

Hartland Consolidated Schools

**Financial Report
with Supplemental Information
June 30, 2012**

Hartland Consolidated Schools

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Independent Auditor's Report

To the Board of Education
Hartland Consolidated Schools

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

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

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, 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, which 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 supplemental 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.

To the Board of Education
Hartland Consolidated Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hartland Consolidated Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such 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.

In accordance with *Government Auditing Standards*, we have also issued a report under a separate cover dated November 1, 2012 on our consideration of the 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. 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 opinions 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.

Plante & Moran, PLLC

November 1, 2012

Hartland Consolidated Schools

Management's Discussion and Analysis

This section of Hartland Consolidated Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2012. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Hartland Consolidated Schools financially as a whole. The government-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 illustrate 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 government-wide financial statements by providing information about the School District's most significant funds - the Combined General Fund and the 2010 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the fiduciary statement of net assets and the fiduciary statement of changes in net assets, present financial information about activities for which the School District acts solely as an agent for the benefit of student groups. The order of the annual report, including the management's discussion and analysis, is as follows:

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

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets (deficit) and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

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

The statement of net assets (deficit) and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

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

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

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

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

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

The statement of net assets (deficit) provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets (deficit) as of June 30, 2012 and 2011:

TABLE 1

	Governmental Activities	
	June 30	
	2012	2011
	(in millions)	
Assets		
Current and other assets	\$ 34.0	\$ 42.6
Capital assets	135.3	129.6
Total assets	169.3	172.2
Liabilities		
Current liabilities	22.8	20.5
Long-term liabilities	156.3	159.0
Total liabilities	179.1	179.5
Net Assets (Deficit)		
Invested in capital assets - Net of related debt	19.2	16.8
Restricted	1.2	1.9
Unrestricted	(30.2)	(26.0)
Total net deficit	<u>\$ (9.8)</u>	<u>\$ (7.3)</u>

The above analysis focuses on the net deficit (see Table 1). The change in net deficit (see Table 2) of the School District's governmental activities is discussed below. The School District's net deficit was approximately \$9.8 million at June 30, 2012. Capital assets, net of related debt totaling \$19.2 million, compares the original cost, 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 covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining net deficit of approximately \$30.2 million is unrestricted.

The \$30.2 million unrestricted net deficit of governmental activities represents the accumulated results of all past years' operations. The deficit is mainly made up of the School Bond Loan Fund, which has a balance of approximately \$35.7 million at June 30, 2012, offset by the General Fund fund balance. The School District has an approved financing plan with the State to pay off the debt through debt retirement millage.

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net deficit for the fiscal years ended June 30, 2012 and 2011.

TABLE 2

	Governmental Activities	
	2012	2011
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 4.2	\$ 4.2
Operating grants and contributions	5.7	5.6
General revenue:		
Property taxes	12.5	13.0
State foundation allowance	35.0	34.9
Federal sources - Unrestricted	0.1	1.8
Other	0.8	0.6
Total revenue	<u>58.3</u>	<u>60.1</u>
Functions/Program Expenses		
Instruction	\$ 27.9	\$ 27.2
Support services	15.0	15.3
Athletics	0.8	0.8
Food services	1.4	1.3
Community services	2.6	2.5
Interest on long-term debt	7.9	8.3
Depreciaton (unallocated)	5.2	5.0
Total functions/program expenses	<u>60.8</u>	<u>60.4</u>
Increase in Net Deficit	(2.5)	(0.3)
Net Deficit - Beginning of year	<u>(7.3)</u>	<u>(7.0)</u>
Net Deficit - End of year	<u><u>\$ (9.8)</u></u>	<u><u>\$ (7.3)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$60.8 million. Certain activities were partially funded from those who benefited from the programs, \$4.2 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$5.7 million. We paid for the remaining "public benefit" portion of our governmental activities with \$12.5 million in taxes, \$35.0 million in state foundation allowance, \$0.1 million in federal unrestricted money, and \$0.8 million with our other revenue, i.e., interest and general entitlements.

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

The School District experienced an increase in its net deficit of approximately \$2.5 million during the year. This increase in deficit was primarily due to lost federal recovery funds.

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$21.4 million, which is a decrease of \$11.2 million from last year. The primary reason for the decrease was the continued spending on projects in the 2010 Capital Projects Fund.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to reflect expected significant changes from the original adopted budget. The original budget was adopted on June 30, 2011. A schedule showing the School District's original and final adopted budget amounts (without inclusion of the athletics accounts) compared with amounts actually paid and received is provided in the required supplemental information to the financial statements. The Athletics Subfund is shown separately in the Combined General Fund report in the other supplemental information section.

The School District did amend the General Fund in June 2012. Ultimately, the "actual versus budget" resulted in a +0.90 percent variance in revenue (\$422,541 over budget) and a -2.2 percent variance in expenditures (\$1,031,416 under budget). The combination of these two items improved the fund balance position at June 30, 2012 by \$1,453,957 from an amended budget fund balance of \$4,766,681 to an actual year-end fund balance of \$6,220,638.

As is typical, there are numerous changes in both revenue and expenditures, too numerous to review. The primary reasons for the actual increase in revenue for the year over the original budget (approximately \$1,500,000) were an increase of 43 pupils over the number we had budgeted for (we are paid based upon our enrollment), the sale of additional buses (+\$203,000), some additional federal dollars related to unexpected Edu-Job funds, and a Medicaid settlement as well as increased Community Education revenues and increases in a number of other accounts.

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

The reduction in actual expenditures for the year over the original budget was \$1,308,344. From among over 1,600 expenditure accounts, there were many adjustments up and down that accounted for portions of the reduction. The primary reason was that the 2011-2012 expenditure budget was based upon the 2010-2011 budget which, in fact, turned out to be \$1,021,000 higher than the 2010-2011 actual expenditures. With adjustments made during 2011-2012 to reflect actual costs in the prior year (2010-2011) and continued conservative budgeting and cautious spending, actual expenditures were considerably less than originally planned for the 2011-2012 school year.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012, the School District had approximately \$193 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$9.6 million, or 5 percent, from last year.

	2012	2011
Land	\$ 2,419,502	\$ 2,419,502
Buildings and building improvements	165,796,544	156,666,152
Buses and other vehicles	6,231,469	6,005,427
Furniture and equipment	18,963,537	18,715,295
Total capital assets	<u>\$ 193,411,052</u>	<u>\$ 183,806,376</u>

This year's additions of \$11.0 million are primarily a result of 2010 Bond spending. The additions were offset by disposals of \$1.4 million due to the sale of several buses.

Debt

At the end of this year, the School District had \$128.1 million in bonds outstanding versus \$136.6 million in the previous year, a change of 6.2 percent. Total bonds consisted of the following:

	2012	2011
General obligation bonds	\$ 128,090,406	\$ 136,566,670

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 had no outstanding unqualified general obligation debt.

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

Other obligations include accrued vacation pay and early retirement incentive obligation. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2012-2013 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count of the 2012-2013 fiscal year is 10 percent and 90 percent of the February 2012 and the September 2012 student counts, respectively. With few exceptions, under state law, the School District cannot assess additional property tax revenue for general operations. As a result, School District's funding is heavily dependent on the State's ability to fund the foundation allowance. Based on enrollment data at the start of the school year, the fall student count will be lower than the School District contemplated by 35 students. It appears the School District enrollment will be down by 75 from the prior year versus a planned reduction of 40.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. In two of the past nine years, the State has had to make a mid-year adjustment that reduced the foundation allowance. The potential of that type of delay in final notification makes it very difficult to plan appropriately. It does not appear there will be a mid-year proration during 2012-2013.

From a revenue perspective, the 2012-2013 year will find the School District with fewer dollars available. Enrollment has dropped from to the prior year number, and the net per-pupil funding from a number of State sources has remained about even. Additionally, federal "stimulus" dollars are now no longer available.

Expenditures will increase during the 2012-2013 school year even after consideration and implementation of concessions from most employees. The primary concession is a 2.68 percent salary reduction that will remain in place from 2011-2012. Also, other district-wide concessions implemented in 2011-2012 remain in place. Unfortunately, significant increases in retirement costs (this is a state-run program) as well as typical inflationary costs will cause total expenditures to exceed anticipated total revenue by approximately \$3.2 million; although that number is only a budgeted number. Based upon 2011-2012 year-end actual numbers and legislative efforts to reduce retirement costs yet in 2012-2013, we would expect the drawdown on fund balance to be closer to \$2,000,000, which would still leave a significant fund balance at June 30, 2013.

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

On a positive note, the School District did build its General Fund balance to its highest level in at least 26 years to approximately \$6.3 million, which will allow for drawdowns for at least a few more years. More importantly, the School District will be able to continue to maintain educational programs and remains a “school of choice” in our region. Finally, our employee labor contracts all call for concessions, significant if necessary, to enable the School District to maintain a positive fund balance. These contracts are in place through the 2012-2013 school year.

Hartland Consolidated Schools

Statement of Net Assets (Deficit) June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash (Note 3)	\$ 5,735,980
Investments (Note 3)	2,447,511
Receivables (Note 4)	7,084,034
Inventories	204,168
Prepaid costs	40,031
Restricted assets (Note 8)	18,530,646
Capital assets - Net (Note 5)	<u>135,266,598</u>
Total assets	169,308,968
Liabilities	
Accounts payable	4,024,968
Accrued payroll-related liabilities	4,497,050
State aid anticipation note (Note 11)	4,044,433
Accrued interest	759,689
Deferred revenue (Note 4)	41,198
Long-term liabilities (Note 7):	
Due within one year	9,472,121
Due in more than one year	<u>156,273,556</u>
Total liabilities	<u>179,113,015</u>
Net Assets (Deficit)	
Invested in capital assets - Net of related debt	19,200,662
Restricted:	
Debt service	1,008,728
Food service	208,581
Unrestricted	<u>(30,222,018)</u>
Total net deficit	<u>\$ (9,804,047)</u>

Hartland Consolidated Schools

Statement of Activities Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Changes in Net Assets (Deficit)
Primary government - Governmental activities:				
Instruction	\$ 27,955,284	\$ 649,147	\$ 2,545,140	\$ (24,760,997)
Support services	15,033,338	-	1,613,124	(13,420,214)
Athletics	784,564	223,611	-	(560,953)
Food services	1,387,603	875,592	548,888	36,877
Community services	2,559,005	2,479,868	-	(79,137)
Interest	7,949,024	-	1,013,421	(6,935,603)
Depreciation expense (unallocated)	5,173,142	-	-	(5,173,142)
Total primary government	\$ 60,841,960	\$ 4,228,218	\$ 5,720,573	(50,893,169)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				4,490,141
Property taxes, levied for debt service				8,024,845
State aid not restricted to specific purposes				34,982,337
Federal sources - Unrestricted				90,947
Interest and investment earnings				103,396
Gain on the sale of capital assets				314,044
Other - settlement payment				359,880
Total general revenue				<u>48,365,590</u>
Change in Net Deficit				(2,527,579)
Net Deficit - Beginning of year				<u>(7,276,468)</u>
Net Deficit - End of year				<u>\$ (9,804,047)</u>

Hartland Consolidated Schools

Governmental Funds Balance Sheet June 30, 2012

	Combined General Fund	2010 Capital Projects Combined	Nonmajor Funds	Total Governmental Funds
Assets				
Cash (Note 3)	\$ 5,542,522	\$ -	\$ 193,458	\$ 5,735,980
Investments (Note 3)	2,447,511	-	-	2,447,511
Receivables (Note 4)	7,064,885	-	19,149	7,084,034
Due from other funds (Note 6)	6,210	-	-	6,210
Inventories	156,467	-	47,701	204,168
Prepaid costs	40,031	-	-	40,031
Restricted assets (Note 8)	-	16,545,814	1,984,832	18,530,646
	<u>\$ 15,257,626</u>	<u>\$ 16,545,814</u>	<u>\$ 2,245,140</u>	<u>\$ 34,048,580</u>
Total assets				
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 439,665	\$ 3,451,671	\$ 133,632	\$ 4,024,968
Accrued payroll-related liabilities	4,488,658	-	8,392	4,497,050
State aid anticipation note (Note 11)	4,044,433	-	-	4,044,433
Due to other funds (Note 6)	-	-	6,210	6,210
Deferred revenue (Note 4)	10,126	-	31,072	41,198
	<u>8,982,882</u>	<u>3,451,671</u>	<u>179,306</u>	<u>12,613,859</u>
Total liabilities				
Fund Balances				
Nonspendable	196,498	-	47,701	244,199
Restricted:				
Capital projects	-	13,094,143	848,525	13,942,668
Debt service	-	-	1,008,728	1,008,728
Food service	-	-	160,880	160,880
Unassigned	6,078,246	-	-	6,078,246
	<u>6,274,744</u>	<u>13,094,143</u>	<u>2,065,834</u>	<u>21,434,721</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 15,257,626</u>	<u>\$ 16,545,814</u>	<u>\$ 2,245,140</u>	<u>\$ 34,048,580</u>

Hartland Consolidated Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2012

Fund Balance Reported in Governmental Funds	\$	21,434,721
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$	193,411,052
Accumulated depreciation	<u>(58,144,454)</u>	135,266,598
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds (including premium) and School Bond Loan Fund payable	(164,933,605)	
Compensated absences	(169,828)	
Notes payable	(64,244)	
Early retirement incentive	<u>(578,000)</u>	(165,745,677)
Accrued interest payable is not included as a liability in governmental funds		<u>(759,689)</u>
Net Deficit of Governmental Activities	\$	<u>(9,804,047)</u>

Hartland Consolidated Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2012

	Combined General Fund	2010 Capital Projects Combined	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 7,849,388	\$ 91,644	\$ 9,265,448	\$ 17,206,480
State sources	37,466,192	-	53,785	37,519,977
Federal sources	618,824	-	1,508,524	2,127,348
Other	1,146,532	-	-	1,146,532
Total revenue	47,080,936	91,644	10,827,757	58,000,337
Expenditures				
Current:				
Instruction	28,127,383	-	-	28,127,383
Support services	15,032,709	-	-	15,032,709
Athletics	784,564	-	-	784,564
Food services	-	-	1,387,603	1,387,603
Community services	2,559,005	-	-	2,559,005
Debt service:				
Principal	195,228	-	8,550,000	8,745,228
Interest	122,674	-	5,701,868	5,824,542
Other	-	-	692,449	692,449
Capital outlay	168,934	10,765,607	505,583	11,440,124
Total expenditures	46,990,497	10,765,607	16,837,503	74,593,607
Excess of Revenue Over (Under)				
Expenditures	90,439	(10,673,963)	(6,009,746)	(16,593,270)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	503,664	-	-	503,664
Payment to escrow agent	-	-	(30,613,727)	(30,613,727)
Transfers in	83,235	179,822	1,267,129	1,530,186
Transfers out	(73,080)	-	(1,457,106)	(1,530,186)
Proceeds from issuance of bonds	-	-	30,035,000	30,035,000
Premium on debt issued	-	-	1,158,636	1,158,636
School Bond Loan Revolving Fund proceeds	-	-	4,307,990	4,307,990
Total other financing sources	513,819	179,822	4,697,922	5,391,563
Net Change in Fund Balances	604,258	(10,494,141)	(1,311,824)	(11,201,707)
Fund Balances - Beginning of year	5,670,486	23,588,284	3,377,658	32,636,428
Fund Balances - End of year	<u>\$ 6,274,744</u>	<u>\$13,094,143</u>	<u>\$ 2,065,834</u>	<u>\$ 21,434,721</u>

Hartland Consolidated Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (11,201,707)

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, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (5,173,142)	
Capitalized capital outlay	<u>11,035,698</u>	5,862,556

Governmental funds report proceeds from the sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (189,620)

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (34,342,990)

Long-term expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid 578,000

Repayment of bond and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 38,595,228

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid (668,306)

Compensated absences are recorded when earned in the statement of activities. In the current year, more was earned than was paid out (2,104)

Premium on bonds is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid (1,158,636)

Change in Net Assets of Governmental Activities **\$ (2,527,579)**

Hartland Consolidated Schools

Fiduciary Funds Statement of Net Assets June 30, 2012

	Student Activities Agency Fund	Private Purpose Trust
Assets - Cash and investments	<u>\$ 709,013</u>	\$ 116,744
Liabilities - Due to student groups	<u>\$ 709,013</u>	-
Net Assets - Reserved for scholarships/projects awarded		<u>\$ 116,744</u>

Hartland Consolidated Schools

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2012

	<u>Fifth Third Bank</u>	<u>Ameritrust</u>	<u>Scholarship Fund</u>	<u>Total</u>
Additions - Interest and contributions	\$ 17,187	\$ 18,351	\$ 531	\$ 36,069
Deductions - Scholarships/Projects awarded	<u>17,000</u>	<u>27,860</u>	<u>5,000</u>	<u>49,860</u>
Change in Net Assets	187	(9,509)	(4,469)	(13,791)
Net Assets - Beginning of year	<u>21,795</u>	<u>38,670</u>	<u>70,070</u>	<u>130,535</u>
Net Assets - End of year	<u>\$ 21,982</u>	<u>\$ 29,161</u>	<u>\$ 65,601</u>	<u>\$ 116,744</u>

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies

The accounting policies of Hartland Consolidated Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the 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 School District's reporting entity and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

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

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

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

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

The School District reports the following major governmental funds:

General Fund - 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.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

2010 Capital Projects Fund - The 2010 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for remodeling buildings, acquiring and installing technology equipment, purchasing school buses, and developing and improving athletic fields and facilities, playgrounds, and sites. The funds operate until the purpose for which they were created is accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's only special revenue fund is the Food Services Fund. Any operating deficit generated by food service activities is the responsibility of the General Fund.

Debt Service Funds - The various debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the related bond issue.

Capital Projects Funds - The 2006 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

Student Activities Agency Funds - The School District presently maintains an Agency 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.

Trust Funds - The various trust funds are used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments 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. Investment income is recorded in the fund for which the investment account was established.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 35 percent of the property taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

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

Restricted Assets - The unspent bond proceeds and related interest of the capital projects funds require amounts to be set aside for construction. In addition, property tax collections of the debt service funds are required to be spent on bonded indebtedness. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and building additions	20 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) and Early Retirement Benefits - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

A liability for early retirement benefits is reported in the government-wide statements at the cumulative expected future benefit payments. The early retirement benefits consist of early retirement incentive cash payments provided to 34 employees over a three-year period. The cost of the obligation is reported in long-term debt.

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

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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education or superintendent, who is authorized by policy approved by the Board of Education to make assignments.
- **Unassigned:** Amounts that have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes in the General Fund

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. In addition, a budget is adopted for the capital projects and debt service funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in June 2012 in a legally permissible manner.

Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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

Capital Projects Fund Compliance - The capital projects funds include capital project activities funded with bonds issued after May 1, 1994, which is when §1351a went into effect. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Note 3 - Deposits and Investments

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

The School District has designated two banks for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. During the current year, the School District opted for the majority of its bank accounts to be noninterest-bearing, which resulted in unlimited FDIC coverage on these accounts. At year end, the School District's deposit balance of \$7,441,068 had \$351,300 of bank deposits (money market, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School 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.

Custodial Credit Risk of Investments - Custodial credit risk 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's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The uninsured and unregistered investments listed in the chart below are held by a counterparty.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring structuring of 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; 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.

Investments - Investments under the interlocal agreement (MILAF) are regulated by the Urban Cooperation Act. The fair value of the position in the interlocal agreement pools is the same as the value of the pool shares. The interlocal agreement (MILAF) is rated at AAAM according to Standard & Poor's.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 3 - Deposits and Investments (Continued)

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 3,352,083	N/A	AAAm	S&P
Fannie Mae	6,805,937	8/10/12- 4/15/2015	Aaa	Moody's
Freddie Mac	2,027,368	1/15/13- 7/15/2014	Aaa	Moody's
Federal Home Loan Bank Freddie Mac - Medium Term Notes	1,670,170 788,270	11/15/2012 7/28/2014	Aaa Aaa	Moody's Moody's
Federated Government Money Market	4,907,257	N/A	Aaam	S&P
Total investments	<u>\$ 19,551,085</u>			

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer. Any investment over 5 percent of total investments is a concentration. Five of the six investments listed above are considered concentrations.

Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the School District's individual major funds and the nonmajor funds in the aggregate are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts receivable	\$ 116,412	\$ 19,149	\$ 135,561
Intergovernmental	6,948,473	-	6,948,473
Total receivables	<u>\$ 7,064,885</u>	<u>\$ 19,149</u>	<u>\$ 7,084,034</u>

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 4 - Receivables and Deferred Revenue (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds		
	Unavailable	Unearned	Total
General Fund	\$ -	\$ 10,126	\$ 10,126
Nonmajor funds	-	31,072	30,792
Total deferred revenue	\$ -	\$ 41,198	\$ 41,198

Note 5 - Capital Assets

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

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,419,502	\$ -	\$ -	\$ 2,419,502
Capital assets being depreciated:				
Buildings and building improvements	156,666,152	9,130,392	-	165,796,544
Furniture and equipment	18,715,295	248,242	-	18,963,537
Buses and other vehicles	6,005,427	1,657,064	1,431,022	6,231,469
Subtotal	181,386,874	11,035,698	1,431,022	190,991,550
Accumulated depreciation:				
Buildings and building improvements	39,319,593	3,742,488	-	43,062,081
Furniture and equipment	11,759,663	743,713	-	12,503,376
Buses and other vehicles	3,133,458	686,941	1,241,402	2,578,997
Subtotal	54,212,714	5,173,142	1,241,402	58,144,454
Net capital assets being depreciated	127,174,160	5,862,556	189,620	132,847,096
Net capital assets	\$ 129,593,662	\$ 5,862,556	\$ 189,620	\$ 135,266,598

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Nonmajor Governmental Funds
General Fund	\$ 6,210

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Advanced To	Fund Advanced From		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 83,235	\$ 83,235
2010 Capital Projects Fund	-	179,822	179,822
Nonmajor governmental funds	73,080	1,194,049	1,267,129
Total	\$ 73,080	\$ 1,457,106	\$ 1,530,186

Transfers between the General Fund and the other nonmajor funds represent transfers made to the debt service funds to cover principal and interest payments.

Transfers made from the Cafeteria Fund to the General Fund represent reimbursements for various overhead charges.

Transfers made from other nonmajor funds to other nonmajor funds are between the capital projects funds for reimbursement of payments made on behalf of the other fund, and transfers among debt service funds.

Note 7 - Long-term Debt

The School District issues bonds and notes to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences and early retirement incentives.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 136,566,670	\$ 30,035,000	\$ 38,511,264	\$ 128,090,406	\$ 8,798,406
Notes	148,208	-	83,964	64,244	31,344
School Bond Loan Fund	30,333,624	5,415,310	-	35,748,934	-
Other obligations	1,485,318	2,104	739,594	747,828	578,000
Premium on bonds	-	1,158,636	64,371	1,094,265	64,371
Total governmental activities	<u>\$ 168,533,820</u>	<u>\$ 36,611,050</u>	<u>\$ 39,399,193</u>	<u>\$ 165,745,677</u>	<u>\$ 9,472,121</u>

The School District issued Build America Bonds in a previous year. Build America Bonds, a program under the American Recovery and Reinvestment Act of 2009, provides funding for state and local governments at lower borrowing costs. The program is designed to provide a federal subsidy for a larger portion of the borrowing costs of state and local governments than traditional tax-exempt bonds. The federal interest subsidy is indicated as a reduction of interest payments in the table below. The net interest column indicates the amount of cash that the School District will pay in interest.

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Principal	Interest	Interest Subsidy	Net Interest	Total - Net
2013	\$ 8,829,750	\$ 5,788,512	\$ (1,013,421)	\$ 4,775,091	\$ 13,604,841
2014	9,004,900	5,484,187	(1,013,421)	4,470,766	13,475,666
2015	6,135,000	5,170,128	(1,008,224)	4,161,904	10,296,904
2016	6,260,000	4,939,928	(1,002,396)	3,937,532	10,197,532
2017	6,385,000	4,700,983	(995,466)	3,705,517	10,090,517
2018-2022	32,475,000	19,774,054	(4,855,718)	14,918,336	47,393,336
2023-2027	40,765,000	13,231,263	(4,221,499)	9,009,764	49,774,764
2028-2032	15,525,000	2,685,425	(976,478)	1,708,947	17,233,947
2033-2035	2,775,000	363,525	(127,234)	236,291	3,011,291
Total	<u>\$ 128,154,650</u>	<u>\$ 62,138,005</u>	<u>\$ (15,213,857)</u>	<u>\$ 46,924,148</u>	<u>\$ 175,078,798</u>

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

\$319,357 - Durant Non-Plaintiff Bond due on May 15, 2013; interest at 4.76 percent	\$ 21,406
\$23,321,060 - 2003 refunding of the School Bond Loan Fund due in annual installments of \$2,772,000 to \$2,862,000 through May 1, 2014; interest at 3.32 percent	5,634,000
\$14,825,000 - 2004 partial refunding of the School District's 1996 building and site serial bonds due in annual installments of \$915,000 to \$1,000,000 through May 1, 2022; interest from 3.50 percent - 5.00 percent	9,605,000
\$26,390,000 - 2007 building and site serial bond due in annual installments of \$1,025,000 to \$1,350,000 through May 1, 2030; interest from 4.00 percent - 4.25 percent	22,025,000
\$1,300,000 - 2010 building and site serial bond, Series A, due on May 1, 2013; interest at 2.55 percent	450,000
\$12,180,000 - 2010 building and site serial bond, Series B, due on May 1, 2027; interest at 6.65 percent	12,180,000
\$14,565,000 - 2010 building and site serial bond, Series C, due in annual installments of \$450,000 to \$925,000 beginning May 1, 2014 through May 1, 2035; interest from 3.30 percent - 6.55 percent	14,565,000
\$36,960,000 - 2011 partial refunding of the 2001 refunding bond due in annual installments of \$3,480,000 to \$3,875,000 through May 1, 2022; interest at 3.50 percent	33,575,000
\$30,035,000 - 2012 refunding of the 2001 refunding bond due in annual installments of \$100,000 beginning May 1, 2013 through May 1, 2014 and annual installments of \$3,550,000 to \$3,975,000 beginning May 1, 2022 through May 1, 2029; interest from 2.25 percent - 5.25 percent	<u>30,035,000</u>
Total	<u>\$ 128,090,406</u>

Durant Non-Plaintiff Bond - Included in governmental activities general obligation bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Notes consist of the following:

<u>Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
06/25/07	\$ 200,100	4.9%	6/25/2014	\$ 64,244	\$ 3,983

Other governmental activities long-term obligations include the following:

Compensated absences	\$ 169,828
Early retirement incentive obligation	578,000
Total	<u>\$ 747,828</u>

In 2010, The School District offered an early retirement incentive plan to employees who met certain eligibility requirements. Retirements were effective June 30, 2010. The School District is obligated to pay a total of \$1,734,000 in three installments. A payment of \$578,000 was made during each of the years ended June 30, 2011 and 2012. The remaining payment of \$578,000 will be paid the fiscal year ending June 30, 2013.

School Bond Loan and School Loan Revolving Fund - The school bond loan and School Loan Revolving Fund payable represent notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates ranged from 3.0 percent to 5.0 percent from July 1, 2011 to June 30, 2012. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy 7 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule. At June 30, 2012, \$8,355,345 was outstanding on the school bond loan and \$27,393,589 was outstanding on the School Loan Revolving Fund.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Advance Refundings - During the year, the School District issued \$30,035,000 in general obligation bonds with an average interest rate of 4.7 percent. The proceeds of these bonds were used to advance refund \$29,850,000 of outstanding 2001 refunding serial bonds with an average interest rate of 5.125 percent. The net proceeds of \$30,613,727 (after payment of \$579,909 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by approximately \$2,276,000, which represents an economic gain of approximately \$1,841,000.

In addition to the current year defeasance, in prior years the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2012, \$133,510,000 of bonds are considered defeased.

Note 8 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	<u>Governmental Activities</u>
Unspent bond proceeds and related interest	\$ 17,521,918
Debt service funds	<u>1,008,728</u>
Total restricted assets	<u>\$ 18,530,646</u>

Note 9 - Risk Management

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

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

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate for basic plan members was 12.16 percent of covered payroll for the period from July 1, 2011 through September 30, 2011 and 15.96 percent for the period from October 1, 2011 through June 30, 2012. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages, or up to 6.4 percent of gross wages for members entering the MIP Plus plan on or after July 1, 2008. The School District's required and actual contributions to the plan for the years ended June 30, 2012, 2011, and 2010 were \$3,459,600, \$2,767,500, and \$2,643,924, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 8.50 percent of covered payroll for the period from July 1, 2011 through June 30, 2012. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2012, 2011, and 2010 were \$1,956,200, \$1,898,300, and \$1,795,127, respectively.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 11 - State Aid Anticipation Note

In August 2011, the School District borrowed \$4,000,000 in a state aid anticipation note. The note bears interest at 1.29 percent and is due in August 2012. At June 30, 2012, the School District has accrued interest of \$44,433 on this note. The note plus the accrued interest were paid subsequent to June 30, 2012.

Note 12 - Subsequent Events

Subsequent to June 30, 2012, the School District borrowed \$3,500,000 at 1.298 percent annual interest on a state aid anticipation note. The note, plus interest, is due August 20, 2013.

Note 13 - Upcoming Accounting Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the School District's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the School District as of June 30, 2014.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2012

Note 13 - Upcoming Accounting Pronouncements (Continued)

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

Hartland Consolidated Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 7,555,289	\$ 7,508,481	\$ 7,625,714	\$ 117,233
State sources	36,523,869	37,349,877	37,466,192	116,315
Federal sources	607,545	730,641	618,824	(111,817)
Other	922,266	1,049,386	1,146,532	97,146
Total revenue	<u>45,608,969</u>	<u>46,638,385</u>	<u>46,857,262</u>	<u>218,877</u>
Expenditures				
Current:				
Instruction:				
Basic program	23,229,452	23,496,062	23,195,900	(300,162)
Added needs	5,289,976	5,033,100	4,924,197	(108,903)
Support services:				
Pupil	968,892	956,291	965,280	8,989
Instructional staff	2,411,608	1,788,958	2,040,605	251,647
General administration	1,156,513	1,098,472	1,076,455	(22,017)
School administration	2,949,814	2,816,794	2,698,103	(118,691)
Business	820,541	1,040,559	1,026,791	(13,768)
Operations and maintenance	5,017,496	5,266,556	4,860,609	(405,947)
Pupil transportation services	2,207,376	2,329,175	2,182,635	(146,540)
Central	125,568	131,700	128,438	(3,262)
Other	114,121	114,121	110,725	(3,396)
Community services	2,736,647	2,649,678	2,501,343	(148,335)
Debt service:				
Principal	163,098	201,069	216,152	15,083
Interest	96,789	64,334	101,750	37,416
Capital outlay	228,600	220,487	146,957	(73,530)
Total expenditures	<u>47,516,491</u>	<u>47,207,356</u>	<u>46,175,940</u>	<u>(1,031,416)</u>
Excess of Revenue (Under) Over Expenditures	(1,907,522)	(568,971)	681,322	1,250,293
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	303,702	300,000	503,664	203,664
Transfers in	83,235	83,235	83,235	-
Transfers out	(646,327)	(678,534)	(678,534)	-
Total other financing uses	<u>(259,390)</u>	<u>(295,299)</u>	<u>(91,635)</u>	<u>203,664</u>
Net Change in Fund Balance	(2,166,912)	(864,270)	589,687	1,453,957
Fund Balance - Beginning of year	<u>5,630,951</u>	<u>5,630,951</u>	<u>5,630,951</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 3,464,039</u>	<u>\$ 4,766,681</u>	<u>\$ 6,220,638</u>	<u>\$ 1,453,957</u>

Other Supplemental Information

Hartland Consolidated Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Combined General Fund Year Ended June 30, 2012

	General Fund	Athletics Subfund	Eliminating Entries	Combined General Fund
Revenue				
Local sources	\$ 7,625,714	\$ 223,674	\$ -	\$ 7,849,388
State sources	37,466,192	-	-	37,466,192
Federal sources	618,824	-	-	618,824
Other	1,146,532	-	-	1,146,532
Total revenue	46,857,262	223,674	-	47,080,936
Expenditures				
Current:				
Instruction:				
Basic program	23,195,780	-	-	23,195,780
Added needs	4,931,603	-	-	4,931,603
Support services:				
Pupil	1,516,142	-	-	1,516,142
Instructional staff	932,999	-	-	932,999
General administration	1,124,743	-	-	1,124,743
School administration	2,742,308	-	-	2,742,308
Business	811,508	-	-	811,508
Operations and maintenance	4,953,154	-	-	4,953,154
Pupil transportation services	2,145,636	-	-	2,145,636
Central	685,904	-	-	685,904
Other	120,315	-	-	120,315
Athletics	-	784,564	-	784,564
Community services	2,559,005	-	-	2,559,005
Debt service:				
Principal	195,228	-	-	195,228
Interest	122,674	-	-	122,674
Capital outlay	138,941	29,993	-	168,934
Total expenditures	46,175,940	814,557	-	46,990,497
Excess of Revenue Over (Under) Expenditures	681,322	(590,883)	-	90,439
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	503,664	-	-	503,664
Transfers in	83,235	605,454	(605,454)	83,235
Transfers out	(678,534)	-	605,454	(73,080)
Total other financing (uses) sources	(91,635)	605,454	-	513,819
Net Change in Fund Balances	589,687	14,571	-	604,258
Fund Balances - Beginning of year	5,630,951	39,535	-	5,670,486
Fund Balances - End of year	\$ 6,220,638	\$ 54,106	\$ -	\$ 6,274,744

Hartland Consolidated Schools

	Special Revenue Fund	Debt Service Funds				
	Food Services	2000	2001	2003	School Bond Loan Fund Refunding	2004 Refunding
Assets						
Cash	\$ 193,458	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	19,149	-	-	-	-	-
Inventories	47,701	-	-	-	-	-
Restricted assets	-	-	-	35,509	130,401	56,872
Total assets	\$ 260,308	\$ -	\$ -	\$ 35,509	\$ 130,401	\$ 56,872
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 6,053	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll-related liabilities - Salaries payable	8,392	-	-	-	-	-
Due to other funds	6,210	-	-	-	-	-
Deferred revenue	31,072	-	-	-	-	-
Total liabilities	51,727	-	-	-	-	-
Fund Balances						
Nonspendable - Inventory	47,701	-	-	-	-	-
Restricted:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	35,509	130,401	56,872
Food service	160,880	-	-	-	-	-
Total fund balances	208,581	-	-	35,509	130,401	56,872
Total liabilities and fund balances	\$ 260,308	\$ -	\$ -	\$ 35,509	\$ 130,401	\$ 56,872

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

Debt Service Funds						Total
2002 Energy Improvement Bonds	2007	2010	2011 Refunding	2011 Refunding, Series B	2006 Capital Projects	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,458
-	-	-	-	-	-	19,149
-	-	-	-	-	-	47,701
<u>284</u>	<u>71,236</u>	<u>98,974</u>	<u>601,967</u>	<u>13,485</u>	<u>976,104</u>	<u>1,984,832</u>
\$ 284	\$ 71,236	\$ 98,974	\$ 601,967	\$ 13,485	\$ 976,104	\$ 2,245,140
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,579	\$ 133,632
-	-	-	-	-	-	8,392
-	-	-	-	-	-	6,210
-	-	-	-	-	-	<u>31,072</u>
-	-	-	-	-	127,579	179,306
-	-	-	-	-	-	47,701
-	-	-	-	-	848,525	848,525
<u>284</u>	<u>71,236</u>	<u>98,974</u>	<u>601,967</u>	<u>13,485</u>	<u>-</u>	<u>1,008,728</u>
-	-	-	-	-	-	<u>160,880</u>
<u>284</u>	<u>71,236</u>	<u>98,974</u>	<u>601,967</u>	<u>13,485</u>	<u>848,525</u>	<u>2,065,834</u>
\$ 284	\$ 71,236	\$ 98,974	\$ 601,967	\$ 13,485	\$ 976,104	\$ 2,245,140

Hartland Consolidated Schools

	Special Revenue Fund	Debt Service Funds				
	Food Services	2000	2001	2003	School Bond Loan Fund Refunding	2004 Refunding
Revenue						
Local sources	\$ 875,805	\$ 80	\$ 1,104	\$ 63	\$ 2,127,557	\$ 899,718
State sources	53,785	-	-	-	-	-
Federal sources	495,103	-	-	-	-	-
Total revenue	1,424,693	80	1,104	63	2,127,557	899,718
Expenditures						
Current - Food services	1,387,603	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	2,685,000	960,000
Interest	-	-	-	-	276,024	471,441
Other	-	1,205	16,999	4,570	39,173	16,372
Capital outlay	29,368	-	-	-	-	-
Total expenditures	1,416,971	1,205	16,999	4,570	3,000,197	1,447,813
Excess of Revenue Over (Under) Expenditures	7,722	(1,125)	(15,895)	(4,507)	(872,640)	(548,095)
Other Financing (Uses) Sources						
Payment to escrow agent	-	-	-	-	-	-
Transfers in	-	-	13	-	-	108
Transfers out	(83,235)	(81,518)	(1,112,122)	(188)	(170)	-
Proceeds from issuance of bonds	-	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-
School Bond Loan Revolving Fund proceeds	-	-	-	-	881,242	550,428
Total other financing (uses) sources	(83,235)	(81,518)	(1,112,109)	(188)	881,072	550,536
Net Change in Fund Balances	(75,513)	(82,643)	(1,128,004)	(4,695)	8,432	2,441
Fund Balances - Beginning of year	284,094	82,643	1,128,004	40,204	121,969	54,431
Fund Balances - End of year	<u>\$ 208,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,509</u>	<u>\$ 130,401</u>	<u>\$ 56,872</u>

**Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012**

Debt Service Funds						
2002 Energy Improvement Bonds	2007	2010	2011 Refunding	2011 Refunding, Series B	2006 Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ 1,103,390	\$ 635,402	\$ 3,473,333	\$ 148,140	\$ 856	\$ 9,265,448
-	-	-	-	-	-	53,785
-	-	1,013,421	-	-	-	1,508,524
-	1,103,390	1,648,823	3,473,333	148,140	856	10,827,757
-	-	-	-	-	-	1,387,603
70,000	1,025,000	425,000	3,385,000	-	-	8,550,000
3,080	954,813	1,705,334	1,426,553	864,623	-	5,701,868
-	260	3,507	34,184	576,179	-	692,449
-	-	-	-	-	476,215	505,583
<u>73,080</u>	<u>1,980,073</u>	<u>2,133,841</u>	<u>4,845,737</u>	<u>1,440,802</u>	<u>476,215</u>	<u>16,837,503</u>
(73,080)	(876,683)	(485,018)	(1,372,404)	(1,292,662)	(475,359)	(6,009,746)
-	-	-	-	(30,613,727)	-	(30,613,727)
73,331	36	-	1,193,641	-	-	1,267,129
-	-	-	(36)	(15)	(179,822)	(1,457,106)
-	-	-	-	30,035,000	-	30,035,000
-	-	-	-	1,158,636	-	1,158,636
-	880,638	490,123	779,306	726,253	-	4,307,990
<u>73,331</u>	<u>880,674</u>	<u>490,123</u>	<u>1,972,911</u>	<u>1,306,147</u>	<u>(179,822)</u>	<u>4,697,922</u>
251	3,991	5,105	600,507	13,485	(655,181)	(1,311,824)
33	67,245	93,869	1,460	-	1,503,706	3,377,658
<u>\$ 284</u>	<u>\$ 71,236</u>	<u>\$ 98,974</u>	<u>\$ 601,967</u>	<u>\$ 13,485</u>	<u>\$ 848,525</u>	<u>\$ 2,065,834</u>

Hartland Consolidated Schools

June 30	Durant Principal	School Bond Loan Fund Refunding Principal	2004 Refunding Principal	2007 School Building and Site Bonds Principal	2010 School Building and Site Bonds, Series A Principal
2013	\$ 21,406	\$ 2,772,000	\$ 950,000	\$ 1,025,000	\$ 450,000
2014	-	2,862,000	935,000	1,050,000	-
2015	-	-	920,000	1,075,000	-
2016	-	-	915,000	1,100,000	-
2017	-	-	935,000	1,125,000	-
2018	-	-	950,000	1,150,000	-
2019	-	-	1,000,000	1,175,000	-
2020	-	-	1,000,000	1,200,000	-
2021	-	-	1,000,000	1,225,000	-
2022	-	-	1,000,000	1,250,000	-
2023	-	-	-	1,275,000	-
2024	-	-	-	1,300,000	-
2025	-	-	-	1,325,000	-
2026	-	-	-	1,350,000	-
2027	-	-	-	1,350,000	-
2028	-	-	-	1,350,000	-
2029	-	-	-	1,350,000	-
2030	-	-	-	1,350,000	-
2031	-	-	-	-	-
2032	-	-	-	-	-
2033	-	-	-	-	-
2034	-	-	-	-	-
2035	-	-	-	-	-
Total principal	<u>\$ 21,406</u>	<u>\$ 5,634,000</u>	<u>\$ 9,605,000</u>	<u>\$ 22,025,000</u>	<u>\$ 450,000</u>
Principal payments due	May 15	May 1	May 1	May 1	May 1
Interest payments due	May 15	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.76%	3.32%	3.50% to 5.00%	4.00% to 4.25%	2.55%
Original issue	<u>\$ 319,357</u>	<u>\$ 23,321,060</u>	<u>\$ 14,825,000</u>	<u>\$ 26,390,000</u>	<u>\$ 1,300,000</u>

**Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2012**

2010 School Building and Site Bonds, Series B <u>Principal</u>	2010 School Building and Site Bonds, Series C <u>Principal</u>	2011 Refunding Bonds <u>Principal</u>	2011 Refunding Bonds, Series B <u>Principal</u>
\$ -	\$ -	\$ 3,480,000	\$ 100,000
-	450,000	3,575,000	100,000
-	450,000	3,690,000	-
-	450,000	3,795,000	-
-	450,000	3,875,000	-
-	450,000	3,845,000	-
-	450,000	3,810,000	-
-	465,000	3,775,000	-
-	500,000	3,730,000	-
-	525,000	-	3,975,000
-	550,000	-	3,900,000
-	600,000	-	3,840,000
-	650,000	-	3,770,000
-	700,000	-	3,625,000
12,180,000	750,000	-	3,600,000
-	800,000	-	3,575,000
-	850,000	-	3,550,000
-	875,000	-	-
-	900,000	-	-
-	925,000	-	-
-	925,000	-	-
-	925,000	-	-
-	925,000	-	-
<u>\$ 12,180,000</u>	<u>\$ 14,565,000</u>	<u>\$ 33,575,000</u>	<u>\$ 30,035,000</u>
May 1	May 1	May 1	May 1
May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
6.65% (excluding subsidized portions)	3.30% to 6.55% (excluding subsidized portions)	3.50%	2.25% to 5.25%
<u>\$ 12,180,000</u>	<u>\$ 14,565,000</u>	<u>\$ 36,960,000</u>	<u>\$ 30,035,000</u>