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HARRISON COMMUNITY SCHOOLS HARRISON, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2010

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RSM McGladrey Network

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Independent Auditors' Report

September 3, 2010

Board of Education
Harrison Community Schools
Harrison, Michigan

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Community Schools as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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CERTIFIED PUBLIC ACCOUNTANTS
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Board of Education
Harrison Community Schools
September 3, 2010
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated September 3, 2010 on our consideration of the School District's internal control over financial reporting and our tests of 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 and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by the U.S. generally accepted accounting principles and 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 required supplemental 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 Harrison Community Schools' basic financial statements. The combining and individual nonmajor fund financial statements, debt schedules, and schedule of expenditures of federal awards are presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and debt schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

HARRISON COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2010

Our discussion and analysis of the Harrison Community School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2010.

Financial Highlights

The School District's net assets increased by \$1,071,461 or 33%. Program revenues accounted for \$5.3 million or 30% of total revenues and general revenues accounted for \$12.2 million or 70%.

The General Fund reported a positive fund balance of \$2,654,400.

Using this Annual Financial Report

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

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

Basic Financial Statements

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

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

HARRISON COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2010

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

HARRISON COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2010

Fiduciary Funds

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

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2010 and 2009:

Exhibit A	Governmental Activities	
	2010	2009
Assets		
Current and other assets	\$ 4,800,000	\$ 4,200,000
Capital assets - net of accumulated depreciation	12,400,000	13,000,000
Total assets	17,200,000	17,200,000
Liabilities		
Current liabilities	2,900,000	3,000,000
Long-term liabilities	10,000,000	11,000,000
Total liabilities	12,900,000	14,000,000
Net Assets		
Investment in Capital Assets - net of related debt	3,300,000	3,200,000
Restricted	300,000	200,000
Unrestricted	700,000	(200,000)
Total net assets	\$ 4,300,000	\$ 3,200,000

HARRISON COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2010

The Table analysis on the previous page focuses on net assets (see Exhibit A). The School District's net assets were \$4,300,000 at June 30, 2010. Capital assets, net of related debt totaling \$3,300,000 compares the original costs, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

The \$700,000 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

HARRISON COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2010

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

Exhibit B	Governmental Activities	
	2010	2009
Revenue		
Program revenue:		
Charges for services	\$ 700,000	\$ 300,000
Grants and categoricals	4,700,000	3,800,000
General revenue:		
Property taxes	4,800,000	4,600,000
State foundation allowance	7,300,000	7,500,000
Other	0	100,000
	<u>17,500,000</u>	<u>16,300,000</u>
Function/Program Expenses		
Instruction	9,900,000	9,900,000
Support services	4,100,000	4,400,000
Food services	1,000,000	900,000
Athletics	200,000	300,000
Community services	100,000	100,000
Interest on long-term debt	400,000	500,000
Depreciation and amortization (unallocated)	700,000	0
	<u>16,400,000</u>	<u>16,100,000</u>
Change in Net Assets	<u>\$ 1,100,000</u>	<u>\$ 200,000</u>

HARRISON COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2010

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$16.4 million. Certain activities were partially funded from those who benefited from the programs, \$700,000 or by the other governments and organizations that subsidized certain programs with grants and categoricals, \$4.7 million. We paid for the remaining “public benefit” portion of our governmental activities with \$4.8 million in taxes, \$7.3 million in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$1.1 million. The key reason for the change in net assets was the reduction in the expenses in our unrestricted net assets. The district tried to hold tight and eliminate unneeded expenses.

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of \$3.1 million, which is more than last year's total of \$2.4 million. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2010 and 2009.

	<u>Fund Balance</u> <u>June 30, 2010</u>	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 2,654,400	\$ 1,962,261	\$ 692,139
Special Revenue	157,670	183,935	(26,265)
Debt Service	274,317	300,797	(26,480)
Total	<u>\$ 3,086,387</u>	<u>\$ 2,446,993</u>	<u>\$ 639,394</u>

In the General Fund, our principal operating fund, the fund balance increased from \$2.0 million to \$2.7 million. The increase is due to:

- Decrease in student enrollment
- Increase insurance and energy costs
- Minor increase in current year foundation allowance
- Elimination of most non-essential spending

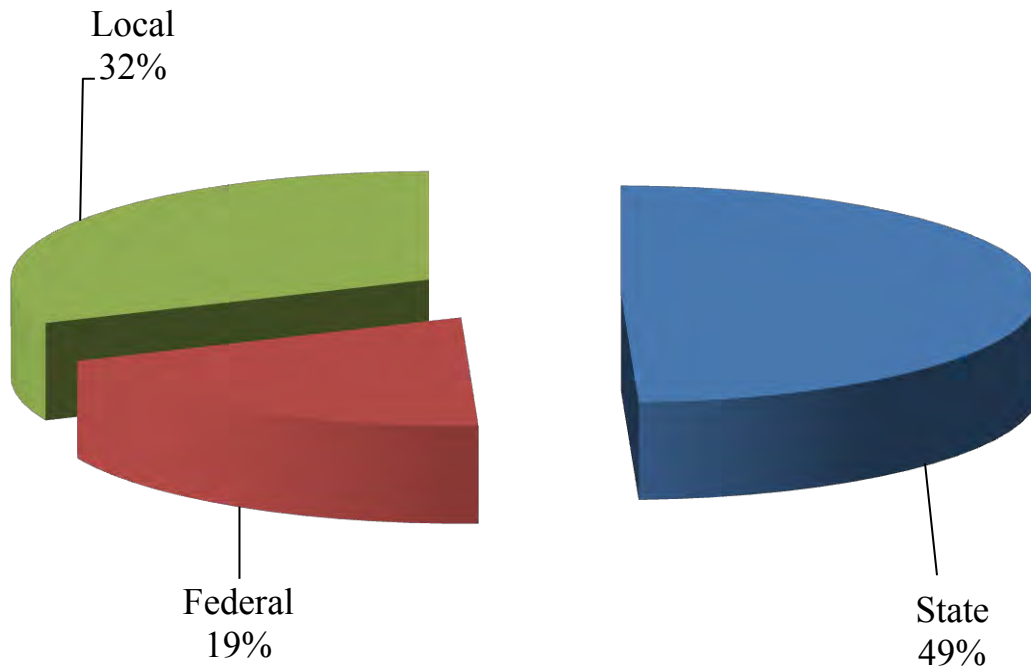
Athletic Activities had no change in fund balance. The Food Services decreased by \$26,265 due to higher food and employee costs.

HARRISON COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2010

Combined, the Debt Service Funds showed a fund balance decrease of \$26,480. This is due to taxable values decreasing, therefore receiving less in tax collections for the year, to offset debt payments. Debt Service Funds are reserved since they can only be used to pay debt service obligations.

As the graph below illustrates, the largest portion of the School District's revenue comes from state sources. Forty nine (49%) percent of the School District's revenue comes from state sources.

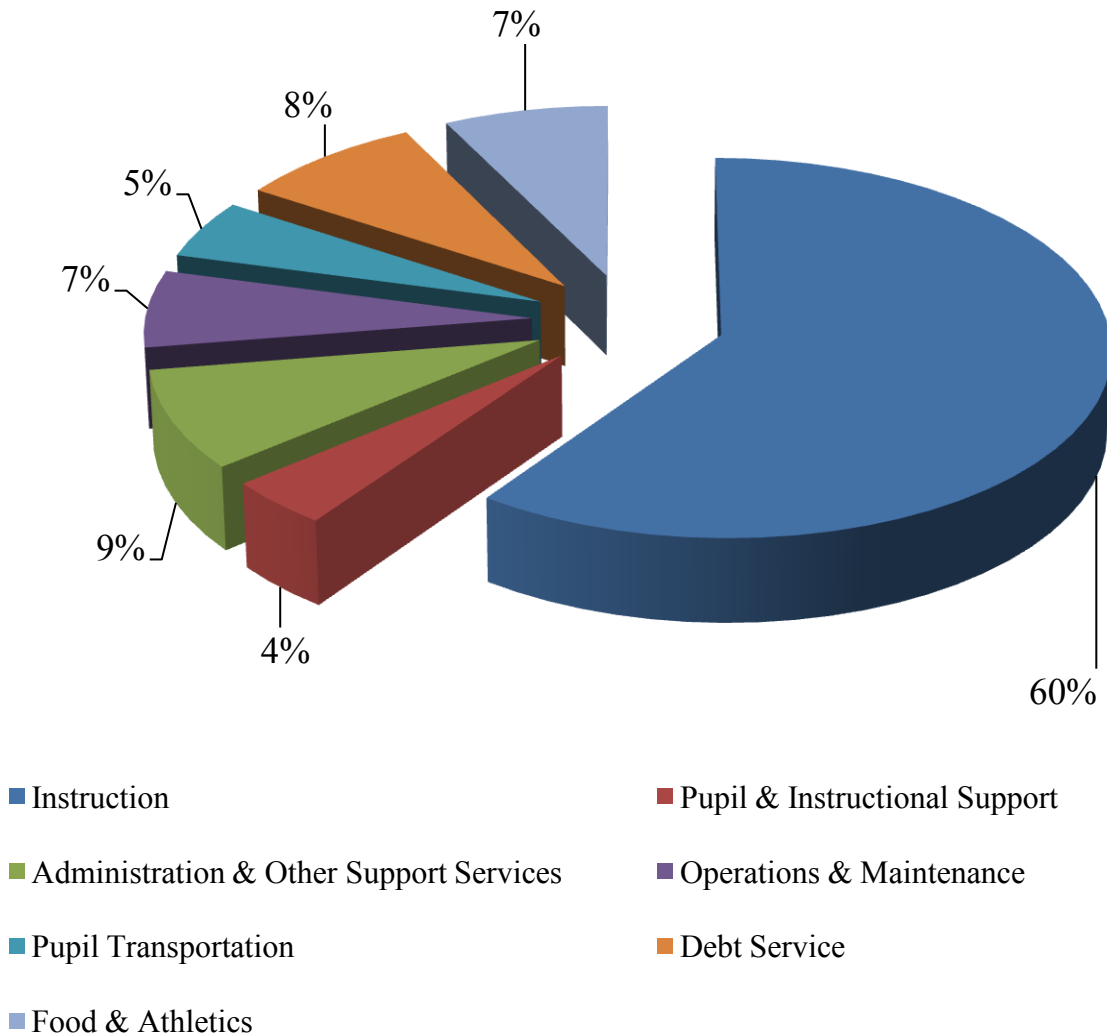
Sources of Revenue



HARRISON COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2010

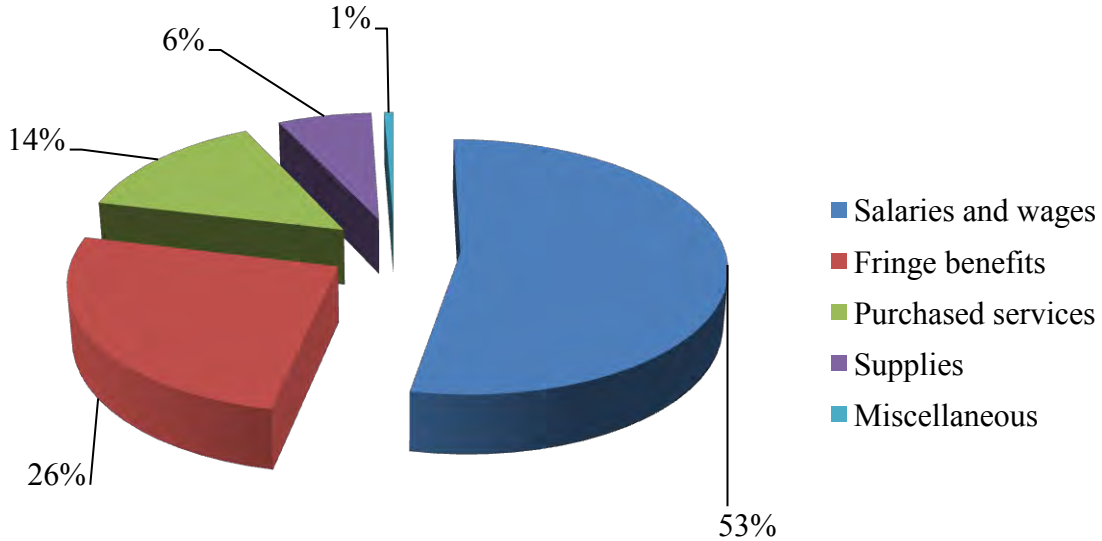
The graph below illustrates 60% of the School District's resources are spent on instruction. Another 9% is spent on administration and other services necessary to support the needs of the students of the School District, while 7% is spent for building operation and maintenance, including utilities and custodial services. The remaining 24% is spent as shown below.

Expenditures



HARRISON COMMUNITY SCHOOLS
 Management's Discussion & Analysis
For the Year Ended June 30, 2010

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



<i>Expenditures by Object</i>	<u>2010</u>	<u>2009</u>
Salaries and wages	\$ 7,537,520	\$ 7,392,900
Fringe benefits	3,620,998	3,500,108
Purchased services	2,005,840	2,336,339
Supplies	923,146	988,626
Capital outlay	0	208,247
Miscellaneous	89,477	92,481
Total	<u>\$ 14,176,981</u>	<u>\$ 14,518,701</u>

HARRISON COMMUNITY SCHOOLS
 Management's Discussion & Analysis
For the Year Ended June 30, 2010

General Fund Budgetary Highlights

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

- Budgeted revenues increased from the original budget by \$1,509,012. This was due to the state aid foundation and student count being unknown at the time of developing the budget.
- Budgeted expenditures increased from the original budget by \$608,077. This was due to increasing energy costs, and the bringing back of laid off staff to accommodate the needs of the School District.
- Actual revenues were \$194,346 lower than the final budget. This was due to interest rates and investments not performing as expected and a decrease in Federal reimbursements.
- Actual expenditures were \$526,254 lower than the final budget. This was due to the School District trying to hold tight on all line items to help the bottom line.

Capital Assets

At June 30, 2010, the School District had \$12.4 million invested in a broad range of capital assets, including land, buildings, buses and other vehicles, and furniture and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$400,105 or 4% from last year

	<u>2010</u>	<u>2009</u>
Land	\$ 239,002	\$ 239,002
Buildings and improvements	19,286,160	19,286,160
Buses and other vehicles	44,500	49,500
Furniture and equipment	<u>397,520</u>	<u>397,520</u>
Total capital assets	19,967,182	19,972,182
Less accumulated depreciation	<u>7,603,829</u>	<u>7,218,725</u>
Net capital assets	<u><u>\$ 12,363,353</u></u>	<u><u>\$ 12,753,457</u></u>

There were no additions to capital assets this year.

HARRISON COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2010

We anticipate that next year's capital additions will be comparable to the 2009-2010 fiscal year. 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 \$10.9 million in bonds outstanding versus \$11.8 million in the previous year – a decrease of 8%. Those bonds consisted of the following:

	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$ 10,740,000	\$ 11,680,000
Durant Bonds	130,733	146,728
	<u>\$ 10,870,733</u>	<u>\$ 11,826,728</u>

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

HARRISON COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2010

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 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 2011 fiscal year budget was adopted in June 2010, based on an estimate of students that will be enrolled in September 2010. 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 operation. Based on early enrollment data at the start of the 2010-2011 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2011 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Requests For Information

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

Office of the Superintendent
Harrison Community School District
224 West Main Street
Harrison, Michigan 48625

HARRISON COMMUNITY SCHOOLS
Statement of Net Assets
June 30, 2010

	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 2,289,593
Receivables:	
Accounts receivable	14,654
Due from other governmental units	2,222,828
Internal balances	281
Inventories	56,789
Prepaid expense	75,000
Bond issuance costs less accumulated amortization of \$43,560	187,084
Capital assets less accumulated depreciation of \$7,603,829	12,363,353
 Total assets	 17,209,582
<u>Liabilities</u>	
Accounts payable	176,916
State aid note payable	153,900
Accrued payroll and other liabilities	1,231,238
Accrued interest payable	67,009
Deferred revenue	5,610
Long-term liabilities:	
Due within one year	959,223
Due in more than one year	10,301,749
Total liabilities	12,895,645
<u>Net Assets</u>	
Investment in capital assets - net of related debt	3,328,284
Restricted for debt service	274,317
Unrestricted	711,336
 Total net assets	 \$ 4,313,937

See accompanying notes to financial statements.

HARRISON COMMUNITY SCHOOLS
Statement of Activities
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Primary government -				
Governmental activities:				
Instruction	\$ 9,923,718	\$ 199,021	\$ 3,445,627	\$ (6,279,070)
Support services	4,079,214	131,222	235,721	(3,712,271)
Community services	40,155	0	204,000	163,845
Food services	1,049,458	273,785	749,040	(26,633)
Athletics	197,317	53,497	0	(143,820)
Interest on long-term debt	439,946	0	19,266	(420,680)
Depreciation (unallocated)	390,104	0	0	(390,104)
Amortization (unallocated)	282,486	0	0	(282,486)
	<u>\$16,402,398</u>	<u>\$ 657,525</u>	<u>\$ 4,653,654</u>	<u>(11,091,219)</u>
Total governmental activities				
General revenues:				
Taxes:				
Property taxes, levied for general purposes				3,699,266
Property taxes, levied for debt services				1,141,243
State aid not restricted to specific purposes				7,304,816
Interest and investment earnings				2,209
Other				15,146
				<u>12,162,680</u>
Total general revenues				
Change in net assets				1,071,461
Net assets - beginning of year				<u>3,242,476</u>
Net assets - end of year				<u>\$ 4,313,937</u>

See accompanying notes to financial statements

HARRISON COMMUNITY SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2010

	General	Other Nonmajor Governmental Funds	Total
<u>Assets</u>			
Cash and investments	\$ 1,924,763	\$ 364,830	\$ 2,289,593
Receivables:			
Accounts receivable	4,038	10,616	14,654
Due from other funds	11,540	2,462	14,002
Due from other governmental units	2,195,780	27,048	2,222,828
Inventories	39,234	17,555	56,789
Prepaid expenditures	0	75,000	75,000
	<u>\$ 4,175,355</u>	<u>\$ 497,511</u>	<u>\$ 4,672,866</u>
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 127,289	\$ 49,627	\$ 176,916
Due to other funds	2,462	11,259	13,721
State aid note payable	153,900	0	153,900
Accrued payroll and other liabilities	1,231,238	0	1,231,238
Deferred revenue	6,066	4,638	10,704
Total liabilities	<u>1,520,955</u>	<u>65,524</u>	<u>1,586,479</u>
<u>Fund Balance</u>			
Reserved for inventories	39,234	17,555	56,789
Reserved for debt service	0	274,317	274,317
Unreserved:			
Undesignated	<u>2,615,166</u>	<u>140,115</u>	<u>2,755,281</u>
Total fund balance	<u>2,654,400</u>	<u>431,987</u>	<u>3,086,387</u>
Total Liabilities and Fund Balance	<u>\$ 4,175,355</u>	<u>\$ 497,511</u>	<u>\$ 4,672,866</u>

See accompanying notes to financial statements.

HARRISON COMMUNITY SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Total fund balance - governmental funds	\$ 3,086,387
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds:</p>	
Cost of the capital assets	19,967,182
Accumulated depreciation	(7,603,829)
Bond issuance costs	230,644
Accumulated amortization	(43,560)
<p>Other assets not available to pay current expenditures and are not reported in the funds</p>	
	5,094
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(8,968,060)
Compensated absences	(2,053,039)
Early retirement incentives	(239,873)
<p>Accrued interest payable is not included as a liability in governmental activities</p>	
	<u>(67,009)</u>
Total net assets - governmental activities	<u><u>\$ 4,313,937</u></u>

See accompanying notes to financial statements.

HARRISON COMMUNITY SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2010

	General	Other Nonmajor Governmental Funds	Totals
<u>Revenues</u>			
Local sources:			
Property taxes	\$ 3,699,266	\$ 1,141,243	\$ 4,840,509
Other	345,671	329,209	674,880
State sources	8,526,273	94,630	8,620,903
Federal sources	2,663,891	673,676	3,337,567
Total revenues	<u>15,235,101</u>	<u>2,238,758</u>	<u>17,473,859</u>
<u>Expenditures</u>			
Current:			
Instruction	10,059,927	0	10,059,927
Support services	4,076,899	0	4,076,899
Community services	40,155	0	40,155
Food services	0	1,049,458	1,049,458
Athletics	0	197,317	197,317
Debt service:			
Principal	0	955,995	955,995
Interest and other	0	454,714	454,714
Total expenditures	<u>14,176,981</u>	<u>2,657,484</u>	<u>16,834,465</u>
Excess (deficiency) of revenues over expenditures	<u>1,058,120</u>	<u>(418,726)</u>	<u>639,394</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in from other funds	0	569,451	569,451
Operating transfers out to ther funds	(365,981)	(203,470)	(569,451)
Total other financing sources (uses)	<u>(365,981)</u>	<u>365,981</u>	<u>0</u>
Net change in fund balance	692,139	(52,745)	639,394
Fund balance - beginning of year	<u>1,962,261</u>	<u>484,732</u>	<u>2,446,993</u>
Fund balance - end of year	<u>\$ 2,654,400</u>	<u>\$ 431,987</u>	<u>\$ 3,086,387</u>

See accompanying notes to financial statements.

HARRISON COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balance - total governmental funds	\$ 639,394
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>	
Amortization expense	(282,486)
Depreciation expense	(390,104)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the statement of net assets:</p>	
Repayment of bonds	955,995
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	14,768
Early retirement incentives are recorded in the statement of activities when incurred; they are not reported in the governmental funds until paid	296,798
Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	<u>(162,904)</u>
Change in net assets of governmental activities	<u><u>\$ 1,071,461</u></u>

See accompanying notes to financial statements.

HARRISON COMMUNITY SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and investments	<u>\$ 78,460</u>
<u>LIABILITIES</u>	
Due to other funds	\$ 281
Due to student groups	<u>78,179</u>
	<u>\$ 78,460</u>

See accompanying notes to financial statements.

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Harrison Community Schools (the “School District”) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

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 statement.

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

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

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements..

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

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

Buildings and improvements	20-50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

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

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

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.

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Taxes - For Harrison Community Schools taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid - For the fiscal year ended June 30, 2010, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2010, the foundation allowance was based on the average pupil membership counts taken in February and September of 2009.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2009 – August 2010. The local revenue is recognized as outlined in Note 1 Basis of Accounting. Amounts receivable from the State of Michigan at June 30, 2010 (included in due/from other governmental units) relating to state aid is \$1,546,775.

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

Events Occurring After Reporting Date - The company has evaluated events and transactions that occurred between June 30, 2010 and September 3, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Harrison Community Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District’s Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

During the year ended June 30, 2010, the School District recorded revenues in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Revenues</u>	<u>Budget</u> <u>Variance</u>
General Fund:			
Federal sources	2,967,110	2,663,891	\$(303,219)

NOTE 3 – DEPOSITS AND INVESTMENTS

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

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, the School District’s deposits and investments were reported in the basic financial statements in the following categories

	Governmental Activities	Fiduciary Fund	Total Primary Government
Cash and investments	\$ 2,289,593	\$ 78,460	\$ 2,368,053

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$2,367,728
Petty cash and cash on hand	325
Total	\$2,368,053

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2010, the School District’s investment in the investment pool was rated AAAM by Standard & Poor’s.

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. As of June 30, 2010, \$2,118,052 of the School District’s bank balance of \$2,368,052 was exposed to custodial credit risk because it was uninsured and collateralized.

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 4 – CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Assets not being depreciated				
Land	\$ 239,002	\$ 0	\$ 0	\$ 239,002
Capital assets being depreciated:				
Building and improvements	19,286,160	0	0	19,286,160
Buses and other vehicles	49,500	0	(5,000)	44,500
Furniture and equipment	397,520	0	0	397,520
Subtotal	19,733,180	0	(5,000)	19,728,180
Accumulated depreciation:				
Building and improvements	6,846,429	372,616	0	7,219,045
Buses and other vehicles	46,100	1,700	(5,000)	42,800
Furniture and equipment	326,196	15,788	0	341,984
Subtotal	7,218,725	390,104	(5,000)	7,603,829
Net capital assets being depreciated	12,514,455	(390,104)	0	12,124,351
Net capital assets	<u>\$ 12,753,457</u>	<u>\$ (390,104)</u>	<u>\$ 0</u>	<u>\$ 12,363,353</u>

Depreciation for fiscal year ended June 30, 2010 amounted to \$390,104. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 – SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District's cash flow obligation to operating expenses precede the collection of state aid.

	Beginning Balance	Issued	Redeemed	Ending Balance
State Aid Anticipation Note due August 20, 2010, accruing interest at 1.40%	<u>\$ 194,498</u>	<u>\$ 1,350,000</u>	<u>\$ 1,390,598</u>	<u>\$ 153,900</u>

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivables and payables and transfers made during the year ended June 30, 2010 are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 11,540	\$ 2,462	\$ 0	\$ 365,981
Special Revenue:				
Athletics	0	11,259	143,756	0
Food Service	2,462	0	0	0
Debt Service:				
1998 Debt	0	0	0	10,258
1999 Debt	0	0	0	193,212
2009 Debt	0	0	203,470	0
Energy Bond Debt	0	0	222,225	0
Student Activity	0	281	0	0
	<u>\$ 14,002</u>	<u>\$ 14,002</u>	<u>\$ 569,451</u>	<u>\$ 569,451</u>

The interfund receivable and payable balances resulted 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 systems and (3) payments between funds are made.

Transfers are used to supplement athletic operational costs, fund debt payment for 2009 debt and Energy bond debt and to transfer the balance of the Athletics Fund to the General Fund .

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 – LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Retirements and Payments	Balance June 30, 2010	Amount Due Within One Year
Bonded debt:					
Bonds	\$ 11,826,728	\$ 0	\$ 955,995	\$ 10,870,733	\$ 1,084,791
Less deferred amounts on refunding	(2,159,255)	0	256,582	(1,902,673)	(256,582)
Total bonded debt	<u>9,667,473</u>	<u>0</u>	<u>1,212,577</u>	<u>8,968,060</u>	<u>1,341,373</u>
Other liabilities:					
Retirement stipends and compensated absences	<u>2,426,806</u>	<u>162,904</u>	<u>296,798</u>	<u>2,292,912</u>	<u>131,014</u>
Total	<u>\$ 12,094,279</u>	<u>\$ 162,904</u>	<u>\$ 1,509,375</u>	<u>\$ 11,260,972</u>	<u>\$ 1,472,387</u>

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

\$9,295,000 General Obligation Bonds due in annual installments of \$100,000 to \$940,000 through May 1, 2020; interest at 3.0% to 4.0%	\$ 9,195,000
\$2,305,000 Energy bonds due in annual installments of \$145,000 to \$220,000 through May 15, 2018; interest at 3.50% to 3.75%	1,545,000
\$274,358 Durant Non-Plaintiff bonds due in annual installments of \$18,389 to \$28,122 through May 15, 2013; interest at 4.76%	<u>130,733</u>
Total Bonded Debt	<u>\$ 10,870,733</u>

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described in the preceding paragraph.

Under the terms of the present contracts between the Board of Education of Harrison Community Schools and the various employee groups, including teachers, administration, custodians, bus drivers and extra support personnel, the School District is contingently liable for compensated absences (sick pay). The amount of compensated absences, calculated based on number of years of service, amounted to \$2,053,039 at June 30, 2010.

The School District has entered into an early retirement incentive program. For each eligible and participating employee, the School District will make a non-elective contribution to an established 403(b) plan over a period of five years an amount that constitutes their salary in the year immediately prior to the year of retirement. At June 30, 2010, the amount outstanding was \$239,873.

The School District defeased the outstanding debt list below by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on the callable portions of the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements.

	As of June 30, 2010 the amount of debt <u>considered defeased</u>
Serial bond issue, 1998 and 1999	\$ 9,140,000

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize bonds outstanding as of June 30, 2010 including interest payments are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,084,791	\$ 353,882	\$ 1,438,673
2012	1,037,554	347,011	1,384,565
2013	1,068,388	314,701	1,383,089
2014	1,090,000	281,425	1,371,425
2015	1,120,000	247,300	1,367,300
2016-2020	5,470,000	614,812	6,084,812
	<u>\$ 10,870,733</u>	<u>\$ 2,159,131</u>	<u>\$ 13,029,864</u>

NOTE 8 – RISK MANAGEMENT

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

**NOTE 9 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)**

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.54% for the period from July 1, 2009 through September 30, 2009 and 16.94% from October 1, 2009 through June 30, 2010 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2010, 2009 and 2008 were \$1,237,578 , \$1,172,561 and \$1,219,957, respectively.

Postemployment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these benefits contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage. Required contributions for post employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

NOTE 10 – GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

HARRISON COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 11—LESSOR ACTIVITY

Harrison Community Schools leases one of the School Districts's buildings to a third party. Income on the lease of the building for the year ended June 30, 2010 was \$18,000 and is included in local revenue in the statement of revenues, expenditures and changes in fund balance. Future minimum lease payments to be received beyond June 30, 2010 are as follows:

2011	\$ 18,000
2012	18,000
2013	<u>12,000</u>
Total	<u>\$ 48,000</u>

NOTE 12 – ECONOMIC DEPENDENCY

The School District received approximately 56% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

HARRISON COMMUNITY SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2010

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 3,717,401	\$ 4,016,310	\$ 4,044,937	\$ 28,627
State sources	8,659,021	8,446,027	8,526,273	80,246
Federal sources	1,544,013	2,967,110	2,663,891	(303,219)
Total revenues	<u>13,920,435</u>	<u>15,429,447</u>	<u>15,235,101</u>	<u>(194,346)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	6,237,855	6,570,322	6,436,862	133,460
Added needs	3,603,715	3,758,865	3,623,065	135,800
Support services:				
Pupil	406,776	406,682	399,728	6,954
Instructional staff	315,225	370,078	284,140	85,938
General administration	267,804	264,267	254,699	9,568
School administration	851,173	861,074	847,427	13,647
Business services	364,912	338,965	332,152	6,813
Operations and maintenance	1,232,198	1,213,219	1,111,386	101,833
Transportation	806,500	862,080	847,367	14,713
Community services	9,000	57,683	40,155	17,528
Total expenditures	<u>14,095,158</u>	<u>14,703,235</u>	<u>14,176,981</u>	<u>526,254</u>
Excess (deficiency) of revenues over expenditures	<u>(174,723)</u>	<u>726,212</u>	<u>1,058,120</u>	<u>331,908</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers out to other funds	<u>(402,225)</u>	<u>(387,225)</u>	<u>(365,981)</u>	<u>21,244</u>
Net change in fund balance	(576,948)	338,987	692,139	353,152
Fund balance - beginning of year	<u>1,962,261</u>	<u>1,962,261</u>	<u>1,962,261</u>	<u>0</u>
Fund balance - end of year	<u>\$ 1,385,313</u>	<u>\$ 2,301,248</u>	<u>\$ 2,654,400</u>	<u>\$ 353,152</u>

HARRISON COMMUNITY SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>					Total
	Athletic Activities	Food Services	1998 Debt	1999 Debt	2009 Debt	Energy Bond Debt	Durant Issue	
<u>Assets</u>								
Cash and investments	\$ 11,259	\$ 79,257	\$ 1	\$ 0	\$ 274,313	\$ 0	\$ 0	\$ 364,830
Accounts receivable	0	8,893	0	0	1,723	0	0	10,616
Due from other funds	0	2,462	0	0	0	0	0	2,462
Due from other governmental units	0	27,045	0	0	3	0	0	27,048
Inventories	0	17,555	0	0	0	0	0	17,555
Prepaid expenditures	0	75,000	0	0	0	0	0	75,000
Total Assets	\$ 11,259	\$ 210,212	\$ 1	\$ 0	\$ 276,039	\$ 0	\$ 0	\$ 497,511
<u>Liabilities</u>								
Account payable	\$ 0	\$ 49,627	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,627
Due to other funds	11,259	0	0	0	0	0	0	11,259
Deferred revenue	0	2,915	0	0	1,723	0	0	4,638
Total liabilities	11,259	52,542	0	0	1,723	0	0	65,524
<u>Fund Balance</u>								
<u>Fund Balance</u>								
Reserved for inventories	0	17,555	0	0	0	0	0	17,555
Reserved for debt service	0	0	1	0	274,316	0	0	274,317
Unreserved - undesignated	0	140,115	0	0	0	0	0	140,115
Total fund balance	0	157,670	1	0	274,316	0	0	431,987
Total Liabilities and Fund Balance	\$ 11,259	\$ 210,212	\$ 1	\$ 0	\$ 276,039	\$ 0	\$ 0	\$ 497,511

HARRISON COMMUNITY SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds		Debt Service Funds					Total
	Athletic Activities	Food Services	1998 Debt	1999 Debt	2009 Debt	Energy Bond Debt	Durant Issue	
<u>Revenues</u>								
Local	\$ 53,561	\$ 274,153	\$ 615,374	\$ 82	\$ 527,282	\$ 0	\$ 0	\$ 1,470,452
State	0	75,364	0	0	0	0	19,266	94,630
Federal	0	673,676	0	0	0	0	0	673,676
Total revenues	53,561	1,023,193	615,374	82	527,282	0	19,266	2,238,758
<u>Expenditures</u>								
Current:								
Food services	0	1,049,458	0	0	0	0	0	1,049,458
Athletics	197,317	0	0	0	0	0	0	197,317
Debt service	0	0	709,150	0	460,068	222,225	19,266	1,410,709
Total expenditures	197,317	1,049,458	709,150	0	460,068	222,225	19,266	2,657,484
Excess (deficiency) of revenues over expenditures	(143,756)	(26,265)	(93,776)	82	67,214	(222,225)	0	(418,726)
<u>Other Financing Sources (Uses)</u>								
Operating transfers in from other funds	143,756	0	0	0	203,470	222,225	0	569,451
Operating transfers out to other funds	0	0	(10,258)	(193,212)	0	0	0	(203,470)
Total other financing sources (uses)	143,756	0	(10,258)	(193,212)	203,470	222,225	0	365,981
Net change in fund balance	0	(26,265)	(104,034)	(193,130)	270,684	0	0	(52,745)
Fund balance - beginning of year	0	183,935	104,035	193,130	3,632	0	0	484,732
Fund balance - end of year	\$ 0	\$ 157,670	\$ 1	\$ 0	\$ 274,316	\$ 0	\$ 0	\$ 431,987

HARRISON COMMUNITY SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness
For the Year Ended June 30, 2010

<u>PURPOSE</u>	The bonds were issued to refund the 1994 general obligation bonds.		
<u>DATE OF ISSUE</u>	December 29, 1998		
<u>AMOUNT OF ISSUE</u>			\$ 7,585,000
<u>AMOUNT OF RETIRED</u>			
	During prior years	\$ 6,905,000	
	During current year	<u>680,000</u>	<u>7,585,000</u>
<u>BALANCE OUTSTANDING - June 30, 2010</u>			<u><u>\$ 0</u></u>



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September 3, 2010

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

Board of Education
Harrison Community Schools
Harrison, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Community Schools as of and for the year ended June 30, 2010, and have issued a report thereon dated September 3, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Harrison Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harrison Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harrison Community Schools' 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 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 on internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 weakness, as defined above.

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Board of Education
Harrison Community Schools
September 3, 2010

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrison Community Schools' 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 of 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



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September 3, 2010

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

Board of Education
Harrison Community Schools
Harrison, Michigan

Compliance

We have audited the compliance of Harrison Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Harrison Community Schools' 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 Harrison Community Schools' management. Our responsibility is to express an opinion on Harrison Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 Harrison Community Schools' 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 Harrison Community Schools' compliance with those requirements.

In our opinion, Harrison Community Schools' 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.

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Board of Education
Harrison Community Schools
September 3, 2010

Internal Control over Compliance

The management of Harrison Community Schools' 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 Harrison Community Schools' 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 Harrison Community Schools' internal control over compliance.

A deficiency in internal control over compliance 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 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 a 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 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 the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

HARRISON COMMUNITY SCHOOLS
 Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? YES NO
- Significant deficiencies identified not considered to be material weaknesses? YES NO

Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? YES NO
- Significant deficiencies identified not considered to be material weaknesses? YES NO

Type of auditor's report issued on compliance of major programs: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? YES NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Nutrition Cluster
84.394	Education Stabilization Fund
84.010, 84.389	ECIA Title 1 and ECIA Title 1, ARRA
84.323	Transition/IDEA Grant, ARRA

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

Auditee qualified as low-risk auditee? YES NO

HARRISON COMMUNITY SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

SECTION II - Financial Statement Findings

There are no matters to report

SECTION III – Federal Award Findings and Questioned Costs

There are no matters to report

HARRISON COMMUNITY SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2009	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2010
<u>U.S Department of Defense</u>								
Passed through United States Marine Corp:								
ROTC	12.XXX	\$ 52,270	\$ 54,416	\$ 4,652	\$ 0	\$ 47,571	\$ 57,271	\$ 14,352
<u>U.S. Department of Education</u>								
Passed through Michigan								
Department of Education:								
ECIA Title I								
Project - 091530-0809	84.010	924,983	706,931	270,332	0	360,953	90,621	0
Project - 101530-0910	84.010	1,274,607	0	0	0	832,767	1,103,421	270,654
			<u>706,931</u>	<u>270,332</u>	<u>0</u>	<u>1,193,720</u>	<u>1,194,042</u>	<u>270,654</u>
ECIA Title I ARRA								
Project - 101535-0910	84.389	358,942	0	0	0	276,060	354,369	78,309
Technology Literacy Challenge								
Project - 094290-0809	84.318	10,518	10,518	10,518	0	10,518	0	0
Rural and Low Income Schools								
Project - 090660-0809	84.358	45,075	45,075	45,075	0	45,075	0	0
Project - 100660-0910	84.358	44,130	0	0	0	0	44,130	44,130
			<u>45,075</u>	<u>45,075</u>	<u>0</u>	<u>45,075</u>	<u>44,130</u>	<u>44,130</u>
Improving Teacher Quality								
Project - 090520-0809	84.367	273,429	0	134,322	0	212,520	78,198	0
Project - 100520-0910	84.367	167,885	0	0	0	91,065	97,853	6,788
			<u>0</u>	<u>134,322</u>	<u>0</u>	<u>303,585</u>	<u>176,051</u>	<u>6,788</u>
Enhancing Education Through Technology ARRA								
Project - 104295-0910	84.386	21,186	0	0	0	400	9,375	8,975
Education Stabilization Fund								
Project -009525-0809	84.394	615,775	615,775	615,775	0	615,775	0	0
Project - 102525-0910	84.394	464,345	0	0	0	383,813	464,345	80,532
			<u>615,775</u>	<u>615,775</u>	<u>0</u>	<u>999,588</u>	<u>464,345</u>	<u>80,532</u>
Passed through Clare Gladwin RESD:								
Transition/IDEA Grant ARRA	84.323	407,427	0	0	0	288,137	361,908	73,771
Passed through Gratiot Isabella RESD:								
Safe and Drug Free Schools 08-09	84.186	7,661	7,661	5,072	0	5,072	0	0
Safe and Drug Free Schools 09-10	84.186	2,400	0	0	0	0	2,400	2,400
			<u>7,661</u>	<u>5,072</u>	<u>0</u>	<u>5,072</u>	<u>2,400</u>	<u>2,400</u>
Total U.S. Department of Education			<u>1,385,960</u>	<u>1,081,094</u>	<u>0</u>	<u>3,122,155</u>	<u>2,606,620</u>	<u>565,559</u>

See accompanying notes to schedule of expenditures of federal awards

HARRISON COMMUNITY SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2009</u>	Adjustments and <u>Transfers</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2010</u>
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster								
<u>Non-Cash Assistance: (commodities)</u>								
National School Lunch - Entitlement	10.555	\$ 31,897	\$ 0	\$ 0	\$ 0	\$ 31,897	\$ 31,897	\$ 0
National School Lunch - Bonus	10.555	12,978	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,978</u>	<u>12,978</u>	<u>0</u>
			<u>0</u>	<u>0</u>	<u>0</u>	<u>44,875</u>	<u>44,875</u>	<u>0</u>
<u>Cash Assistance</u>								
Breakfast								
Project 091970	10.553	157,166	140,993	2,132	0	18,307	16,175	0
Project 101970	10.553	170,246	<u>0</u>	<u>0</u>	<u>0</u>	<u>165,907</u>	<u>170,246</u>	<u>4,339</u>
			<u>140,993</u>	<u>2,132</u>	<u>0</u>	<u>184,214</u>	<u>186,421</u>	<u>4,339</u>
Sec. 4 and 11 - Free and Reduced								
Project 091950	10.555	42,945	37,660	510	0	5,796	5,286	0
Project 091960	10.555	317,528	281,889	3,486	0	39,125	35,639	0
Project 091980	10.555	10,650	9,943	0	0	707	707	0
Project 101950	10.555	44,992	0	0	0	44,767	44,992	225
Project 101960	10.555	320,220	0	0	0	311,734	320,199	8,465
Project 101980	10.555	13,251	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,251</u>	<u>13,251</u>	<u>0</u>
			<u>329,492</u>	<u>3,996</u>	<u>0</u>	<u>415,380</u>	<u>420,074</u>	<u>8,690</u>
Summer Food								
Project 090900	10.559	20,796	8,818	8,818	0	20,796	11,978	0
Project 091900	10.559	2,153	913	913	0	2,153	1,240	0
Project 100900	10.559	8,239	0	0	0	0	8,239	8,239
Project 101900	10.559	849	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>849</u>	<u>849</u>
			<u>9,731</u>	<u>9,731</u>	<u>0</u>	<u>22,949</u>	<u>22,306</u>	<u>9,088</u>
Total U.S. Department of Agriculture			<u>480,216</u>	<u>15,859</u>	<u>0</u>	<u>667,418</u>	<u>673,676</u>	<u>22,117</u>
Grand Total			<u>\$ 1,920,592</u>	<u>\$ 1,101,605</u>	<u>\$ 0</u>	<u>\$ 3,837,144</u>	<u>\$ 3,337,567</u>	<u>\$ 602,028</u>

See accompanying notes to schedule of expenditures of federal awards

HARRISON COMMUNITY SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

NOTE 1 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Harrison Community Schools and is presented in the modified accrual basis of accounting. 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.

NOTE 2 – OTHER DISCLOSURES

Management has utilized the Grants Section Auditors Report (Form R7120) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.



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Board of Education
Harrison Community Schools
Harrison, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Community Schools for the year ended June 30, 2010, and have issued our report thereon dated September 3, 2010. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Harrison Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation is based on estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the estimated useful life of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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Board of Education
Harrison Community Schools
September 3, 2010
Page 2

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 3, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
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Board of Education
Harrison Community Schools
September 3, 2010
Page 3

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The implementation of Governmental Accounting Standards Board (GASB) Statement 54 is effective for financial statement periods beginning after June 15, 2010.

This standard changes the presentation of fund equity to include such terms as nonspendable, restricted, committed, assigned and unassigned. The changes in presentation reflect a clarification of professional reporting standards to address restrictions based on external sources, board actions or committee recommendations.

In addition, the standard changes the criteria relating to the recognition and reporting of special revenue funds. It is now required that one or more specific restricted or committed revenues should be the foundation of the special revenue fund. For school districts, this standard affects the Athletic Fund. Since the majority of the support of the Athletic Fund relates to the transfer of funds from the General Fund, effectively July 1, 2010, the Athletic Fund does not exist as a separate fund but as a component of the School District's General Fund. As a result, all budgeting activities for the Athletic Fund for fiscal year 2010-11 should be included as part of the General Fund.

This information is intended solely for the use of the Board of Education and management of Harrison Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,