

Free Soil Community School District
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2009

Free Soil Community School District

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FREE SOIL COMMUNITY SCHOOLS

Management's Discussion and Analysis

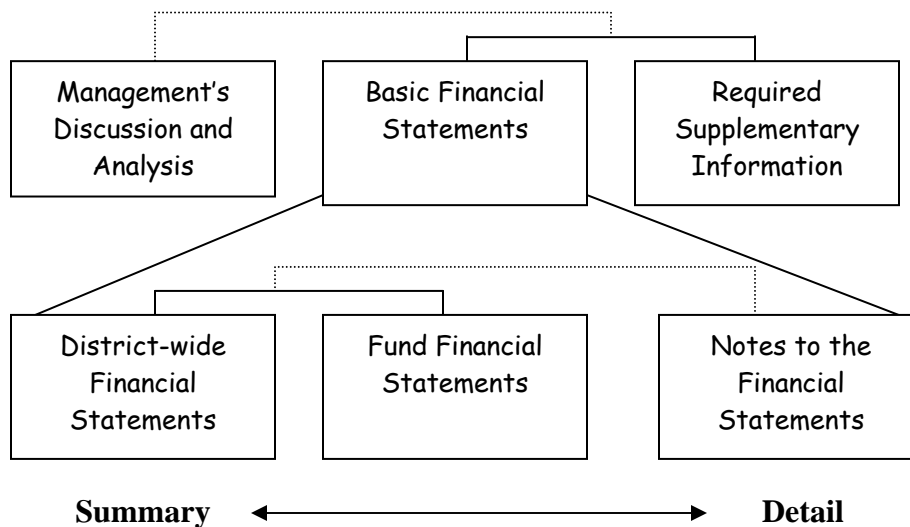
For the Fiscal Year Ended June 30, 2009

The discussion and analysis of Free Soil Community Schools' (district's) financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to provide, in the layman's terms, a look at the district's performance and past and current position. Readers should also review the notes to the financial statements and financial statements to enhance their understanding of the district's financial performance.

Financial Highlights

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Free Soil Community Schools
Organization of Annual Financial Report



The basic financial statements include two kinds of statements that present different views of the district. The two kinds of statements are: 1) District-wide financial statements; and, 2) Fund financial statements.

FREE SOIL COMMUNITY SCHOOLS

Management's Discussion and Analysis

District-Wide Financial Statements

These statements are full accrual basis statements and provide information about the district's *overall* financial status. The full accrual basis means that all assets and liabilities of the District are recorded, regardless of when related cash is received or paid. They are used to help determine whether or not the District is better off or worse off as the result of the year's activities. It is important to keep in mind that while we are required to report financial information in this manner, it is not the goal of the District to generate a profit. Financial statements are just one indicator of the overall health of the District.

The *Statement of Net Assets* reports all of the district's assets and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the district are reported in this statement.

All of the current year's revenues and expenses are accounted for in the *Statement of Activities*, regardless of when cash is received or paid. The total revenue less the total expenses is referred to as the operating results for the current year. Sustained, positive operating results may indicate improving financial health, while decreasing operating results may indicate deteriorating financial health.

The two district-wide 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.
- To assess the district's overall health, you need to consider additional non-financial factors such as changes in the district's property tax base, the quality of the education provided, and the condition of the District's buildings.

In the district-wide statements, the district's activities are classified as *governmental activities*. This includes most of the district's basic services, such as regular and special education, food service, athletics, transportation, and administration. Property taxes, state aid and federal grants finance most of these services.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements. The fund level statements are reported on a modified accrual basis and include only the current assets and current liabilities of the District. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the district's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Revenue Funds for Food Service and Athletic activities and Fiduciary Funds.

In the fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition. No fixed assets are 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 year's debt obligations are not recorded.

FREE SOIL COMMUNITY SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the District as a Whole
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The net assets of the district at June 30, 2009 amounted to \$747,794. Figure A-2 shows a condensed breakdown of the net assets.

Just less than half of the district's net assets, 49%, reflects investment in capital assets (e.g., land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The district uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the district's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Figure A-2
Condensed Statement of Net Assets

	Governmental Activities		Percentage Change 2008-09
	2009	2008	
Current Assets	\$ 593,242	\$ 527,289	12.51%
Noncurrent Assets	368,668	379,244	-2.79%
Total Assets	961,910	906,533	6.11%
Current Liabilities	208,272	122,714	69.72%
Noncurrent Liabilities	5,844	5,888	-0.75%
Total Liabilities	214,116	128,602	66.50%
Net Assets			
Invested in capital assets, net of related debt	368,668	379,244	-2.79%
Restricted for sinking fund	94,794	94,086	0.75%
Unrestricted	284,332	304,601	-6.65%
Total Net Assets	\$ 747,794	\$ 777,931	-3.87%

FREE SOIL COMMUNITY SCHOOLS

Management's Discussion and Analysis

The net assets of the district decreased by \$30,137 during the 2008-09 fiscal year. Figure A-3 shows the breakdown of this change. The Statement of Activities presented later in the government-wide financial statements, provides greater detail on the district's annual activity. The cost of the district's governmental activities for the year was \$692,238. However, the amount that the district's taxpayers ultimately financed for these activities was only \$557,137 because \$6,751 of the cost was paid for by those who benefited from the programs, and the other \$128,350 was paid for by other governments and organizations who subsidized certain programs with grants and contributions.

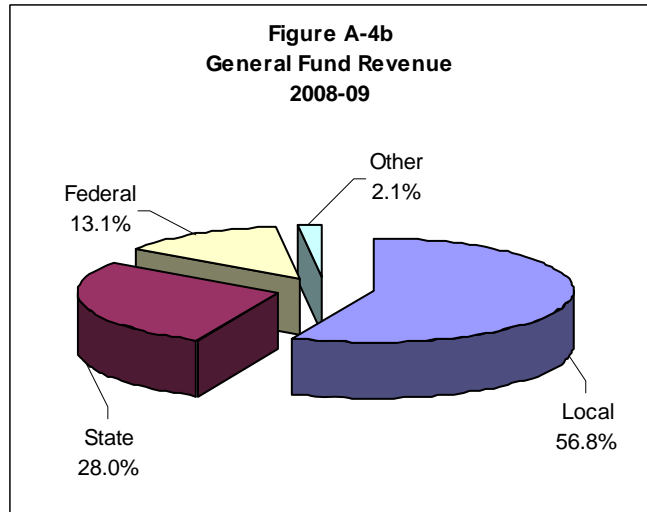
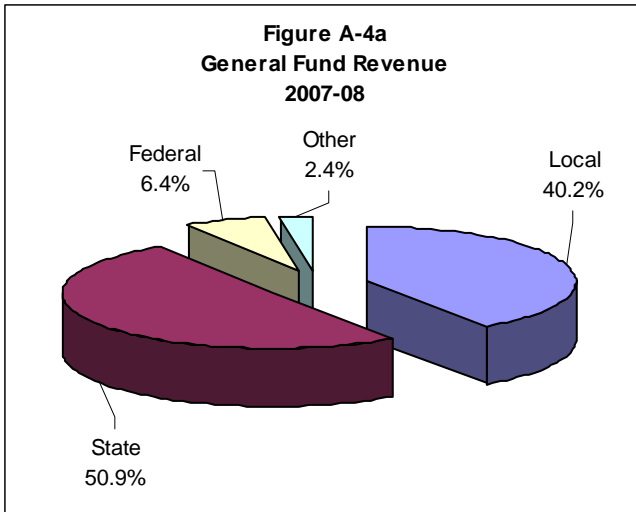
Figure A-3
Statement of Net Assets from Operating Results

	<u>Governmental Activities</u>		<u>Percentage Change 2008-09</u>
	<u>2009</u>	<u>2008</u>	
Revenues			
Program Revenues			
Charges for services	\$ 6,751	\$ 8,321	-18.87%
Operating grants and contributions	128,350	180,573	-28.92%
General Revenues			
Property taxes - general purpose	350,667	344,106	1.91%
Property taxes - sinking fund	-	87,279	-100.00%
Unrestricted grants and contributions	166,069	359,938	-53.86%
Investment earnings	3,618	7,232	-49.97%
Miscellaneous	6,646	14,763	-54.98%
Total revenues	<u>662,101</u>	<u>1,002,212</u>	-33.94%
Expenses			
Instruction	353,390	347,612	1.66%
Support services	305,765	366,121	-16.49%
Food services	24,403	35,041	-30.36%
Athletics	1,030	660	56.06%
Unallocated depreciation	7,650	7,650	0.00%
Total expenses	<u>692,238</u>	<u>757,084</u>	-8.57%
Change in Net Assets	(30,137)	245,128	-112.29%
Beginning Net Assets	<u>777,931</u>	<u>532,803</u>	46.01%
Ending Net Assets	<u>\$ 747,794</u>	<u>\$ 777,931</u>	-3.87%

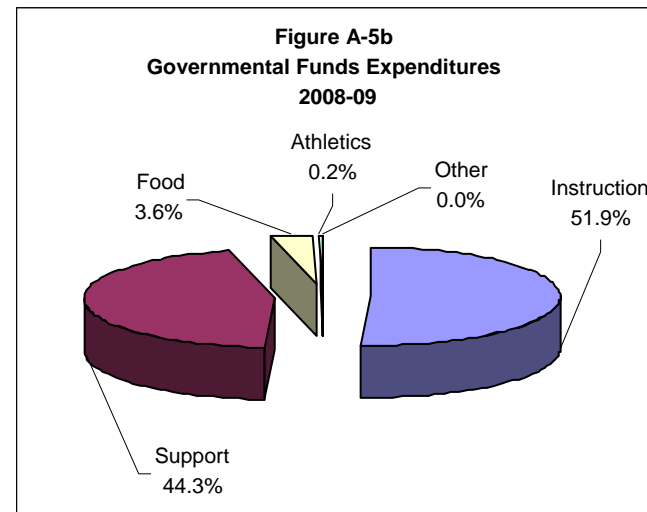
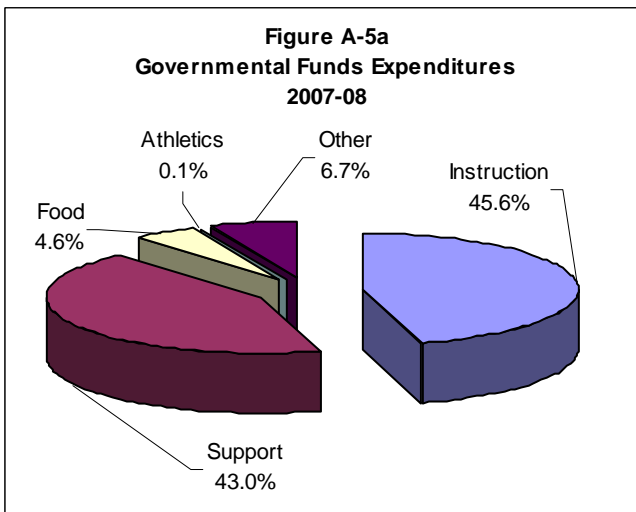
FREE SOIL COMMUNITY SCHOOLS

Management's Discussion and Analysis

A significant portion, 50.9%, of the district's prior year revenue was received from State sources. For the year ended June 30, 2009, that percentage has declined to 28.0%. This is because the three-year averaging of student FTE counts for determining state aid is dropping as the K-12 years fall off and are replaced by K-8 school years. Figure A-4a depicts the breakdown of the source of revenue and other financing sources for the district's general fund during the 2007-08 fiscal year, which totaled \$887,539. The breakdown for 2008-09 fiscal year revenue and other financing sources, totaling \$640,017, is shown in Figure A-4b.



As Figure A-5a depicts, 45.6% of the district's prior year resources were spent on general fund pupil instruction. Another 43.0% was spent on support services necessary to efficiently operate the district, while the remaining 11.4% was spent on Athletics, Food Service, and Other Expenditures. Figure A-5b shows the breakdown of how the district spent the current year resources. The general fund pupil instruction increased by 6.3%. Support service costs increased by 1.3% and Athletics, Food Service, and Other Expenditures decreased by 7.6%.



FREE SOIL COMMUNITY SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well. The fund balance of the total governmental funds decreased by \$20,775 during the 2008-09 fiscal year, resulting in fund equity of \$385,984 at the year end. The primary reasons for the decrease in fund balance are:

- State aid funding was reduced by 57.1% due to a decline in the district's three-year average student FTE counts for determining state aid due to the K-12 years falling off and being replaced by K-8 student enrollment years.
- Instruction expenditures increased and support service, food service, and athletic expenditures decreased due to the following:
 - ◆ Instruction:
 - Teaching staff remained at 4 teachers; however, a higher paid teacher left the district and was replaced with a less experienced teacher.
 - The School District lost an arbitration case with a former teacher regarding the School District's responsibility to purchase years of service credits.
 - ◆ Support Services:
 - Superintendent remained a part-time position at a lesser salary,
 - Fiscal/Accounting services remained a quarter-time position (15 hours per week),
 - Transportation staff remained at 2 part-time bus drivers,
 - ◆ Food Service:
 - Food service remained outsourced to a third party to help lower the food service costs,
 - ◆ Athletics:
 - Athletics were co-oped with a neighboring school district.
- Food service and athletic revenues decreased due to the following:
 - ◆ Food Service – declining enrollment resulted in fewer students to provide meals for, thus less revenues were received.
 - ◆ Athletics – declining enrollment resulted in fewer athletes available to participate in sporting events. Therefore, the athletic program at the district was eliminated. Thus resulting in no sporting event gate revenue.

FREE SOIL COMMUNITY SCHOOLS

Management's Discussion and Analysis

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the district amends its budget during the school year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the significant General Fund final budget to actual variances and the reasons for changes in the budget during the year.

Budget to Actual variances—There were four material budget vs. actual variances.

- Federal Source Revenues were over budget due to the ARRA Stabilization Grant reclassification.
- Incoming Transfers were under budget because an insurance claim was recorded in the prior fiscal year and therefore should not have been budgeted as revenue in the current fiscal year.
- Basic programs were over budget for the following reasons:
 - ◆ One teacher's wages and benefits were erroneously omitted from the budget calculations.
 - ◆ Sick leave pay for a teacher that left the district mid-year was erroneously omitted from the budget calculations.
- Operations and Maintenance were under budget due to some prior year accounts payable that should not have been included in the current year budgets.

Revenues—Significant changes in revenue budgets were as follows:

- The local source revenue budget was increased due to USF funding received that was not included in the opening budget. Therefore, the final budget had to be increased.
- The state source revenue budget was decreased to account for Section 31a (At Risk) funds having a lower allocation than originally anticipated.
- The federal source revenue budget was increased due to Title I, Part A and Title II, Part A funds being awarded to the district for more than were originally budgeted.
- The incoming transfers revenue budget was increased for Special Education funds received from the Mason Lake ISD as well as refunds of prior year expenses.

Expenditures—Significant changes in expenditure budgets were as follows:

- Basic programs budget was erroneously reduced due to a calculation error.
- Instructional staff budget was increased as a result of Title technology funds awarded to the district.
- General administration budget was reduced due to a reclassification of property/casualty insurance premiums.
- Business budget was increased as a result of charge backs for prior year property taxes.

FREE SOIL COMMUNITY SCHOOLS

Management's Discussion and Analysis

- Operations and maintenance budget was decreased as a result of a decrease in propane and repairs and maintenance, as well as a reclassification of property/casualty insurance premiums.
- Pupil transportation services budget was decreased as a result of lower fuel consumption.
- Outgoing transfers and fund modifications budget was decreased due to lower food service costs.

Figure A-6
General Fund Budget vs. Actual Comparison
(in thousands)

	Original Budget	Final Budget	Actual	Variance- Pos (Neg)
REVENUES				
Local sources	\$ 356.8	\$ 361.8	\$ 363.8	\$ 2.0
State sources	201.1	186.5	178.8	(7.7)
Federal sources	43.0	59.0	84.2	25.2
Incoming transfers	28.0	36.8	13.3	(23.5)
Total revenues	628.9	644.1	640.1	(4.0)
EXPENDITURES				
Instruction				
Basic programs	242.3	187.7	255.4	(67.7)
Added needs	96.8	97.9	99.2	(1.3)
Support Services				
Pupil	0.9	0.1	0.1	-
Instructional staff	-	10.6	7.6	3.0
General administration	106.6	100.3	103.7	(3.4)
Business	21.4	27.2	23.9	3.3
Operations and maintenance	144.4	110.2	91.6	18.6
Pupil Transportation Services	75.2	62.0	60.9	1.1
Central	16.1	14.8	15.0	(0.2)
Outgoing transfers and fund modifications	20.0	5.7	3.8	1.9
Total expenditures	723.7	616.5	661.2	(44.7)
Excess (deficiency) of revenues over (under) expenditures	\$ (94.8)	\$ 27.6	\$ (21.1)	\$ (48.7)

FREE SOIL COMMUNITY SCHOOLS

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets—a comparative summary of the district's capital assets (net of depreciation at year end) is identified below:

	2009	2008
Land	\$ 48,700	\$ 48,700
Buildings and improvements	308,262	315,912
Equipment	11,706	14,632
Total	\$ 368,668	\$ 379,244

Debt Administration—a comparative summary of the district's indebtedness is outlined below:

	2009	2008
Compensated Absences	\$ 6,858	\$ 8,072

FREE SOIL COMMUNITY SCHOOLS

Management's Discussion and Analysis

Currently Known Facts, Decisions, and Conditions Affecting the June 30, 2010 Fiscal Year:

The economic climate in Michigan has not been positive. Because education funding is largely based on various state taxes, a slumping economy has a direct and negative impact on education funding. In the past five years, Michigan school districts have received only two increases in state funding levels. For the 2009-10 fiscal year, state funding amounts are still unknown. However, due to declining enrollment and State Aid funding calculations, it currently appears that the district will be funded solely on property tax revenue. As businesses have left the area to seek more favorable economic conditions, they have taken families with them. The population decline has resulted in Mason and Manistee County school districts competing with each other for students.

Free Soil Community School's has taken the following actions to reduce costs for the 2009-10 year:

- Teaching staff will be reduced to 3 certified teachers.
- The food service program continues to be outsourced to another public school which brings meals in for the Free Soil students.
- The Superintendent position continues to be a half-time position.
- The business services will be contracted through the Mason-Lake ISD.

The 8-year 3.0 mill and an 8-year 2.5 mill Headlee override millages for operations, successfully passed by voters in May 2007, continue to restore the Operating Millage to the maximum 18.0000 mills schools are allowed to levy against non-homestead property.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, parents, students, and investors and creditors with a general overview of the district's finances and to show the district's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Superintendent of Schools, Free Soil Community Schools, 8480 N. Democrat Street, Free Soil, Michigan 49411, telephone number (231) 464-5651.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 30, 2009

Board of Education
Free Soil Community School District
Free Soil, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Free Soil Community School District (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Free Soil Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Free Soil Community School District, as of June 30, 2009, 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 30, 2009, on our consideration of Free Soil Community School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i - x and page 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Brickley De Long, P.C.

Free Soil Community School District
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 515,583
Receivables	44
Due from other governmental units	69,096
Prepaid items	8,519
Total current assets	593,242
 NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	48,700
Depreciable	319,968
Total noncurrent assets	368,668
Total assets	961,910
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
State aid loan	87,000
Accounts payable and accrued liabilities	85,087
Due to other governmental units	10,171
Deferred revenue	25,000
Compensated absences, due within one year	1,014
Total current liabilities	208,272
 NONCURRENT LIABILITIES	
Compensated absences, less amounts due within one year	5,844
Total liabilities	214,116
 NET ASSETS	
Invested in capital assets	368,668
Restricted for sinking fund	94,794
Unrestricted	284,332
Total net assets	\$ 747,794

The accompanying notes are an integral part of this statement.

Free Soil Community School District
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Governmental activities				
Instruction	\$ 353,390	\$ -	\$ 97,373	\$ (256,017)
Support services	305,765	2,925	13,427	(289,413)
Food services	24,492	3,034	17,639	(3,819)
Athletics	1,030	792	-	(238)
Unallocated depreciation	7,650	-	-	(7,650)
Total governmental activities	<u>\$ 692,327</u>	<u>\$ 6,751</u>	<u>\$ 128,439</u>	(557,137)
General revenues				
Property taxes levied for general purposes				350,667
Grants and contributions not restricted to specific programs				166,069
Investment earnings				3,618
Miscellaneous				6,646
Total general revenues				<u>527,000</u>
Change in net assets				(30,137)
Net assets at July 1, 2008				<u>777,931</u>
Net assets at June 30, 2009				<u>\$ 747,794</u>

The accompanying notes are an integral part of this statement.

Free Soil Community School District
BALANCE SHEET
 Governmental Funds
 June 30, 2009

	General Fund	Sinking Fund	Other governmental funds	Total governmental funds
ASSETS				
Cash and cash equivalents	\$ 433,665	\$ 81,868	\$ 50	\$ 515,583
Receivables	44	-	-	44
Due from other governmental units	69,096	-	-	69,096
Due from other funds	-	12,926	3,749	16,675
Prepaid items	8,519	-	-	8,519
Total assets	\$ 511,324	\$ 94,794	\$ 3,799	\$ 609,917
LIABILITIES AND FUND BALANCES				
Liabilities				
State aid loan	\$ 87,000	\$ -	\$ -	\$ 87,000
Accounts payable	13,900	-	1,240	15,140
Accrued liabilities	67,781	-	2,166	69,947
Due to other governmental units	10,171	-	-	10,171
Due to other funds	16,675	-	-	16,675
Deferred revenue	25,000	-	-	25,000
Total liabilities	220,527	-	3,406	223,933
Fund balances				
Reserved				
Prepaid items	8,519	-	-	8,519
Sinking Fund	-	94,794	-	94,794
Unreserved				
Undesignated				
General Fund	282,278	-	-	282,278
School service	-	-	393	393
Total fund balances	290,797	94,794	393	385,984
Total liabilities and fund balances	\$ 511,324	\$ 94,794	\$ 3,799	\$ 609,917

The accompanying notes are an integral part of this statement.

Free Soil Community School District
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2009

Total fund balance—governmental funds	\$	385,984
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.

Cost of capital assets	\$ 697,952		
Accumulated depreciation	<u>(329,284)</u>		368,668

Compensated absences in governmental activities are not due and payable in the current period and are not reported in the governmental funds.

(6,858)

Net assets of governmental activities in the Statement of Net Assets

\$ 747,794

The accompanying notes are an integral part of this statement.

Free Soil Community School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2009

	General Fund	Sinking Fund	Other governmental funds	Total governmental funds
REVENUES				
Local sources				
Property taxes	\$ 350,667	\$ -	\$ -	\$ 350,667
Investment earnings	2,910	708	-	3,618
Fees and charges	-	-	3,826	3,826
Fundraising and contributions	190	-	-	190
Other	10,025	-	-	10,025
Total local sources	363,792	708	3,826	368,326
State sources	178,763	-	4,206	182,969
Federal sources	84,212	-	13,433	97,645
Total revenues	626,767	708	21,465	648,940
EXPENDITURES				
Instruction	354,604	-	-	354,604
Support services	302,839	-	-	302,839
Food services	-	-	24,492	24,492
Athletics	-	-	1,030	1,030
Total expenditures	657,443	-	25,522	682,965
Excess (deficiency) of revenues over (under) expenditures	(30,676)	708	(4,057)	(34,025)
OTHER FINANCING SOURCES (USES)				
Transfers from other governmental units and other transactions	13,250	-	-	13,250
Transfers in	-	-	3,819	3,819
Transfers out	(3,819)	-	-	(3,819)
Total other financing sources (uses)	9,431	-	3,819	13,250
Net change in fund balances	(21,245)	708	(238)	(20,775)
Fund balances at July 1, 2008	312,042	94,086	631	406,759
Fund balances at June 30, 2009	\$ 290,797	\$ 94,794	\$ 393	\$ 385,984

The accompanying notes are an integral part of this statement.

Free Soil Community School District
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2009

Net change in fund balances—total governmental funds \$ (20,775)

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

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.

Depreciation expense (10,576)

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.

1,214

Change in net assets of governmental activities \$ (30,137)

The accompanying notes are an integral part of this statement.

Free Soil Community School District
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2009

	<u>Agency funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,865</u>
LIABILITIES	
Deposits held for others	\$ <u>1,865</u>

The accompanying notes are an integral part of this statement.

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. In addition, the School District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

District-wide and Fund Financial Statements

District-wide Financial Statements – The primary focus of district-wide financial statements is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities. 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 School District. For the most part, the effect of interfund activity has been removed from these statements. The district-wide financial statements categorize primary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The School District first utilizes restricted resources to finance qualifying activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

The district-wide Statement of Activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general revenues (property taxes, certain intergovernmental revenues and charges, etc.). The Statement of Activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The School District does not allocate indirect costs.

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

District-wide and Fund Financial Statements—Continued

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

Governmental funds – Governmental funds are those funds through which most School District functions typically are financed. The acquisition, use and balances of the School District’s expendable financial resources and the related current liabilities are accounted for through governmental funds.

The School District reports the following major governmental funds:

- The *General Fund* is the School District’s primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- The *Sinking Fund* accounts for the sinking fund property taxes received for the acquisition of real estate, construction of school buildings or the repair of school buildings.

The other nonmajor governmental funds are reported within the following types:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its food service and athletic activities in the school service special revenue funds.

Fiduciary funds – Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the district-wide statements.

- The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School District holds for others in an agency capacity (primarily student activities).

Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

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 revenues in the year for which they are levied. Grants, categorical aids and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. 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 School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as compensated absences and claims and judgments, are recorded only when payment is due.

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Basis of Presentation—Continued

Modified Accrual Method—Continued

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 School District.

State Revenue

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2008 to August 2009. Thus, the unpaid portion at June 30, 2009 is reported as due from other governmental units.

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

Other Accounting Policies

Deposit and Investments

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

The School District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

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

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Interfund Receivables and Payables

Activities between funds that are representative of lending or 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). All other outstanding balances between funds are reported as “due to/from other funds”. The School District had no advances between funds.

Property Taxes

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for capital construction.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the School District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School District does not have infrastructure-type assets.

Depreciation is provided on the straight-line basis over the following useful lives:

Buildings and improvements	25-50 years
Buses and other vehicles	10 years
Equipment	5-7 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Compensated Absences

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

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Deferred Revenue

Deferred revenue arises when assets are recorded before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On fund financial statements, receivables that will be collected after the available period are reported as deferred revenue.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts 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.

Net Assets In District-wide Financial Statements

Net assets represent the difference between assets and liabilities and are segregated into the following components:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. The School District has no capital related debt.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Fund Equity In Fund Financial Statements

The School District reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, prepaid items, deferred charges and advances to other funds, when applicable. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

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

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts within 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 Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2009. The School District does not consider these amendments to be significant.

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Excess of Expenditures Over Appropriations

For the year ended June 30, 2009, expenditures exceeded appropriations in basic programs by \$67,621. These overexpenditures were funded with available fund balance.

Sinking Fund

The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund the School 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.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2009, the School District had no investments.

Interest rate risk. In accordance with its investment policy, the School 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 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 School District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk. In accordance with its investment policy, the School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District 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 School District's deposits may not be returned to it. As of June 30, 2009, \$268,100 of the School District's bank balance of \$530,777 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment this is the risk that, in the event of the failure of the counterparty, the School 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 School 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 pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

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

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 48,700	\$ -	\$ -	\$ 48,700
Capital assets, being depreciated:				
Buildings and improvements	634,620	-	-	634,620
Equipment	<u>14,632</u>	<u>-</u>	<u>-</u>	<u>14,632</u>
Total capital assets, being depreciated	649,252	-	-	649,252
Less accumulated depreciation:				
Buildings and improvements	318,708	7,650	-	326,358
Equipment	<u>-</u>	<u>2,926</u>	<u>-</u>	<u>2,926</u>
Total accumulated depreciation	<u>318,708</u>	<u>10,576</u>	<u>-</u>	<u>329,284</u>
Total capital assets, being depreciated, net	<u>330,544</u>	<u>(10,576)</u>	<u>-</u>	<u>319,968</u>
Capital assets, net	<u>\$ 379,244</u>	<u>\$ (10,576)</u>	<u>\$ -</u>	<u>\$ 368,668</u>

Depreciation

Depreciation expense has been charged to functions as follows:

Support service	\$ 2,926
Unallocated depreciation	<u>7,650</u>
	<u>\$ 10,576</u>

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2009 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Sinking Fund	General Fund	\$ 12,926
Other governmental funds	General Fund	3,749
		\$ 16,675
		\$ 16,675

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The General Fund transferred \$3,819 to the Food Services Fund to finance operations.

NOTE F—SHORT-TERM DEBT

The School District issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. The short-term debt activity for the year ended June 30, 2009 follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
State aid anticipation note				
2008/2009 1.7% due August 2009	\$ -	\$ 87,000	\$ -	\$ 87,000

NOTE G—LONG-TERM OBLIGATIONS

Summary of Long-term Obligations

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2009:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Compensated absences	\$ 8,072	\$ 1,440	\$ 2,654	\$ 6,858	\$ 1,014

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE H—EMPLOYEE BENEFITS

Employee Retirement System – Defined Benefit Plan

Plan description – The School District contributes to the statewide Michigan Public School Employees’ Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and post-retirement benefits for health, dental and vision. 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 or calling:

Office of Retirement Systems
Michigan Public School Employees Retirement System
P.O. Box 30171
Lansing Michigan 48909
1-800-381-5111

Funding policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. 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 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent 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 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member’s accumulated contribution plus interest, if any, are refundable.

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2009, was 16.54 percent of payroll. The contribution requirements of plan members and the School District are established and may be amended by the MPSERS Board of Trustees. The School District contributions to MPSERS for the year ended June 30, 2009, 2008 and 2007 were approximately \$50,000, \$53,000 and \$80,000, respectively, and were equal to the required contribution for those years.

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

Other post-employment benefits – Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

Free Soil Community School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE I—COMMITMENTS AND CONTINGENCIES

Commitments

- **Construction Contract** – As of June 30, 2009, the School District had awarded a construction contract approximating \$26,000. The contract will be funded by the Sinking Fund.

Contingencies

- **Litigation** – The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.
- **Grant Programs** – The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE J—OTHER INFORMATION

Risk Management – The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers’ disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool’s total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. The workers’ compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2009 or any of the prior three years.

REQUIRED SUPPLEMENTARY INFORMATION

Free Soil Community School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

General Fund
For the year ended June 30, 2009

	Budgeted amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Local sources	\$ 356,761	\$ 361,767	\$ 363,792	\$ 2,025
State sources	201,100	186,472	178,763	(7,709)
Federal sources	42,971	59,023	84,212	25,189
Incoming transfers and other transactions	28,000	36,797	13,250	(23,547)
Total revenues	628,832	644,059	640,017	(4,042)
EXPENDITURES				
Instruction				
Basic programs	242,300	187,736	255,357	(67,621)
Added needs	96,765	97,891	99,247	(1,356)
Support services				
Pupil	869	137	136	1
Instructional staff	-	10,553	7,571	2,982
General administration	106,621	100,336	103,665	(3,329)
Business	21,382	27,157	23,915	3,242
Operations and maintenance	144,377	110,201	91,629	18,572
Pupil transportation services	75,242	61,955	60,903	1,052
Central	16,133	14,760	15,020	(260)
Outgoing transfers and other transactions	19,965	5,756	3,819	1,937
Total expenditures	723,654	616,482	661,262	(44,780)
Excess (deficiency) of revenues over (under) expenditures	\$ (94,822)	\$ 27,577	(21,245)	\$ (48,822)
Fund balance at July 1, 2008			312,042	
Fund balance at June 30, 2009			\$ 290,797	