



**GIBRALTAR SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

# GIBRALTAR SCHOOL DISTRICT

For the Year Ended June 30, 2010

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For the Year Ended June 30, 2010

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**INDEPENDENT AUDITORS' REPORT**

November 8, 2010

Board of Education  
Gibraltar School District  
Woodhaven, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **GIBRALTAR SCHOOL DISTRICT**, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gibraltar School District, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gibraltar School District's basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Gibraltar School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

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

## MANAGEMENT'S DISCUSSION and ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Gibraltar School District annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2010. 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 the Gibraltar School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and the Capital Project Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

*Management's Discussion & Analysis (MD&A)*

*(Required Supplemental Information)*

Basic Financial Statements

*District-wide Financial Statements*      *Fund Financial Statements*

*Notes to the Basic Financial Statements*

*Other Supplemental Information*

*Single Audit Section*

### ***Reporting the School District as a Whole - District-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 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 revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - 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 - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues 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 and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community 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 Service and Athletics Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (like 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 and the statement of activities) and governmental funds in reconciliation.

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

The School District is the fiduciary for the funds held on behalf of others. All of the School District's fiduciary activities are reported in a separate statement of fiduciary 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.

The School District is the trustee for the Special Purpose/Trust accounts. These accounts include donations or gifts designated for a specific purpose (i.e. Scholarships). It also acts as the custodial agent for the district's student activity funds.

## The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole and over time, may serve a useful indicator of a government's financial position. Below is a summary of the School District's net assets as of June 30, 2010 and 2009.

### District's Net Assets

	<b>Governmental Activities</b>	
	<b>(in millions)</b>	
	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current and other assets	\$ 15.9	\$ 17.6
Capital assets	59.1	60.0
Other assets	.6	.5
<b>Total assets</b>	<b>75.6</b>	<b>78.1</b>
<b>Liabilities</b>		
Current liabilities	5.5	6.3
Long-term liabilities	50.9	50.6
<b>Total liabilities</b>	<b>56.4</b>	<b>56.9</b>
<b>Net Asset</b>		
Invested in capital assets – net of related debt	13.4	13.5
Restricted	1.5	1.8
Unrestricted	4.3	5.9
<b>Total net assets</b>	<b>\$ 19.2</b>	<b>\$ 21.2</b>

The decrease in total assets and total liabilities at June 30, 2010 from June 30, 2009 is directly related to depreciation expense of the District's buildings, equipment and vehicles paid for through General Fund monies and the issuance of Building and Site Bonds, and the payment of scheduled annual principal and interest payments on bonded indebtedness. The School District's net assets were \$19.2 million at June 30, 2010. Capital assets, net of related debt totaling \$13.4 million, compares the original cost, less depreciation of the School District's capital assets, plus any unspent bond proceeds 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 amount of net assets, \$4.3 million, was unrestricted.

The \$4.3 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Below is a summary of the School District's changes in net assets for the years ended June 30, 2010 and 2009.

## District's Changes in Net Assets

	<b>Governmental Activities</b>	
	<b>(in millions)</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
Revenue:		
Program revenue:		
Charges for services	\$ 1.3	\$ 1.9
Operating grants and contributions	4.9	4.6
General Revenue:		
Property taxes	7.8	8.5
State school aid	22.1	22.6
Other	<u>1.3</u>	<u>1.4</u>
<b>Total revenue</b>	<b>37.4</b>	<b>39.0</b>
Expenses:		
Instruction	20.5	19.1
Support services	11.6	11.6
Community services	.4	.5
Athletics	.6	.6
Food service	1.2	1.5
Interest on long-term debt	2.4	2.5
Other	.5	.5
Unallocated depreciation	<u>2.2</u>	<u>2.1</u>
<b>Total expenses</b>	<b>39.4</b>	<b>38.4</b>
Change in net assets	(2.0)	.6
Net assets, beginning of year	<u>21.2</u>	<u>20.6</u>
<b>Net assets, end of year</b>	<b><u>\$ 19.2</u></b>	<b><u>\$ 21.2</u></b>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$39.4 million. Certain activities were partially funded from those who benefited from the programs (\$1.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4.9 million). We paid for the remaining “public benefit” portion of our governmental activities with \$7.8 million in taxes, \$22.1 million in state foundation allowance and special education, and with our other revenues, i.e., interest and general entitlements.

The School District experienced a decrease in net assets of \$1,967,000.

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 \$11.4 million, which is a decrease of \$2.6 million from last year. The primary reasons for the change are as follows:

In the General Fund, our principal operating fund, the fund balance decreased from \$6,578,351 to \$5,162,546. The change is mainly due to:

- No instructional programs were reduced during the 2009-10 school year. The District adopted a full day Young 5 and Kindergarten program. The increased costs and expenses were taken from the fund balance to fund the programs.
- A decrease in the foundation allowance revenue due to a decrease in blended student enrollment over the 2008-2009 count. The District experienced a loss of 22.7 student FTE's. The per pupil allocation remained at \$7,645 per student for the second year but the state took a proration of \$154 per student or \$570,125 from the district's state aid monies. The allocation was also reduced by \$1.04 million which was offset by the ARRA stabilization monies received through the federal grant process.
- The School District is the DCTC consortium's fiscal agent for the Downriver High School program. This program decreased the fund balance by \$47,000. These monies are listed as a reserved part of General Fund balance, and cannot be used by the School District since it belongs to the Downriver High School program
- An increase in regular and special program expenditures due to increases in salary and contracted services. The Title I and IDEA ARRA monies allowed for some staff increases.
- The increase in retirement and FICA payments due to an increase in staff and their wages.
- The District borrowed a \$1 million State Anticipation Note in April, 2010 with a redemption date of August, 2010. This was the first time in three years that the District needed to borrow monies.

General Fund balance is available to fund costs related to allowable school operating purposes.

The Capital Projects Fund showed a net decrease of \$980,000 due to the purchase of technology equipment for schools and the renovation work done on Barrow (Downriver High School) and Stark Elementary.

Our Special Revenue Funds for the cafeteria program showed a net decrease of approximately \$146,000. At the start of the 2009-10 school year, the District changed management companies for the food service program. We also changed the menus by removing fried foods, removing snack carts from the elementary schools, and increasing salad and meal options at all levels. The General Fund subsidized the Athletic Fund by \$504,000 in 2009-10; the balance of the Athletic revenue is from ticket sales and miscellaneous income,

Combined, the Debt Service Funds showed a fund balance decrease of \$98,000. Millage rates were reduced to a total of 5.10 mills and were adjusted for the individual Debt Service Funds fund balances. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriation, and no fund balance exists at year-end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

**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 revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted on June 9, 2010. A schedule showing the School District’s original and final budget amounts compared with amounts actually paid and received is provided with the basic financial statements.

There were revisions made to the 2009-2010 General Fund original budget. Budgeted revenues were increased due to changes in certain categorical revenue from the State and Federal Grants and a decrease in foundation allowance payments due to the state using ARRA stabilization grant monies to fund a portion of the state aid payments. The combination of changes was a \$377,000 increase to the original budget for revenue in total.

Budgeted expenditures were decreased resulting from the School District’s revised operating plan due to the fluctuations in revenue, employee insurance premiums and staff. The expense budget was increased for property tax refunds due the increased amount of filings with the Michigan Tax Tribunal for SEV adjustments. The amount of transfers to other funds established in the amended budget was \$.5 million and represents support provided by the General Fund to other functions.

**Capital Assets and Debt Administration**

***Capital Assets***

As of June 30, 2010, the School District had \$58.7 million (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment. It includes a capital lease for new laptop computers for all teaching staff, copiers for the buildings and building renovations, less depreciation.

In 2009-2010, work continued on renovations to Barrow School (Downriver High School). We present more detailed information about our capital assets in the notes to the financial statements.

***Debt***

At the end of this year, the School District had \$50.3 million in bonds outstanding versus \$52.4 million in the previous year. The outstanding bonds consist of the following:

2002 School Building and Site Bonds	\$ 2,405,000
2003 Refunding Bonds	1,880,000
2004 Series II Building and Site Bonds	22,390,000
2005 Refunding Bonds	10,030,000
2007 Refunding Bonds	5,675,000
2009 Refunding Bonds	<u>8,000,000</u>
<b>Total</b>	<b><u>\$ 50,380,000</u></b>

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.

Other obligations include accrued early retirement/severance incentives and capital leases. 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 consider many factors when setting the School District's 2010-2011 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 for the 2010-2011 fiscal year is 25 percent and 75 percent of the February 2010 and September 2010 student counts, respectively. The 2010-2011 budget was adopted in June 2010, based on an estimate of students that will be enrolled in September 2010. Due to the loss in student count in the 2009-10 school year, we estimated a loss of 25 students when preparing the budget. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Based on enrollment data at the start of the 2010-2011 school year, we anticipate that the fall student count will be more than the estimate of 3678 used in creating the 2010-2011 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual District resources are not sufficient to fund original appropriations.

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 revenues to fund its appropriation to school districts. The State had not adopted the State Aid bill by June 9, 2010 and the District estimated a per student allocation of \$7,645 for the 2010-2011 school year (the same as the 2009-10 school year allocation) when developing the budget. The District also included a proration of \$433 per student (\$165 and a second possible proration of \$268). This full allocation is based on the District receiving the 18 mills of Non-Homestead taxes each year. The School District successfully passed a millage renewal for ten years for the Non-Homestead taxes in December 2004. These mills are subject to the Headlee Rollback and since the District's State Equalized Value (SEV) increased faster than the inflation rate, it was necessary to ask the residents of the district in May, 2007 to approve authorization to levy up to an additional 3 mills. The election was successful and the district will be able to levy full 18 mills for the 2010 tax year. (17.9370 from the first millage and .063 from the second millage) on eligible properties. The new Michigan Business Tax that went into effect in 2009 gives a tax exemption of 12 mills to commercial personal property and 18 mills for industrial personal property. This will affect the amount of non-homestead taxes levied and collected in the 2010-2011 fiscal year.

It is also important to remember that the State Legislature is continuing to work on a state budget for the fiscal year 2010-2011, including the school state aid allocations. The school state aid package proposed in July, 2010 included the use of ARRA stabilization monies and a proration (decrease) to the allocation of \$154 per pupil. The uncertainty in the Michigan economy as well as the U.S. economy will factor into the State's revenues and its ability to pay this allocation. The monies received will be needed to pay for the increases in salaries, additional staff hired or recalled after July 1<sup>st</sup>, insurance premiums, the state retirement program (increasing to 19.41% on 10/1/10 and 20.66% on 11/1/10), and the cost increases for utility usage and gas for bus transportation. The added costs will be taken from the fund balance as needed to maintain the Board approved programs. The District had one union contract (administrators) expire in June, 2008; an additional union contract (food service) expired in August, 2010. The unions are continuing to bargain at this time.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, 19370 Vreeland Road, Woodhaven, Michigan 48183.

## BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

# GIBRALTAR SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 10,702,911
Receivables	5,223,833
Prepaid items and other assets	594,306
Unamortized bond issuance costs	433,478
Capital assets not being depreciated	401,016
Capital assets being depreciated, net	<u>58,333,494</u>
<b>Total assets</b>	<u>75,689,038</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	4,493,211
Note payable	1,001,389
Unearned revenue	7,990
Noncurrent liabilities:	
Due within one year	2,517,167
Due in more than one year	<u>48,421,749</u>
<b>Total liabilities</b>	<u>56,441,506</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	13,394,018
Restricted for:	
Debt service	1,494,087
Other purposes	61,569
Unrestricted	<u>4,297,858</u>
<b>Total net assets</b>	<u><u>\$ 19,247,532</u></u>

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

# GIBRALTAR SCHOOL DISTRICT

## Statement of Activities For the Year Ended June 30, 2010

<u>Functions / Programs</u>	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 20,511,684	\$ 693,381	\$ 4,371,518	\$ (15,446,785)
Supporting services	11,555,002	-	-	(11,555,002)
Community service	412,227	-	-	(412,227)
Athletics	626,500	125,522	-	(500,978)
Food service	1,186,051	487,847	552,266	(145,938)
Interest on long-term debt	2,418,373	-	-	(2,418,373)
Payments to other districts	515,954	-	-	(515,954)
Unallocated depreciation	2,198,989	-	-	(2,198,989)
<b>Total</b>	<b>\$ 39,424,780</b>	<b>\$ 1,306,750</b>	<b>\$ 4,923,784</b>	<b>(33,194,246)</b>
General revenues:				
				7,834,425
				22,141,267
				1,228,039
				23,151
				<b>31,226,882</b>
				(1,967,364)
				<b>21,214,896</b>
				<b>\$ 19,247,532</b>

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

## FUND FINANCIAL STATEMENTS

# GIBRALTAR SCHOOL DISTRICT

## Balance Sheet Governmental Funds June 30, 2010

ASSETS	General	Capital Project Fund	Nonmajor Funds	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 4,286,631	\$ 4,835,357	\$ 1,580,923	\$ 10,702,911
Accounts receivable	205,878	71	115	206,064
Due from other funds	179,169	-	25,647	204,816
Due from other governments	4,929,075	-	88,694	5,017,769
Inventory	-	-	12,097	12,097
Prepaid expenditures	507,209	-	75,000	582,209
<b>Total assets</b>	<b>\$ 10,107,962</b>	<b>\$ 4,835,428</b>	<b>\$ 1,782,476</b>	<b>\$ 16,725,866</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 150,984	\$ 140,859	\$ 37,083	\$ 328,926
Salaries and related liabilities	3,517,295	-	-	3,517,295
State aid note payable	1,001,389	-	-	1,001,389
Due to other funds	-	15,079	189,737	204,816
Due to other governments	267,758	-	-	267,758
Deferred revenue	7,990	-	-	7,990
<b>Total liabilities</b>	<b>4,945,416</b>	<b>155,938</b>	<b>226,820</b>	<b>5,328,174</b>
<b>Fund balances</b>				
Reserved for:				
Inventory	-	-	12,097	12,097
Prepaid expenditures	507,209	-	75,000	582,209
Downriver Consortium	350,625	-	-	350,625
Debt service	-	-	1,494,087	1,494,087
Unreserved:				
Undesignated	4,304,712	4,679,490	-	8,984,202
Undesignated, reported in nonmajor - Special revenue funds (deficit)	-	-	(25,528)	(25,528)
<b>Total fund balances</b>	<b>5,162,546</b>	<b>4,679,490</b>	<b>1,555,656</b>	<b>11,397,692</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,107,962</b>	<b>\$ 4,835,428</b>	<b>\$ 1,782,476</b>	<b>\$ 16,725,866</b>

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

# GIBRALTAR SCHOOL DISTRICT

## Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets June 30, 2010

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Fund balances - total governmental funds	\$ 11,397,692
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	85,466,887
Deduct: accumulated depreciation	(26,732,377)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: bonds payable, net	(50,041,778)
Deduct: capital lease payable	(411,682)
Deduct: accrued interest payable	(379,232)
Add: unamortized bond issuance costs	433,478
Deduct: long-term portion of compensated absences	(485,456)
<b>Net assets of governmental activities</b>	<b><u>\$ 19,247,532</u></b>

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

## GIBRALTAR SCHOOL DISTRICT

### Statement of Revenue, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2010

	General	Capital Project Funds	Nonmajor Funds	Totals
<b>Revenue</b>				
Local sources	\$ 4,304,832	\$ -	\$ 4,955,343	\$ 9,260,175
State sources	23,663,575	-	71,487	23,735,062
Federal sources	2,738,313	-	480,779	3,219,092
<b>Total revenue</b>	<b>30,706,720</b>	<b>-</b>	<b>5,507,609</b>	<b>36,214,329</b>
<b>Expenditures</b>				
Current				
Education				
Instruction	20,343,687	-	-	20,343,687
Supporting services	11,438,130	-	-	11,438,130
Community services	412,227	-	-	412,227
Athletics	-	-	626,500	626,500
Food service	-	-	1,186,051	1,186,051
Debt service				
Principal repayment	126,523	-	2,062,642	2,189,165
Interest and fiscal charges	20,006	-	2,352,213	2,372,219
Other	-	-	28,223	28,223
Capital outlay	-	995,549	-	995,549
<b>Total expenditures</b>	<b>32,340,573</b>	<b>995,549</b>	<b>6,255,629</b>	<b>39,591,751</b>
Revenue (under) expenditures	(1,633,853)	(995,549)	(748,020)	(3,377,422)
<b>Other financing sources (uses)</b>				
Investment gain	-	15,048	-	15,048
Payments from other districts	1,228,039	-	-	1,228,039
Payments to other districts	(515,954)	-	-	(515,954)
Proceeds from capital lease	10,044	-	-	10,044
Transfers in	-	-	504,081	504,081
Transfers out	(504,081)	-	-	(504,081)
<b>Total other financing sources</b>	<b>218,048</b>	<b>15,048</b>	<b>504,081</b>	<b>737,177</b>
Net change in fund balances	(1,415,805)	(980,501)	(243,939)	(2,640,245)
<b>Fund balances, beginning of year</b>	<b>6,578,351</b>	<b>5,659,991</b>	<b>1,799,595</b>	<b>14,037,937</b>
<b>Fund balances, end of year</b>	<b>\$ 5,162,546</b>	<b>\$ 4,679,490</b>	<b>\$ 1,555,656</b>	<b>\$ 11,397,692</b>

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

# GIBRALTAR SCHOOL DISTRICT

## Reconciliation of the Statement of Revenue, Expenditures and Change in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2010

---

Net change in fund balances - total governmental funds \$ (2,640,245)

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

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

Add: capital outlay	914,732
Deduct: depreciation expense	(2,198,989)

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

Add: principal payments on long-term liabilities	2,189,165
Deduct: proceeds from capital lease	(10,044)
Add: amortization of bond premium	44,411
Deduct: amortization of deferred loss on refunding	(75,067)
Deduct: amortization of bond costs	(36,055)

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

Add: decrease in accrued interest payable on bonds	12,725
Deduct: increase in the accrual for compensated absences	(167,997)

**Change in net assets of governmental activities** \$ (1,967,364)

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

# GIBRALTAR SCHOOL DISTRICT

## Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources				
Property taxes	\$ 4,084,000	\$ 4,084,000	\$ 3,493,426	\$ (590,574)
Earnings on investments and deposits	62,000	7,000	6,341	(659)
Other local revenues	809,739	822,884	805,065	(17,819)
Total revenue from local sources	4,955,739	4,913,884	4,304,832	(609,052)
State sources				
State school aid - unrestricted	23,268,806	21,913,532	22,141,267	227,735
Special education	938,768	938,768	957,441	18,673
At risk	429,000	467,225	450,442	(16,783)
Other	92,208	119,108	114,425	(4,683)
Total revenue from state sources	24,728,782	23,438,633	23,663,575	224,942
Federal sources				
IDEA	1,180,458	1,725,004	1,226,281	(498,723)
Title I	463,017	478,777	312,730	(166,047)
Medicaid reimbursement	15,000	27,000	30,060	3,060
Other	106,704	1,243,829	1,169,242	(74,587)
Total revenue from federal sources	1,765,179	3,474,610	2,738,313	(736,297)
<b>Total revenue</b>	<b>31,449,700</b>	<b>31,827,127</b>	<b>30,706,720</b>	<b>(1,120,407)</b>

continued

# GIBRALTAR SCHOOL DISTRICT

## Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Continued) General Fund For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Expenditures</b>				
Instruction				
Basic Programs				
Elementary	\$ 8,195,607	\$ 7,853,282	\$ 7,820,720	\$ (32,562)
Middle/Junior High	3,900,528	3,728,525	3,707,989	(20,536)
High School	4,220,283	4,204,135	4,252,946	48,811
Pre-School	72,531	97,911	81,886	(16,025)
Summer School	-	62,525	34,592	(27,933)
Added Needs				
Special education	2,776,498	2,576,570	2,427,639	(148,931)
Compensatory education	485,034	572,136	474,153	(97,983)
Vocational education	1,050,481	1,032,902	1,020,451	(12,451)
Alternative education	522,494	542,765	523,311	(19,454)
Total instruction	<u>21,223,456</u>	<u>20,670,751</u>	<u>20,343,687</u>	<u>(327,064)</u>
Supporting Services				
Pupil				
Guidance services	569,671	566,556	546,684	(19,872)
Health services	96,700	90,550	54,989	(35,561)
Psychological	132,424	133,711	133,766	55
Speech	396,158	415,436	397,765	(17,671)
Social work	92,122	94,617	90,321	(4,296)
Other pupil	261,638	326,230	305,788	(20,442)
Instructional staff				
Improvement of instruction	136,181	511,516	124,715	(386,801)
Library	416,618	411,068	398,063	(13,005)
Technology and media	12,010	148,554	70,787	(77,767)
Supervisors and directors	116,742	119,673	109,911	(9,762)
General Administration:				
Board of Education	112,662	123,607	103,798	(19,809)
Executive Administration	307,120	274,542	263,989	(10,553)
School Administration	2,249,531	2,285,643	2,191,287	(94,356)

continued

# GIBRALTAR SCHOOL DISTRICT

## Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Concluded) General Fund For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Expenditures, continued</b>				
Supporting Services, continued				
Business Services				
Fiscal services	\$ 424,506	\$ 413,797	\$ 369,941	\$ (43,856)
Other business services	219,000	248,585	248,449	(136)
Operations and maintenance	4,648,612	4,255,276	3,935,649	(319,627)
Pupil transportation	1,767,698	1,785,047	1,613,520	(171,527)
Central staff	678,313	629,440	478,708	(150,732)
Total supporting services	12,637,706	12,833,848	11,438,130	(1,395,718)
Community Services	513,429	529,099	412,227	(116,872)
Debt Service				
Payment on notes	72,846	72,846	126,523	53,677
Interest payment on notes	15,973	15,973	20,006	4,033
Total debt service	88,819	88,819	146,529	57,710
<b>Total expenditures</b>	<b>34,463,410</b>	<b>34,122,517</b>	<b>32,340,573</b>	<b>(1,781,944)</b>
Revenue (under) expenditures	(3,013,710)	(2,295,390)	(1,633,853)	661,537
<b>Other financing sources (uses)</b>				
Payments from other districts	1,260,348	1,251,886	1,228,039	(23,847)
Payments to other districts	(485,000)	(523,125)	(515,954)	7,171
Proceeds from capital lease	-	-	10,044	10,044
Transfer out	(516,508)	(613,871)	(504,081)	109,790
<b>Total other financing sources</b>	<b>258,840</b>	<b>114,890</b>	<b>218,048</b>	<b>103,158</b>
Net change in fund balance	(2,754,870)	(2,180,500)	(1,415,805)	764,695
<b>Fund balance, beginning of year</b>	<b>6,578,351</b>	<b>6,578,351</b>	<b>6,578,351</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 3,823,481</b>	<b>\$ 4,397,851</b>	<b>\$ 5,162,546</b>	<b>\$ 764,695</b>

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

**GIBRALTAR SCHOOL DISTRICT**

**Statement of Fiduciary Net Assets  
All Fiduciary Funds  
June 30, 2010**

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	<b>Private Purpose Trust Funds</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 45,752</u>	<u>\$ 207,957</u>
<b>Liabilities</b>		
Due to student groups and activities	<u>-</u>	<u>\$ 207,957</u>
<b>Net assets</b>		
Unrestricted	<u>\$ 45,752</u>	

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

# GIBRALTAR SCHOOL DISTRICT

## Statement of Changes in Fiduciary Net Assets Private Purpose Trust Fund For the Year Ended June 30, 2010

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<b>Revenue</b>	
Local sources	
Earnings on investments	\$ 20
Contributions	15,322
	<hr/>
<b>Total revenue</b>	15,342
<b>Expenses</b>	
Scholarships	9,800
	<hr/>
Change in net assets	5,542
<b>Net assets, beginning of year</b>	40,210
	<hr/>
<b>Net assets, end of year</b>	<b>\$ 45,752</b>
	<hr/> <hr/>

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

## NOTES to the FINANCIAL STATEMENTS

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting entity**

The Gibraltar School District (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statements No. 14 and No. 39 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

#### **B. District-wide and fund financial statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended 2010.

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

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

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds use the accrual basis of accounting but do not use the economic resource measurement focus.

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

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

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

The District reports the following major governmental funds:

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

The capital project fund accounts for the construction as well as, the acquisition of capital assets and the renovation of certain other District facilities. These projects are funded by two general obligation unlimited tax bond issues.

Additionally, the District reports the following fund types:

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The District's special revenue funds include the food services and athletics funds. Any operating deficit generated by these activities is the responsibility of the general fund.

The debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The fiduciary funds are assets held by the District in a trustee capacity or as an agent on behalf of others. The District has two fiduciary funds, which include the private-purpose trust and the student activities agency fund. The private-purpose trust includes contributions received by the District to be awarded in the form of scholarships. The student activities agency fund is used to account for transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

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

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

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

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

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

### **D. Assets, liabilities and equity**

#### ***1. Deposits and investments***

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

#### ***Statutory Authority***

Michigan law authorizes the District to deposit and invest in:

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

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

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- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for the following types of investments.

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- (b) Certificates of deposit insured by a State or national bank, organized and authorized to operate in this State or certificates of deposits issued by a State or Federal savings and loan association, organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Surplus funds investment pools under P.A. 1982, No. 367.

### **2. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

### **3. *Inventories and prepaid items***

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

### **4. *Capital assets***

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

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	20-25
Buildings and improvements	50
Furniture and equipment	5-10
Licensed vehicles	5-12

### 5. *Compensated absences*

The liability for compensated absences reported in the district-wide statements consists of accrued sick time and severance pay. A liability for these amounts is reported in governmental funds only if they have matured, such as for employee resignations and retirements. 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.

### 6. *Long-term obligations*

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

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

### 7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

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

All annual appropriations lapse at fiscal year end.

#### B. Excess of expenditures over appropriations

During the year, the District incurred expenditures in certain budgeted funds which were in excess of amounts appropriated as follows:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund -				
Instruction -				
High school	\$ 4,220,283	\$ 4,204,135	\$ 4,252,946	\$ 48,811
Debt service	88,819	88,819	146,529	57,710

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

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

<b>Statement of net assets</b>	
Cash and cash equivalents	\$ 10,702,911
<b>Fiduciary funds</b>	
Cash and cash equivalents	<u>253,709</u>
	<b><u>\$ 10,956,620</u></b>
Cash on hand	\$ 100
Deposits	6,121,494
Investments	<u>4,835,026</u>
	<b><u>\$ 10,956,620</u></b>

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Michigan Liquid Asset Fund	n/a	\$ 3,315,841	S&P - AAAM
Money market funds	n/a	<u>1,519,185</u>	n/a
Total investments		<u>\$ 4,835,026</u>	

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

### *Investment and Deposit Risk*

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end \$6,335,344 of the District's bank balance of \$6,797,802 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

### **B. Receivables**

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

	<b>General</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Accounts receivable	\$ 205,878	\$ 71	\$ 115	\$ 206,064
Due from other governments	4,929,075	-	88,694	5,017,769
	<b>\$ 5,134,953</b>	<b>\$ 71</b>	<b>\$ 88,809</b>	<b>\$ 5,223,833</b>

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

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### C. Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2010 is as follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 179,169	\$ -
Capital projects fund	-	15,079
Nonmajor governmental funds	<u>25,647</u>	<u>189,737</u>
	<u><u>\$ 204,816</u></u>	<u><u>\$ 204,816</u></u>

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

The composition of interfund transfers for the year ended is as follows:

	<u>Transfers In</u>
<u>Transfers Out</u>	<u>Non-Major Funds</u>
<b>General Fund</b>	<u><u>\$ 504,081</u></u>

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

For the year ended June 30, 2010, the District transferred funds from the general fund to subsidize the athletics program.

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

### C. Capital assets

The following is a summary of capital asset activity for the year ended June 30, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 401,016	\$ -	\$ -	\$ 401,016
Construction in progress	1,736,831	-	1,736,831	-
Total capital assets not being depreciated	<u>2,137,847</u>	<u>-</u>	<u>1,736,831</u>	<u>401,016</u>
Capital assets being depreciated:				
Buildings and improvements	73,143,646	2,540,132	-	75,683,778
Equipment and furniture	7,643,240	111,431	92,293	7,662,378
Vehicles and buses	1,754,796	-	35,081	1,719,715
Total capital assets being depreciated	<u>82,541,682</u>	<u>2,651,563</u>	<u>127,374</u>	<u>85,065,871</u>
Less accumulated depreciation for:				
Buildings and improvements	18,360,147	1,457,806	-	19,817,953
Equipment and furniture	5,005,624	626,687	92,293	5,540,018
Vehicles and buses	1,294,991	114,496	35,081	1,374,406
Total accumulated depreciation	<u>24,660,762</u>	<u>2,198,989</u>	<u>127,374</u>	<u>26,732,377</u>
Total capital assets being depreciated, net	<u>57,880,920</u>	<u>452,574</u>	<u>-</u>	<u>58,333,494</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 60,018,767</b></u>	<u><b>\$ 452,574</b></u>	<u><b>\$ 1,736,831</b></u>	<u><b>\$ 58,734,510</b></u>

Depreciation expense was not charged to functions/programs of the primary government as the District considers its assets to impact multiple activities and allocation is not practical.

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

### E. Payables

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	<b>General</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Accounts payable	\$ 150,984	\$ 140,859	\$ 37,083	\$ 328,926
Salaries and related liabilities	3,517,295	-	-	3,517,295
Due to other governments	267,758	-	-	267,758
	<b>\$ 3,936,037</b>	<b>\$ 140,859</b>	<b>\$ 37,083</b>	4,113,979
Accrued interest on long-term debt				379,232
<b>Governmental activities</b>				<b>\$ 4,493,211</b>

### F. Long-term debt

The following is a summary of bond, note, and compensated absence transactions of the District for the year ended June 30, 2010:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities</b>					
General obligation bonds	\$ 52,440,000	\$ -	\$ 2,060,000	\$ 50,380,000	\$ 2,135,000
Less:					
Unamortized (discount) and premium	778,327	-	44,411	733,916	-
Deferred loss on refunding	(1,147,205)	-	(75,067)	(1,072,138)	-
Capital lease	530,803	10,044	129,165	411,682	135,398
Compensated absences	317,459	320,000	152,003	485,456	246,769
	<b>\$ 52,919,384</b>	<b>\$ 330,044</b>	<b>\$ 2,310,512</b>	<b>\$ 50,938,916</b>	<b>\$ 2,517,167</b>

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

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Bonds payable at June 30, 2010, are comprised of the following issues:

### General Obligation Bonds:

Refunding Bonds, Series 2003 – Unlimited Tax General Obligation - \$4,305,000 refunding bonds, installments of \$315,000 to \$590,000 from May 1, 2014 through May 1, 2017, interest at 3.0% to 3.70%	\$ 1,880,000
2002 School Building and Site Bonds – Unlimited Tax General Obligation – \$21,440,000 term bonds due in annual installments of \$375,000 to \$1,200,000 from May 1, 2005 through May 1, 2025, interest at 3.25% to 5.50%.	2,405,000
2004 School Building and Site Bonds – Unlimited Tax General Obligation – \$32,610,000 term bonds due in annual installments of \$575,000 to \$1,850,000 from May 1, 2005 through May 1, 2028, interest at 2.40% to 5.00%.	22,390,000
Refunding Bonds, Series 2005 – Unlimited Tax General Obligation – \$10,280,000 term bonds due in annual installments of \$50,000 to \$1,255,000 from May 1, 2006 through May 1, 2022, interest at 3.625% to 5.0%.	10,030,000
2006 Building and Site Refunding Bonds - \$5,725,000 term bonds due in annual installments of \$15,000 to \$1,220,000 through May 1, 2028, interest at 3.45% to 4.125%.	5,675,000
Refunding Bond, Series 2007 - Unlimited Tax General Obligation - \$8,000,000 term bonds due in annual installments of \$25,000 to \$1,845,000 through May 1, 2028; interest at 4.125% to 4.250%.	<u>8,000,000</u>
	<b><u>\$ 50,380,000</u></b>

### *Advance Refundings*

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net assets. The balance of defeased bonds outstanding as of June 30, 2010 was \$22,810,000, which represents amounts placed in escrow as part of the 2003, 2005, 2006 and 2007 debt refundings.

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year</u>	<u>Principle Due</u>	<u>Interest Due</u>	<u>Total</u>
2011	\$ 2,135,000	\$ 2,275,395	\$ 4,410,395
2012	2,215,000	2,184,251	4,399,251
2013	2,300,000	2,087,507	4,387,507
2014	2,400,000	1,986,264	4,386,264
2015	2,500,000	1,889,715	4,389,715
2016-2020	14,400,000	7,492,908	21,892,908
2021-2025	15,355,000	3,998,520	19,353,520
2026-2028	9,075,000	754,671	9,829,671
	<u>\$ 50,380,000</u>	<u>\$ 22,669,230</u>	<u>\$ 73,049,230</u>

The capital lease obligation is for copiers and laptops. The copier lease requires quarterly installments of \$20,213 (including interest) to be paid beginning July 2008 and ending April 2013. There are two separate laptop leases. One requires monthly installments of \$5,534 (including interest) to be paid beginning May 2009 and ending April 2013. The other requires monthly installments of \$263 (including interest) to be paid beginning October 2009 and ending February 2013.

Annual debt service requirements to maturity for capital leases are as follows:

<u>Year Ended</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2011	\$ 135,398	\$ 15,023	\$ 150,421
2012	141,191	9,230	150,421
2013	135,093	3,208	138,301
	<u>\$ 411,682</u>	<u>\$ 27,461</u>	<u>\$ 439,143</u>

The District has a short-term state aid note of \$1,000,000, plus interest of \$1,389 are included as a liability in the general fund at June 30, 2010. This note carries an interest rate of 0.40% and is due August 20, 2010.

Short-term debt activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
State Aid Notes	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

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### **G. Commitments and Contingencies**

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District. Also, as is the case with other entities, the District faces exposure from potential claims and legal proceedings involving various matters. There are proceedings which have been asserted as of June 30, 2010. Management believes that any adverse ruling against the District, if any, would not have a significant impact on the financial position of the District.

## **IV. OTHER INFORMATION**

### **A. Risk management**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance to satisfy any claims related to general liability, vehicle liability, property and casualty, athletic participation, employee health and accident and errors, and omissions. The District participates in M.E.S.S.A. for teacher's health care. The shared risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan.

### **B. Property taxes**

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied by the Cities of Gibraltar, Flat Rock, Rockwood, Woodhaven, and Brownstown Township on July 1, of each fiscal year. All levies become delinquent on February 14. The Delinquent Tax Revolving Funds of Wayne County advance delinquent real taxes to the District.

### **C. Defined benefit pension plan**

#### **Plan Description**

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

# GIBRALTAR SCHOOL DISTRICT

## Notes to the Financial Statements

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The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, PO Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

### **Funding Policy**

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 16.94% of annual covered payroll. The contribution requirements of plan members and the Gibraltar School District are established by Michigan State statute and may be amended only by action of the State Legislature. The School District's contributions to MPSERS for the years ended June 30, 2010, 2009 and 2008 were \$3,000,813, \$2,931,442 and \$2,823,354, respectively, equal to the required contributions for each year.

### **Other Postemployment Benefits**

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance included as part of the District's total monthly contribution to the pension plan discussed above.

Pension recipients are eligible for fully paid (self only, additional charges apply to dependent coverage) Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

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

\* \* \* \* \*

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS

# GIBRALTAR SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2010

ASSETS	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 107,488	\$ 1,473,435	\$ 1,580,923
Accounts receivable	115	-	115
Due from other funds	-	25,647	25,647
Due from other governmental units	88,694	-	88,694
Inventory	12,097	-	12,097
Prepaid expenditures	75,000	-	75,000
<b>Total assets</b>	<b><u>\$ 283,394</u></b>	<b><u>\$ 1,499,082</u></b>	<b><u>\$ 1,782,476</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 32,088	\$ 4,995	\$ 37,083
Due to other funds	189,737	-	189,737
Total liabilities	<u>221,825</u>	<u>4,995</u>	<u>226,820</u>
<b>Fund balances</b>			
Reserved for:			
Inventory	12,097	-	12,097
Prepaid expenditures	75,000	-	75,000
Debt service	-	1,494,087	1,494,087
Unreserved -			
Undesignated (deficit)	<u>(25,528)</u>	<u>-</u>	<u>(25,528)</u>
Total fund balances	<u>61,569</u>	<u>1,494,087</u>	<u>1,555,656</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 283,394</u></b>	<b><u>\$ 1,499,082</u></b>	<b><u>\$ 1,782,476</u></b>

# GIBRALTAR SCHOOL DISTRICT

## Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2010

	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Totals</b>
<b>Revenue</b>			
Local sources	\$ 613,369	\$ 4,341,974	\$ 4,955,343
State sources	71,487	-	71,487
Federal sources	480,779	-	480,779
	1,165,635	4,341,974	5,507,609
<b>Expenditures</b>			
Current:			
Athletics	626,500	-	626,500
Food service	1,186,051	-	1,186,051
Debt service:			
Principal repayment	2,642	2,060,000	2,062,642
Interest and fiscal charges	461	2,351,752	2,352,213
Other	-	28,223	28,223
	1,815,654	4,439,975	6,255,629
Revenue under expenditures	(650,019)	(98,001)	(748,020)
<b>Other financing sources</b>			
Transfers in	504,081	-	504,081
Net change in fund balance	(145,938)	(98,001)	(243,939)
<b>Fund balances, beginning of year</b>	<b>207,507</b>	<b>1,592,088</b>	<b>1,799,595</b>
<b>Fund balances, end of year</b>	<b>\$ 61,569</b>	<b>\$ 1,494,087</b>	<b>\$ 1,555,656</b>

# GIBRALTAR SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2010

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	<u>Athletics</u>	<u>Food Service</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 107,488	\$ 107,488
Accounts receivable	-	115	115
Due from other governmental units	-	88,694	88,694
Inventory	-	12,097	12,097
Prepaid expenditures and other	-	75,000	75,000
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 283,394</b>	<b>\$ 283,394</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 32,088	\$ 32,088
Due to other funds	-	189,737	189,737
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>-</b>	<b>221,825</b>	<b>221,825</b>
	<hr/>	<hr/>	<hr/>
<b>Fund balances</b>			
Reserved for inventory and prepaids	-	87,097	87,097
Unreserved (deficit)	-	(25,528)	(25,528)
	<hr/>	<hr/>	<hr/>
Total fund balances	-	61,569	61,569
	<hr/>	<hr/>	<hr/>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 283,394</b>	<b>\$ 283,394</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# GIBRALTAR SCHOOL DISTRICT

## Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Year Ended June 30, 2010

	<u>Athletics</u>	<u>Food Service</u>	<u>Total</u>
<b>Revenue</b>			
Local sources:			
Ticket sales	\$ 79,048	\$ -	\$ 79,048
Food sales	-	485,376	485,376
Miscellaneous	46,474	2,471	48,945
Total revenue from local sources	<u>125,522</u>	<u>487,847</u>	<u>613,369</u>
State sources	-	71,487	71,487
Federal sources	-	480,779	480,779
<b>Total revenue</b>	<b><u>125,522</u></b>	<b><u>1,040,113</u></b>	<b><u>1,165,635</u></b>
<b>Expenditures</b>			
Current			
Salaries	331,278	406,502	737,780
Benefits	118,020	147,586	265,606
Supplies and materials	2,881	460,368	463,249
Purchased services	90,912	156,419	247,331
Other	34,144	15,176	49,320
Debt service			
Principal repayment	2,642	-	2,642
Interest and fiscal charges	461	-	461
Capital outlay	49,265	-	49,265
<b>Total expenditures</b>	<b><u>629,603</u></b>	<b><u>1,186,051</u></b>	<b><u>1,815,654</u></b>
Revenue under expenditures	(504,081)	(145,938)	(650,019)
<b>Other financing sources</b>			
Transfers in from other funds	504,081	-	504,081
Net change in fund balance	-	(145,938)	(145,938)
Fund balances, beginning of year	-	207,507	207,507
<b>Fund balances, end of year</b>	<b><u>\$ -</u></b>	<b><u>\$ 61,569</u></b>	<b><u>\$ 61,569</u></b>

# GIBRALTAR SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2010

	1996 Judgment Bond Fund	2003 Refunding Bond Fund	2002 Capital Project Series I Debt	2002 Capital Project Series I I Debt	2005 Refunding Bond Fund
<b>ASSETS</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 69,356	\$ 265,637	\$ 188,288	\$ 428,044	\$ 166,734
Due from other funds	174	3,950	3,233	12,836	2,970
<b>Total assets</b>	<b>\$ 69,530</b>	<b>\$ 269,587</b>	<b>\$ 191,521</b>	<b>\$ 440,880</b>	<b>\$ 169,704</b>
<b>FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ (89)	\$ 796	\$ 637	\$ 2,608	\$ 596
<b>Fund balances, reserved for debt service</b>	69,619	268,791	190,884	438,272	169,108
<b>Total liabilities and fund balances</b>	<b>\$ 69,530</b>	<b>\$ 269,587</b>	<b>\$ 191,521</b>	<b>\$ 440,880</b>	<b>\$ 169,704</b>

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<b>2006</b>	<b>2007</b>	
<b>Refunding</b>	<b>Refunding</b>	
<b>Bond</b>	<b>Bond</b>	
<b>Fund</b>	<b>Fund</b>	<b>Total</b>
\$ 264,551	\$ 90,825	\$ 1,473,435
<u>1,628</u>	<u>856</u>	<u>25,647</u>
<b><u>\$ 266,179</u></b>	<b><u>\$ 91,681</u></b>	<b><u>\$ 1,499,082</u></b>

\$ 325	\$ 122	\$ 4,995
<u>265,854</u>	<u>91,559</u>	<u>1,494,087</u>
<b><u>\$ 266,179</u></b>	<b><u>\$ 91,681</u></b>	<b><u>\$ 1,499,082</u></b>

# GIBRALTAR SCHOOL DISTRICT

## Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Debt Service Funds For the Year Ended June 30, 2010

	<b>1996 Judgment Bond Fund</b>	<b>2003 Refunding Bond Fund</b>	<b>2002 Capital Project Series I Debt</b>	<b>2002 Capital Project Series I I Debt</b>	<b>2005 Refunding Bond Fund</b>
<b>Revenue</b>					
Local sources:					
Property taxes	\$ 574	\$ 680,931	\$ 553,338	\$ 2,212,228	\$ 510,333
Earnings on investments and deposits	68	308	232	671	183
<b>Total revenue</b>	<b>642</b>	<b>681,239</b>	<b>553,570</b>	<b>2,212,899</b>	<b>510,516</b>
<b>Expenditures</b>					
Debt Service:					
Principal	-	555,000	435,000	1,000,000	50,000
Interest	-	84,541	113,708	1,142,000	446,563
Other	372	4,522	3,525	13,507	3,183
<b>Total expenditures</b>	<b>372</b>	<b>644,063</b>	<b>552,233</b>	<b>2,155,507</b>	<b>499,746</b>
Net change in fund balance	270	37,176	1,337	57,392	10,770
<b>Fund balances, beginning of year</b>	<b>69,349</b>	<b>231,615</b>	<b>189,547</b>	<b>380,880</b>	<b>158,338</b>
<b>Fund balances, end of year</b>	<b>\$ 69,619</b>	<b>\$ 268,791</b>	<b>\$ 190,884</b>	<b>\$ 438,272</b>	<b>\$ 169,108</b>

<b>2006 Refunding Bond Fund</b>	<b>2007 Refunding Bond Fund</b>	<b>Total</b>
\$ 280,838	\$ 101,970	\$ 4,340,212
176	124	1,762
<b>281,014</b>	<b>102,094</b>	<b>4,341,974</b>
20,000	-	2,060,000
230,720	334,220	2,351,752
2,193	921	28,223
<b>252,913</b>	<b>335,141</b>	<b>4,439,975</b>
28,101	(233,047)	(98,001)
<b>237,753</b>	<b>324,606</b>	<b>1,592,088</b>
<b>\$ 265,854</b>	<b>\$ 91,559</b>	<b>\$ 1,494,087</b>

## SINGLE AUDIT

**GIBRALTAR SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Program or Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2009	Internal Transfers	Cash Received/ Payments In Kind	Expenditures	Accrued (Deferred) Revenue at June 30, 2010
U.S. Department of Agriculture:								
Passed Through the Michigan Department of Education:								
Non-Cash Assistance (Commodities):								
Entitlement Commodities 2009/2010	10.555	\$ 45,909	\$ -	\$ -	\$ -	\$ 35,486	\$ 35,486	\$ -
Bonus Commodities 2009/2010	10.555	7,355	-	-	-	7,355	7,355	-
Non-Cash Assistance Subtotal		53,264	-	-	-	42,841	42,841	-
Cash Assistance:								
National School Breakfast Program 2008/2009	10.553	75,108	75,107	4,438	-	4,438	-	-
National School Breakfast Program 2009/2010	10.553	70,155	-	-	-	57,045	70,155	13,110
National School Lunch Program 2008/2009	10.555	304,710	304,710	7,375	-	7,375	-	-
National School Lunch Program 2009/2010	10.555	367,783	-	-	-	307,138	367,783	60,645
Cash Assistance Subtotal		817,756	379,817	11,813	-	375,996	437,938	73,755
<b>Total U.S. Department of Agriculture</b>		<b>871,020</b>	<b>379,817</b>	<b>11,813</b>	<b>-</b>	<b>418,837</b>	<b>480,779</b>	<b>73,755</b>
U.S. Department of Education:								
Direct -								
CRISIS Grant - Q184E090014	84.184E	79,896	-	-	-	36,972	44,027	7,055
Passed Through the Michigan Department of Education:								
ARRA - Education Stabilization Fund:								
Project 092525/0809	84.394	1,385,105	1,385,105	1,385,105	-	1,385,105	-	-
Project 102525/0910	84.394	1,044,482	-	-	-	759,600	1,044,482	284,882
Title I:								
Project 091530/0809	84.010	301,053	291,848	60,611	(9,205)	60,611	-	-
Project 101530/0910	84.010	311,681	-	-	-	164,706	225,966	61,260
Title I - ARRA -								
Project 101535/0910	84.389	167,096	-	-	-	74,151	86,764	12,613
Title II Part A:								
Project 090520/0809	84.367	95,479	82,779	(3,160)	(9,540)	-	3,160	-
Project 100520/0910	84.367	103,554	-	-	-	59,932	64,384	4,452
Title II Part D -								
Project 104290/0910	84.318	6,146	-	-	-	3,285	3,326	41
Total Passed Through the State of Michigan Department of Education		3,414,596	1,759,732	1,442,556	(18,745)	2,507,390	1,428,082	363,248

continued...

**GIBRALTAR SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards (concluded)**  
**For the Year Ended June 30, 2010**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Program or Award Amount</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Accrued (Deferred) Revenue at July 1, 2009</b>	<b>Internal Transfers</b>	<b>Cash Received/ Payments In Kind</b>	<b>Expenditures</b>	<b>Accrued (Deferred) Revenue at June 30, 2010</b>
U.S. Department of Education (concluded):								
Passed Through Wayne County Regional Educational Service Agency:								
I.D.E.A. Flow-Through:								
Project: 090450	84.027A	\$ 774,077	\$ 774,077	\$ 145,362	\$ -	\$ 145,362	\$ -	\$ -
Project: 100450	84.027A	793,266	-	-	-	540,921	802,637	261,716
I.D.E.A - ARRA -								
Project: 100455	84.391A	931,736	-	-	-	453,853	423,644	(30,209)
Total I.D.E.A. Flow-Through		<u>2,499,079</u>	<u>774,077</u>	<u>145,362</u>	<u>-</u>	<u>1,140,136</u>	<u>1,226,281</u>	<u>231,507</u>
Safe and Drug Free Schools:								
Project: 092860-0809	84.186	5,300	1,628	1,628	(3,672)	1,628	-	-
Project: 102860-0910	84.186	9,863	-	-	-	6,705	9,863	3,158
Total Safe and Drug Free Schools		<u>15,163</u>	<u>1,628</u>	<u>1,628</u>	<u>(3,672)</u>	<u>8,333</u>	<u>9,863</u>	<u>3,158</u>
Total Passed Through the Wayne County Regional Educational Services Agency								
		<u>2,514,242</u>	<u>775,705</u>	<u>146,990</u>	<u>(3,672)</u>	<u>1,148,469</u>	<u>1,236,144</u>	<u>234,665</u>
<b>Total U.S. Department of Education</b>		<b><u>6,008,734</u></b>	<b><u>2,535,437</u></b>	<b><u>1,589,546</u></b>	<b><u>(22,417)</u></b>	<b><u>3,692,831</u></b>	<b><u>2,708,253</u></b>	<b><u>604,968</u></b>
U.S. Department of Health & Human Services -								
Passed through Michigan Department of Community Health -								
Passed Through Wayne County Regional Educational Service Agency -								
Medicaid Outreach	93.778	30,060	-	-	-	28,126	30,060	1,934
<b>Total expenditures of federal awards</b>		<b><u>\$ 6,909,814</u></b>	<b><u>\$ 2,915,254</u></b>	<b><u>\$ 1,601,359</u></b>	<b><u>\$ (22,417)</u></b>	<b><u>\$ 4,139,794</u></b>	<b><u>\$ 3,219,092</u></b>	<b><u>\$ 680,657</u></b>

# **GIBRALTAR SCHOOL DISTRICT**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2010**

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### **1. SECTION I - SUMMARY OF AUDITORS' RESULTS**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Gibraltar School District (the "District"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The reporting entity of Gibraltar School District is defined in Note 1 of the District's basic financial statements.

The amounts reported on the R7120 (Grant Section Auditor's Report) reconcile with this schedule.

### **2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note I of the District's basic financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

November 8, 2010

To the Board of Education of  
Gibraltar School District  
Woodhaven, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gibraltar School District, as of and for the year ended June 30, 2010, which collectively comprise the District's financial statements, and have issued our report thereon dated November 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

In addition, we noted certain matters that we reported to management of the District in a separate letter dated November 8, 2010.

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

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive style with a large, prominent 'L' and 'J'.

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

November 8, 2010

To the Board of Education of  
Gibraltar School District  
Woodhaven, Michigan

**Compliance**

We have audited the compliance of Gibraltar School District with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Gibraltar School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

## **Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

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

# GIBRALTAR SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified

\_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes  X  no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes  X  no

Significant deficiency (ies) identified?

\_\_\_\_\_ yes  X  none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

\_\_\_\_\_ yes  X  no

# GIBRALTAR SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED JUNE 30, 2010

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### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010 & 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391 & 84.392	Special Education Cluster
84.394	State Fiscal Stabilization Fund (ARRA)

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

Auditee qualified as low-risk auditee?  X  yes   no

### SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

### SECTION IV – PRIOR YEAR FINDINGS

#### 2009-1 Segregation of Incompatible Duties

Issue was adequately resolved

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