issue	Total
Local sources				
Property tax	\$ -	\$ 644,784	\$ 164,118	\$ 808,902
Interest on investments	-	112	57,306	57,418
Other revenue	-	2	-	2
Total local sources	-	644,898	221,424	866,322
State sources				
Durant bonds	9,942	-	-	9,942
Total revenues	9,942	644,898	221,424	876,264
Expenditures				
Outgoing transfers and other transactions				
Principal	9,059	380,000	-	389,059
Interest	883	272,400	-	273,283
Other fees and charges	-	10,461	2,679	13,140
Total expenditures	9,942	662,861	2,679	675,482
Excess (deficiency) of revenues over expenditures	-	(17,963)	218,745	200,782
Fund balances - beginning	-	159,818	1,937,386	2,097,204
Fund balances - ending	\$ -	\$ 141,855	\$ 2,156,131	\$ 2,297,986

Clare Public Schools
Schedule of Long-Term Debt
For the Year Ended June 30, 2012

Fiscal Year Maturity Date	Interest Rate (%)	Annual Principal Due	Annual Interest Due	Total
2006 Refunding Bonds				
<i>Refunded Portion of the original \$8,890,000 Bonds.</i>				
<i>Original Issue Amount: \$6,680,000</i>				
Due May & Nov 15,				
2013	4.00	\$ 395,000	\$ 257,200	\$ 652,200
2014	5.00	410,000	241,400	651,400
2015	5.00	430,000	220,900	650,900
2016	4.00	450,000	199,400	649,400
2017	4.00	450,000	181,400	631,400
2018	4.00	450,000	163,400	613,400
2019	4.00	450,000	145,400	595,400
2020	4.00	455,000	127,400	582,400
2021	4.00	455,000	109,200	564,200
2022	4.00	455,000	91,000	546,000
2023	4.00	455,000	72,800	527,800
2024	4.00	455,000	54,600	509,600
2025	4.00	455,000	36,400	491,400
2026	4.00	455,000	18,200	473,200
		<u>\$ 6,220,000</u>	<u>\$ 1,918,700</u>	<u>\$ 8,138,700</u>
Durant Non-Plaintiff Bond				
<i>Original Issue Amount: \$141,584</i>				
2013	NA	\$ 9,490	\$ 452	\$ 9,942
Woodlawn Special Assessment Debt				
<i>Original Issue Amount: \$32,750</i>				
2013	6.3864	\$ 2,865	\$ 366	\$ 3,231
2014	6.3864	2,865	183	3,048
		<u>\$ 5,730</u>	<u>\$ 549</u>	<u>\$ 6,279</u>

Clare Public Schools
Schedule of Long-Term Debt
For the Year Ended June 30, 2012

Fiscal Year Maturity Date	Interest Rate (%)	Annual Principal Due	Interest	Total
2001 School Building & Site Bonds, Series B				
<i>Qualified Zone Academy Bonds (QZAB)</i>				
<i>Original Issue Amount: \$2,760,000</i>				
2013	NA	\$ 900,000	\$ -	\$ 900,000
2014	NA	930,000	-	930,000
2015	NA	930,000	-	930,000
		<u>\$ 2,760,000</u>	<u>-</u>	<u>\$ 2,760,000</u>

Note:

As a condition of the Purchaser purchasing the QZAB Bonds, the Issuer covenants to deposit in a "set aside account" (escrow account) the following amounts for the payment of the Bonds, to be held by the Paying agent, on May 1st for each of the years shown below:

Fiscal Year	Annual Required Deposit
2002	\$ 167,000
2003	167,000
2004	167,000
2005	167,000
2006	167,000
2007	167,000
2008	167,000
2009	167,000
2010	167,000
2011	167,000
2012	167,000
2013	167,000
2014	167,000
2015	167,000
	<u>\$ 2,338,000</u>

Clare Public Schools
Schedule of Long-Term Debt
For the Year Ended June 30, 2012

Fiscal Year	Annual Principal	Annual Interest	Total
Summary			
2013	\$ 1,307,355	\$ 258,018	\$ 1,565,373
2014	1,342,865	241,583	1,584,448
2015	1,360,000	220,900	1,580,900
2016	450,000	199,400	649,400
2017	450,000	181,400	631,400
2018	450,000	163,400	613,400
2019	450,000	145,400	595,400
2020	455,000	127,400	582,400
2021	455,000	109,200	564,200
2022	455,000	91,000	546,000
2023	455,000	72,800	527,800
2024	455,000	54,600	509,600
2025	455,000	36,400	491,400
2026	455,000	18,200	473,200
	<u>\$ 8,995,220</u>	<u>\$ 1,919,701</u>	<u>\$ 10,914,921</u>



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

Clare Public School District
Clare, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clare Public School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance 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*.

We noted certain matters that we reported to management of the District in a separate letter dated September 17, 2012.

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

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

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 17, 2012



MANAGEMENT LETTER

Clare Public School District
Clare, Michigan

In planning and performing our audit of the financial statements for Clare Public School District (the District) for the fiscal year ended June 30, 2012, we considered the District's internal control in determining 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 our audit we became aware of matters that are opportunities for the District to strengthen internal controls and operating efficiency. The following pages that accompany this letter summarize our comments and recommendations regarding those matters. This letter does not affect our audit report dated September 17, 2012 on the financial statements of Clare Public School District.

We will review the status of these comments during our next audit engagement. We have discussed these comments and recommendations with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Clare Public School District, management, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Sincerely,

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 17, 2012

Clare Public School District
Management Letter

Prior Year Comments and Recommendations

We were pleased to see that management has implemented our recommendations we included in our previously issued management letter. We commend you on your efforts to strengthen internal controls and operating efficiencies.

Current Year Comments and Recommendations

We have no current year comments or recommendations.