

**Eaton Intermediate School District  
Charlotte, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2011**

Eaton Intermediate School District

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June 30, 2011

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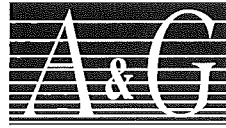
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Eaton Intermediate School District  
Charlotte, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Intermediate School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Eaton Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Eaton Intermediate School District as of June 30, 2011, and the respective changes in financial position, thereof 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 10, 2011, on our consideration of Eaton Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eaton Intermediate School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has 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.

As discussed in Note K, during the year the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result of implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB Statement No. 54, as applicable.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

November 10, 2011



# EATON INTERMEDIATE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

As management of Eaton Intermediate School District, we offer readers of the Eaton Intermediate School District's financial statements this narrative overview and analysis of the financial activities of Eaton Intermediate School District for the fiscal year ended June 30, 2011. All amounts are expressed in actual dollars.

The management's discussion and analysis is provided at the beginning of the audit to provide in layman's terms the past and current position of the District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the District's revenues and expenditures by program for the General Fund, Special Education Fund, Vocational Education Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

## **Financial Highlights**

Our financial statements provide these insights into the result of this year's operations.

The overall condition of all funds and governmental activities have been strong in the past, but have been somewhat affected by the downturn in the state economy during the past few years. However, all goals related to the District's financial activities have been met and, with controlled spending and State support, resources for the 2010-11 fiscal year are available.

The assets of Eaton Intermediate School District exceeded its liabilities at the close of the most recent fiscal year by \$7,028,677. Of this amount, \$1,350,039 (unrestricted net assets) may be used to meet the District's ongoing obligations to taxpayers, students, and creditors.

The District's total net assets decreased by \$1,015,711, primarily due to our commitment to Special Education Fund operations and to collaborative efforts with our local districts in Eaton County.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,001,389 a decrease of \$1,400,161. Of the total fund balance, \$457,539 is available for spending at the District's discretion (unassigned).

As of June 30, 2011, the aggregated fund balance for the District's main operating funds (General Fund, Special Education Fund and Vocational Education Fund) was \$4,230,670.

## **USING THE ANNUAL REPORT**

This discussion and analysis is intended to serve as an introduction to the Eaton Intermediate School District's financial statements.

The Eaton Intermediate School District's financial statements are comprised of three components:

- 1) government-wide financial statements
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains required and other supplementary information in addition to the financial statements themselves.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Eaton Intermediate School District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Eaton Intermediate School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Eaton Intermediate School District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the Eaton Intermediate School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Eaton Intermediate School District include instruction, support services, community services, and transfers to local districts.

The government-wide financial statements can be found on pages 1-2 of this report. The reconciliations to the fund level financial statements are presented on pages 5 and 8.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Eaton Intermediate School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Eaton Intermediate School District can be divided in two categories: governmental funds and fiduciary funds.

## **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Eaton Intermediate School District maintains three individual major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Education Fund, Vocational Fund which are all considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Eaton Intermediate School District adopts annual appropriated budgets for its governmental funds. A budgetary comparison schedule has been provided for the General Fund, Special Education Fund and Vocational Fund to demonstrate compliance with their budgets. The basic governmental fund financial statements can be found on pages 3-4 and 6-7 of this report.

## **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Eaton Intermediate School District's own programs. Fiduciary fund information is reported on pages 9-10.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-24 of this report.

**Other Information**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information for the District's major funds. Required supplementary information can be found on pages 25-28 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information and are considered other supplementary information. Combining and individual fund statements can be found on pages 29-32 of this report.

Our auditors have provided assurance in their independent auditor's report, located immediately preceding this Management Discussion and Analysis, that the Financial Statements are fairly stated. The auditors provide varying degrees of assurance regarding the Required Supplementary Information and the Other Supplementary Information described earlier. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the other parts in the Financial Section.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's net assets were \$7,028,677 at June 30, 2011. Of this amount, \$1,350,039 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**TABLE 1 - NET ASSETS**  
**Governmental Activities (June 30,)**

	<u>2010</u>	<u>2011</u>
Current Assets	\$ 9,881,090	\$ 10,402,893
Capital Assets	3,876,941	4,044,909
<b>Total Assets</b>	<b>13,758,031</b>	<b>\$ 14,447,802</b>
Current Liabilities	3,803,285	5,746,193
Noncurrent Liabilities	1,874,358	1,672,932
<b>Total Liabilities</b>	<b>5,677,643</b>	<b>7,419,125</b>
Invested in capital assets, net of related debt	2,169,145	2,531,389
Restricted for special and vocational education	-	3,147,249
Unrestricted	5,911,243	1,350,039
<b>Total Net Assets</b>	<b>\$ 8,080,388</b>	<b>\$ 7,028,677</b>

The \$1,350,039 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. It means that if we liquidated all our assets to cash and paid off all of our bills today, including all of our non-capital liabilities (compensated absences for example), there would be \$1,350,039 remaining.

Eaton ISD Management's Discussion and Analysis

Eaton ISD continues to provide Special Ed transportation services to its constituent districts, a service started in 2004/05. The cost for this service in 2010/11 was approximately \$2,824,000 representing a 1.7% decrease due to renegotiating the contractor's cost per mile rate and program needs of the students. Costs for 2009/10 services were approximately \$2,874,000. The District also received approximately \$1,933,000 in State Aid reimbursement related to the 2010/11 costs. This reimbursement was passed on to the local districts, making the net cost in 2010/11 roughly \$891,000. The District also continues to provide the majority of itinerant services to constituent districts.

At the end of the current fiscal year, the Eaton Intermediate School District is able to report positive balances in all categories of net assets, both for the District as a whole, as well as for its separate governmental activities. The same situation was true for the prior fiscal year.

The results of this year's operations for the District as a whole are reported in the Statement of Activities on Page 2. Table 2 takes the information from that Statement and slightly rearranges them so you can see our total revenues for the year.

Net governmental activities decreased the District's net assets by \$1,051,711. Key elements are as follows:

**TABLE 2 - CHANGES IN NET ASSETS**  
**Governmental Activities**  
**Years Ended June 30,**

	2010	2011
Revenues		
Charges for Services	\$ 3,690,354	\$ 4,156,057
Operative Grants and Contributions	8,577,045	10,027,956
Capital Grants	39,408	39,408
General Revenues		
Property Taxes	10,805,142	10,267,513
Grants and State Aid	5,261,344	5,248,234
Other	107,804	181,542
<b>Total Revenues</b>	<b>28,481,097</b>	<b>29,920,710</b>
Functions/Program Expenses		
Instruction	6,957,675	6,006,566
Supporting Services	17,514,453	16,691,228
Community Services	2,707,900	1,820,701
Payments to Other Districts	-	6,157,596
Interest in Long Term Obligations	95,137	63,318
Depreciation	223,122	233,012
<b>Total Functions/Program Expenses</b>	<b>27,498,287</b>	<b>30,972,421</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 982,810</b>	<b>\$ (1,051,711)</b>

**Governmental Activities**

As reported in the Statement of Activities on page 2, the cost of all of our governmental activities this year was \$30,972,421. However, the amount that our taxpayers ultimately financed for these activities through District taxes and other revenues was only \$16,749,000. \$4,156,057 was paid by those who benefited directly from the programs. \$10,027,956 was paid by governments and organizations who subsidized certain programs with grants and contributions and lastly by capital grants of \$39,408.

In the Table 3, we have presented the cost of each of the District’s largest functions and depreciation, as well as each function’s net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the taxpayers of the District by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**TABLE 3 - SERVICE COSTS**

	Total Cost of Services		Net Cost of Services	
	2010	2011	2010	2011
Instruction	\$ 6,957,675	6,006,566	\$ 4,548,444	3,854,751
Support Services	17,514,453	16,691,228	10,092,887	10,676,458
Community Services	2,707,900	1,820,701	238,581	(105,491)
Payments to other districts	-	6,157,596	-	2,066,360
Interest on Long Term Obligations	95,137	63,318	88,446	23,910
Depreciation - Unallocated	223,122	233,012	223,122	233,012
<b>Total Governmental Activities</b>	<b>\$ 27,498,287</b>	<b>\$ 30,972,421</b>	<b>\$ 15,191,480</b>	<b>\$ 16,749,000</b>

**MAJOR GOVERNMENTAL FUNDS  
BUDGETING AND OPERATING HIGHLIGHTS**

The District’s budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund, Special Education Fund, and the Vocational Education Fund.

During the fiscal year ended June 30, 2011, the District amended the budget of these major governmental funds two times.

**Budget Analysis By Fund**

**General Fund - Fund Level Data**

The General Fund modified accrual basis actual revenue and other financing sources was \$4,729,981. That amount is more than original budget estimates of \$4,093,082 and less than the final amended budget of \$5,168,229.

The variance between the original budget and final budget primarily resulted from the following:

- 1) Increase in estimated property tax revenue and local grant funds.
- 2) Increases in State and Federal grant funding not included in adopted budget planning.
- 3) Increases in local district reimbursements for services provided.

The actual expenditures and other financing uses of the General Fund were \$4,791,889 which is more than the original budget estimates of \$4,227,880 and less than the final budget of \$4,983,052. The variance between the final budget and the original budget resulted from the following:

- 1) Grant expenses corresponding to increases in grant revenues.
- 2) Increased expenditures on behalf of local districts, such as technology purchases (reimbursed by constituent districts).
- 3) Expenses associated with the literacy consultants and summer reading academies.

General Fund had total revenues and other financing sources of \$4,729,981 and total expenditures and other financing uses of \$4,791,889 with a usage of fund balance of \$61,908. The usage amount from annual operations makes the final fund balance amount in the General Fund \$1,083,421.

### **Special Education Fund - Fund Level Data**

The Special Education Fund actual revenues and other financing sources was \$20,470,327. That amount is above the original budget estimate of \$19,593,275 but below the final amended budget estimate of \$21,011,924. Variances between the original budget and final budget as follows:

- 1) Property taxes were greater than original estimate.
- 2) Prior year special education transportation adjustment was greater than original estimate.
- 3) Increase in Federal grant funding over the original budget due to the local districts carrying over the ARRA grant funds into 2010/11.

The actual expenditures and other financing uses of the Special Education Fund were \$21,721,809 is more than the original budget of \$20,553,224 and less than the final amended budget of \$22,594,800. The variance between the original budget and amended budget resulted from an increase in grant expenses corresponding to the changes in State and Federal grant funding.

Special Education Fund had total revenues and other financing sources of \$20,470,327 and total expenditures and other financing uses of \$21,721,809 with a usage of fund balance of \$1,251,482. The usage amount of annual operations makes the final fund balance amount in the Special Education Fund \$1,418,640.

### **Vocational Education Fund - Fund Level Data**

The Vocational Education Fund actual revenues and other financing sources was \$4,680,993. That amount is more than the original budget estimate of \$4,589,506 and the final amended budget of \$4,582,448. Variances between the actual revenues, the original budget and final budget resulted as follows:

- 1) Property taxes increased over original budget.
- 2) Changes in State funding for vocational education categorical sections.

The actual expenditures and other financing uses of the Vocational Education Fund were \$4,531,021 which is below the original budget of \$4,648,634 and above the final amended budget of \$4,503,222. The variance between the original budget and the amended budget resulted from changes in grants as expenditures match revenue and reductions in estimated Lansing Community College's costs for programs.

Vocational Education Fund had total revenues and other financing sources of \$4,680,993 and total expenditures and other financing uses of \$4,531,021 leaving an addition to fund balance of \$149,972 and an ending fund balance of \$1,728,609.

**TOTAL ISD REVENUES - FUND LEVEL**

The total revenues and other financing sources for all funds of the District on the modified accrual basis were \$30,216,341.

Program specific revenues in the form of charges for services, sales and grants, and contributions accounted for 60% of the total revenues and other financing sources for all funds.

**GOVERNMENTAL FUND EXPENDITURES**

In reviewing the following chart, you will see that Special Education comprises 69% of all expenditures within the governmental funds of the District. Total governmental fund expenditures and other financing uses amounted to \$31,616,502. Governmental funds had a net decrease of \$1,400,161 in fund balance. The ending fund balance for all governmental funds was \$5,001,389 which represents approximately 16% of 2010/11 expenditures and other financing uses. This fund balance will be used to fund future operations, capital improvements, and for maintenance of adequate cash flow to reduce the amount of borrowing.

**TABLE 4 - GOVERNMENTAL FUND EXPENDITURES AND OTHER FINANCING USES**

	<u>June 30, 2010</u>	<u>% of Total</u>	<u>June 30, 2011</u>	<u>% of Total</u>
General Fund	\$ 4,429,574	15%	\$ 4,791,889	15%
Special Education Fund	18,237,743	62%	21,721,809	69%
Vocational Education Fund	5,030,096	17%	4,531,021	14%
Nonmajor Governmental Funds	1,722,055	6%	571,783	2%
<b>Total</b>	<b>\$ 29,419,468</b>	<b>100%</b>	<b>\$ 31,616,502</b>	<b>100%</b>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2011, the District had \$7,026,628 invested in land and buildings, furniture and equipment, and vehicles. The accumulated depreciation amount is \$2,981,719. We currently have a net book value of \$4,044,909. Total additions of capital assets for the year were \$400,980. The majority of changes were equipment purchases and building improvements.

**TABLE 5 - CAPITAL ASSETS AT YEAR END**

**Governmental Activities  
(Net of Depreciation)**

	<u>2009/2010</u>	<u>2010/2011</u>
Land	\$ 23,500	\$ 23,500
Building and Improvements	3,559,783	3,749,537
Furniture and Equipment	283,905	265,928
Vehicles	9,753	5,944
<b>Total</b>	<b><u>\$ 3,876,941</u></b>	<b><u>\$ 4,044,909</u></b>

**Long-Term Debt**

At June 30, 2011, the District had \$1,440,000 in outstanding bonds for the 2007 Energy Conservation Bonds and the 2010 Refunding Bonds for the Packard Highway facility. There is also \$73,520 of Durant Resolution Bonds. The annual payment for the Durant bonds is made by the State of Michigan. According to the legislation enacted, if the State fails to appropriate the money to fund the bond payments, the District is under no obligation for the payment.

**TABLE 6 - OUTSTANDING DEBT AT YEAR END**

**Governmental Activities**

	<u>2009/2010</u>	<u>2010/2011</u>
<b>General Obligation Bonds</b>	<b><u>\$ 1,707,796</u></b>	<b><u>\$ 1,513,520</u></b>

The District also has vacation and sick leave entitlements as long-term liabilities accumulated at June 30, 2011 in the amount of \$493,953 collectively.

State statutes limit the amount of general obligation debt that a District may issue. The current debt limitation for the Eaton Intermediate School District is significantly greater than the outstanding debt of the District.

Additional information on the District's long-term debt can be found in Note E on pages 18-20 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The economy in the State of Michigan continues to decline. General Fund Sec. 81 categorical funding has been reduced 5% for 2011/12. Federal support for Special Education is not expected to increase while the need for special education services continues to increase. Tax values are projected to continue to decrease over the next few years due to the housing market decline impacting the General, Special and Vocational Fund revenues.

Funding from the State continues to be uncertain for 2011/12 and the future. The District continually evaluates programs, services and expenditures to make sure that it will be able to continue to provide excellent services to students and constituent districts.

**REQUESTS FOR INFORMATION**

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

**Eaton Intermediate School District  
1790 E. Packard Highway  
Charlotte, MI 48813  
Office: 517-543-5500  
Fax: 517-543-6633**

## **BASIC FINANCIAL STATEMENTS**

Eaton Intermediate School District

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 2,232,155
Receivables	6,120
Due from other governmental units	8,043,507
Prepays	57,358
Inventories	<u>63,753</u>
Total current assets	10,402,893
Noncurrent assets	
Capital assets not being depreciated	23,500
Capital assets, net of accumulated depreciation	<u>4,021,409</u>
Total noncurrent assets	<u>4,044,909</u>
TOTAL ASSETS	14,447,802
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	2,252,256
Due to other governmental units	1,605,570
Accrued payroll	819,864
Accrued interest payable	10,148
Other accrued liabilities	524,773
Unearned revenue	199,041
Current portion of compensated absences	128,635
Current portion of long-term debt	<u>205,906</u>
Total current liabilities	5,746,193
Noncurrent liabilities	
Noncurrent portion of compensated absences	365,318
Noncurrent portion of long-term debt	<u>1,307,614</u>
Total noncurrent liabilities	<u>1,672,932</u>
TOTAL LIABILITIES	<u>7,419,125</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,531,389
Restricted for special and vocational education	3,147,249
Unrestricted	<u>1,350,039</u>
TOTAL NET ASSETS	<u>\$ 7,028,677</u>

See accompanying notes to the financial statements.

Eaton Intermediate School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions / Programs Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 6,006,566	\$ 1,785,083	\$ 366,732	\$ -	\$ (3,854,751)
Supporting services	16,691,228	2,356,663	3,658,107	-	(10,676,458)
Community services	1,820,701	14,311	1,911,881	-	105,491
Payments to other districts	6,157,596	-	4,091,236	-	(2,066,360)
Interest on long-term debt	63,318	-	-	39,408	(23,910)
Unallocated depreciation	233,012	-	-	-	(233,012)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 30,972,421</b>	<b>\$ 4,156,057</b>	<b>\$ 10,027,956</b>	<b>\$ 39,408</b>	<b>(16,749,000)</b>
General revenues					
Property taxes					10,267,513
State school aid - unrestricted					5,248,234
Investment earnings					2,038
Miscellaneous					179,504
<b>TOTAL GENERAL REVENUES</b>					<b>15,697,289</b>
<b>CHANGE IN NET ASSETS</b>					<b>(1,051,711)</b>
Net assets, beginning of year					8,080,388
Net assets, end of year					<u>\$ 7,028,677</u>

See accompanying notes to the financial statements.

Eaton Intermediate School District

Governmental Funds

BALANCE SHEET

June 30, 2011

	General	Special Education	Vocational Education
<b>ASSETS</b>			
Cash and cash equivalents	\$ 383,093	\$ (881,506)	\$ 1,959,829
Receivables	291	4,372	1,457
Due from other governmental units	1,359,881	6,131,068	552,558
Prepays	57,358	-	-
Inventories	-	-	63,753
	<u>1,800,623</u>	<u>5,253,934</u>	<u>2,577,597</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,800,623</b>	<b>\$ 5,253,934</b>	<b>\$ 2,577,597</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 227,851	\$ 1,365,313	\$ 659,072
Due to other governmental units	14,920	1,540,253	50,397
Accrued payroll	91,904	633,072	94,888
Other accrued liabilities	194,306	296,656	33,811
Deferred revenue	188,221	-	10,820
	<u>717,202</u>	<u>3,835,294</u>	<u>848,988</u>
<b>TOTAL LIABILITIES</b>	<b>717,202</b>	<b>3,835,294</b>	<b>848,988</b>
<b>FUND BALANCES</b>			
<b>Nonspendable</b>			
Prepays	57,358	-	-
Inventories	-	-	63,753
<b>Restricted for:</b>			
Debt service	-	-	-
Special education	-	1,418,640	-
Vocational education	-	-	1,664,856
<b>Assigned to:</b>			
Capital projects	-	-	-
SAPE	-	-	-
Subsequent year's expenditures	568,524	-	-
Unassigned	457,539	-	-
	<u>1,083,421</u>	<u>1,418,640</u>	<u>1,728,609</u>
<b>TOTAL FUND BALANCES</b>	<b>1,083,421</b>	<b>1,418,640</b>	<b>1,728,609</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,800,623</b>	<b>\$ 5,253,934</b>	<b>\$ 2,577,597</b>

See accompanying notes to the financial statements.

Nonmajor Governmental Funds	Total
\$ 770,739	\$ 2,232,155
-	6,120
-	8,043,507
-	57,358
-	63,753
<u>\$ 770,739</u>	<u>\$ 10,402,893</u>

\$ 20	\$ 2,252,256
-	1,605,570
-	819,864
-	524,773
-	199,041

20	5,401,504
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-	57,358
-	63,753

9,995	9,995
-	1,418,640
-	1,664,856

753,825	753,825
6,899	6,899
-	568,524
-	457,539

<u>770,719</u>	<u>5,001,389</u>
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<u>\$ 770,739</u>	<u>\$ 10,402,893</u>
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Eaton Intermediate School District

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSTS

June 30, 2011

**Total fund balances - governmental funds** \$ 5,001,389

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

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

The cost of capital assets is	\$ 7,026,628	
Accumulated depreciation is	<u>(2,981,719)</u>	
		4,044,909

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(1,513,520)	
Accrued interest payable	(10,148)	
Compensated absences	<u>(493,953)</u>	
		<u>(2,017,621)</u>

**Net assets of governmental activities** \$ 7,028,677

Eaton Intermediate School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended June 30, 2011

	General	Special Education	Vocational Education
<b>REVENUES</b>			
Local sources	\$ 1,726,083	\$ 7,761,148	\$ 2,599,891
State sources	1,047,022	4,327,271	81,089
Federal sources	665,012	6,140,857	1,571,263
<b>TOTAL REVENUES</b>	<b>3,438,117</b>	<b>18,229,276</b>	<b>4,252,243</b>
<b>EXPENDITURES</b>			
Current			
Instruction	1,473,429	2,767,581	1,761,594
Supporting services	2,686,594	12,571,011	1,511,784
Community services	549,587	37,269	1,232,643
Debt service	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>4,709,610</b>	<b>15,375,861</b>	<b>4,506,021</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,271,493)</b>	<b>2,853,415</b>	<b>(253,778)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Other transactions	1,291,864	2,241,051	428,750
Transfers from other funds	-	-	-
Transfers to other funds	(49,951)	(220,680)	(25,000)
Payments to other districts	(32,328)	(6,125,268)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,209,585</b>	<b>(4,104,897)</b>	<b>403,750</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(61,908)</b>	<b>(1,251,482)</b>	<b>149,972</b>
Fund balances, beginning of year	1,145,329	2,670,122	1,578,637
Fund balances, end of year	<u>\$ 1,083,421</u>	<u>\$ 1,418,640</u>	<u>\$ 1,728,609</u>

See accompanying notes to the financial statements.

Nonmajor Governmental Funds	Total
\$ 1	\$ 12,087,123
39,408	5,494,790
-	8,377,132
39,409	25,959,045
-	6,002,604
10,392	16,779,781
-	1,819,499
260,039	260,039
301,352	301,352
571,783	25,163,275
(532,374)	795,770
-	3,961,665
295,631	295,631
-	(295,631)
-	(6,157,596)
295,631	(2,195,931)
(236,743)	(1,400,161)
1,007,462	6,401,550
\$ 770,719	\$ 5,001,389

Eaton Intermediate School District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

**Net change in fund balances - total governmental funds** **\$ (1,400,161)**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 400,980	
Depreciation expense	<u>(233,012)</u>	
Excess of capital outlay over depreciation expense		167,968

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current period, these amounts consist of:

Bond principal retirement		194,276
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These amounts consist of:

Decrease in accrued interest payable	2,445	
(Increase) in compensated absences	<u>(16,239)</u>	
		<u>(13,794)</u>

**Change in net assets of governmental activities** **\$ (1,051,711)**

Eaton Intermediate School District

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	<u>Agency Fund</u>	<u>Private Purpose Trust Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$        26</u>	\$      2,068
<b>LIABILITIES</b>		
Due to student groups	<u>\$        26</u>	<u>          -</u>
<b>NET ASSETS</b>		
Held in trust for private purposes		<u>\$      2,068</u>

See accompanying notes to the financial statements.

Eaton Intermediate School District

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2011

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Contributions	
Private donations	\$ 787
DEDUCTIONS	
Community services	<u>905</u>
CHANGE IN NET ASSETS	(118)
Net assets - beginning of year	<u>2,186</u>
Net assets - end of year	<u><u>\$ 2,068</u></u>

See accompanying notes to the financial statements.

Eaton Intermediate School District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements present the financial activities of Eaton Intermediate School District. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. Separate columns are shown for major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. The fiduciary funds are reported by type.

The major funds of the District are:

- a. General Fund - The General Fund is used to account for money or other resources to support the educational programs and general operations of the District.
- b. Special Education Fund - The Special Education Fund is used to account for money or other resources provided from all sources including local extra voted millage for the operation of special education programs and/or the distribution of funds to other local education agencies for operating special education programs.
- c. Vocational Education Fund - The Vocational Education Fund is used to account for money or other sources provided from all sources including local extra voted millage for the operation of vocational technical education programs. The Vocational Education fund also is used to account for Federal and State revenues received to operate job-training programs.

Eaton Intermediate School District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus

The district-wide and fiduciary private purpose trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty (60) days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

Eaton Intermediate School District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Budgets and Budgetary Accounting - continued

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted to the functional level; however, they are maintained at the object level for control purposes.
- e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.
- f. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- g. The budget, as presented, has been amended in a legally permissible manner. Two (2) supplementary appropriations were made during the year with the last one approved June 23, 2011.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts, pooled investment funds, and imprest cash. Cash equivalents are recorded at market value.

7. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant and local programs and State Aid payments. The State of Michigan's funding stream resulted in two (2) payments related to the fiscal year ended June 30, 2011 being paid in July and August 2011. The total amount of \$8,043,507 due from other governmental units consists of \$975,986 and \$7,067,521 related to State Aid and grant and local programs, respectively.

8. Prepays

Prepays, which are expected to benefit future periods, are included as assets in both the District-wide and Fund financial statements. Reported prepaid expenditures are equally offset in the governmental fund balance sheet by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

9. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories consist of a residential lot held for use in the various educational programs conducted by the District (i.e., Vocational Education). Reported inventories are equally offset by a nonspendable fund balance in the fund financial statements, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Eaton Intermediate School District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Capital Assets

Capital assets include land, buildings and additions, equipment and furniture, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Computer equipment, classroom and office modules, electronic equipment over \$1,000, and all other purchases with an initial individual cost of \$5,000 and an estimated useful life of more than one year are recorded as capital assets. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. Purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	8 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested sick and vacation pay amounts and non-vested sick and vacation pay amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes in the district-wide financial statements. The total is allocated between short and long-term based on management's determination of the amount that will be paid in the short-term and the remaining was recorded as long-term.

Vested vacation amounts scheduled to be paid from expendable available resources are recorded along with the related payroll taxes as a liability in the applicable governmental funds.

12. Deferred/Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as deferred revenue in governmental funds until the period in which eligible expenditures are incurred. Amounts shown as unearned revenue on the Statement of Net Assets relate to the same state categorical and local grants but are shown here because they are not earned.

13. Accrued Interest Payable

Accrued interest on long-term obligations is presented in the district-wide statements as a current liability.

14. Long-Term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Eaton Intermediate School District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 15, after which time the bill becomes delinquent and penalties and interest may be assessed by the collecting entity. The District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected. The District is permitted by the Constitution of the State of Michigan of 1963 to levy taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Special Education, Vocational Education, and Debt Service Fund expenditures. Total taxable value was \$2,610,610,681 for the 2010 tax year. For the year ended June 30, 2011, the District levied the following mills per \$1,000 of assessed valuation and the following revenues were reported in each fund for tax revenue:

<u>Fund</u>	<u>Mills</u>	<u>Revenue</u>
General Fund	0.1843	\$ 488,716
Special Education Fund	2.7704	7,335,148
Vocational Education Fund	0.9231	2,433,658

16. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers. Transfers are netted as part of the preparation of the District-wide financial statements.

17. Federal Programs

Federal programs are accounted for in the specific governmental funds to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

18. Comparative Data

Comparative data for the prior year has not been presented in the financial statements since their inclusion would make the statements unduly complex and difficult to read.

19. Restriction on Net Assets

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

**NOTE B: POOLING OF CASH AND CASH EQUIVALENTS**

The District utilizes pooled cash accounts for all funds. The District's balance sheet reflects cash in the Special Education Fund with a negative balance. This amount does not represent actual bank overdraft; rather, it merely reflects that the fund has disbursed amounts from the District's common checking account in excess of the amount recorded as an asset. In total, the bank account has a positive balance.

Eaton Intermediate School District  
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE B: POOLING OF CASH AND CASH EQUIVALENTS - CONTINUED**

Cash disbursed in excess of amounts recorded as assets as of June 30, 2011, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
Special Education Fund	<u>\$ (883,503)</u>	<u>\$ 1,997</u>	<u>\$ (881,506)</u>

**NOTE C: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. 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.
2. Certificates of deposit issued 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.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

**Deposits**

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2011, the carrying amount of the District's deposits was \$111,367 and the bank balance was \$116,064, all of which was covered by Federal depository insurance. The District had \$750 imprest cash on hand.

Eaton Intermediate School District  
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE C: CASH AND CASH EQUIVALENTS - CONTINUED**

Investments

As of June 30, 2011, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents caption in the financial statements are as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Average Maturity</u>
Uncategorized pooled investment funds			
Bank of America			
Government Portfolio Class II	\$ 637,267	\$ 637,267	N/A
Sweep-overnight investment account	1,380,097	2,802,206	N/A
MBIA - Michigan CLASS	104,768	104,768	N/A
	<u>\$ 2,122,132</u>	<u>\$ 3,544,241</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2011, the District's investments in the Government Portfolio Class II and the MBIA - Michigan Class are rated AAAM by Standard & Poor's.

Interest rate risk

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

Concentration of credit risk

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

Custodial credit risk

The District has adopted a policy that indicates how the District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the District's investment policy and pre-qualifying the investment institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

As of June 30, 2011, the cash and cash equivalents referred to above have been reported in the cash and cash equivalents caption in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 2,232,155</u>	<u>\$ 2,094</u>	<u>\$ 2,234,249</u>

Eaton Intermediate School District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE C: CASH AND CASH EQUIVALENTS - CONTINUED**

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated				
Land	\$ 23,500	\$ -	\$ -	\$ 23,500
Capital assets being depreciated				
Buildings and additions	5,413,015	300,443	-	5,713,458
Equipment and furniture	1,183,495	100,537	(46,528)	1,237,504
Vehicles	52,166	-	-	52,166
Subtotal	6,648,676	400,980	(46,528)	7,003,128
Less accumulated depreciation for:				
Buildings and additions	(1,853,232)	(110,689)	-	(1,963,921)
Equipment and furniture	(899,590)	(118,514)	46,528	(971,576)
Vehicles	(42,413)	(3,809)	-	(46,222)
Subtotal	(2,795,235)	(233,012)	46,528	(2,981,719)
Net capital assets being depreciated	3,853,441	167,968	-0-	4,021,409
Capital assets, net	<u>\$ 3,876,941</u>	<u>\$ 167,968</u>	<u>\$ -0-</u>	<u>\$ 4,044,909</u>

Depreciation expense of \$223,012 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**NOTE E: LONG-TERM DEBT**

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year
1998 Durant Resolution Bonds	\$ 107,796	\$ -	\$ 34,276	\$ 73,520	\$ 35,906
2007 Energy Conservation Bonds	190,000	-	25,000	165,000	25,000
2010 Refunding Bonds	1,410,000	-	135,000	1,275,000	145,000
Compensated Absences	477,714	575,098	558,859	493,953	128,635
	<u>\$ 2,185,510</u>	<u>\$ 575,098</u>	<u>\$ 753,135</u>	<u>\$ 2,007,473</u>	<u>\$ 334,541</u>

Eaton Intermediate School District  
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE E: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

\$1,410,000 Refunding Bonds dated March 31, 2010, due in annual principal installments ranging from \$145,000 to \$180,000 through May 1, 2019, with interest ranging from 2.00 to 4.00 percent, payable semi-annually. \$ 1,275,000

Resolution Bonds

\$561,188 1998 Durant Resolution Bonds dated November 15, 1998, due in annual principal installments from \$35,906 to \$37,614, with interest of 4.761353 percent, payable annually. The annual debt service payments related to these bonds are paid through an annual appropriation from the State of Michigan. 73,520

Energy Conservation Bonds

\$250,000 Energy Conservation Improvement Bonds dated June 1, 2007, due in annual principal installments ranging from \$25,000 to \$30,000 through May 1, 2017, with interest of 4.30 percent, payable semi-annually. 165,000

\$ 1,513,520

Compensated Absences

In accordance with District personnel policies and/or contracts negotiated with various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

A summary of the calculated amounts of accrued sick pay and related payroll taxes as of June 30, 2011, which has been recorded in the district-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Sick pay	\$ 265,874	\$ 133,370	\$ 399,244
Payroll taxes	20,339	10,203	30,542
	<u>\$ 286,213</u>	<u>\$ 143,573</u>	<u>\$ 429,786</u>

A summary of the calculated amounts of accrued vacation pay and related payroll taxes as of June 30, 2011, which has been recorded in the district-wide financial statements, is as follows:

	Total
Vacation pay	\$ 59,607
Payroll taxes	4,560
	<u>\$ 64,167</u>

Eaton Intermediate School District  
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE E: LONG-TERM DEBT - CONTINUED**

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Durant Resolution Bonds</u>		<u>2010 Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 35,906	\$ 3,501	\$ 145,000	\$ 45,475
2013	37,614	1,791	145,000	41,125
2014	-	-	150,000	36,775
2015	-	-	155,000	32,275
2016	-	-	160,000	26,850
2017-2019	-	-	520,000	43,350
	<u>\$ 73,520</u>	<u>\$ 5,292</u>	<u>\$ 1,275,000</u>	<u>\$ 225,850</u>

<u>Year Ending June 30,</u>	<u>Energy Conservation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 25,000	\$ 7,095
2013	25,000	6,020
2014	25,000	4,945
2015	30,000	3,870
2016	30,000	2,580
2017	30,000	1,290
	<u>\$ 165,000</u>	<u>\$ 25,800</u>

The Durant Resolution Bonds referred to above are bonds whose future debt service payments by the District are contingent on an annual State of Michigan appropriation. This is the only revenue source for making the annual debt service payments on these bonds. If the legislature of the State of Michigan fails to appropriate the funds, in any particular year, the District is under no obligation for payment of that year's debt obligation.

Advance Refunding - Prior

On March 31, 2010, the District defeased a portion of the 1999 General Obligation Bonds, which are due and payable May 1, 2011 through May 1, 2019. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2010 Refunding Bonds in the amount of \$1,410,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2011, bonds due and payable May 1, 2012, through May 1, 2019, for the 1999 General Obligation Bonds in the amount of \$1,260,000 are considered defeased.

**NOTE F: EMPLOYEE PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2010, the last year available, may be obtained by contacting the State of Michigan Department of Management and Budget.

Eaton Intermediate School District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE F: EMPLOYEE PENSION AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

Plan Description - continued

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten (10) years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death and disability benefits and health and medical, dental, vision, and hearing insurance coverage. Benefits are established by State statute.

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990 through June 30, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 4.3% of all wages over \$15,000. Employees first hired on or after July 1, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 6.4% of all wages over \$15,000.

Pension Benefits

Employer contributions to the pension system result from 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. For employees first hired before July 1, 2010, the employer contribution rate was 16.94 percent of covered payroll for the period from July 1, 2010 through September 30, 2010, 19.41 percent of covered payroll for the period from October 1, 2010 through October 31, 2010, and 20.66 percent for the period November 1, 2010 through June 30, 2011. For employees first hired after July 1, 2010, the employer contribution rate was 15.44 percent of covered payroll for the period from July 1, 2010 through September 30, 2010, 17.91 percent of covered payroll for the period from October 1, 2010 through October 31, 2010, and 19.16 percent for the period November 1, 2010 through June 30, 2011. Basic plan members make no contributions, but the MIP members contribute at rates ranging from 3 percent to 6.4 percent of gross wages. The District's required and actual contributions to the plan for the years ended June 30, 2011, 2010, and 2009 were \$989,028, \$977,561, and \$992,750, respectively.

Eaton Intermediate School District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE F: EMPLOYEE PENSION AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

Other Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.81 percent of covered payroll for the period from July 1, 2010 through September 30, 2010, 7.25 percent for the period October 1, 2010 through October 31, 2010, and 8.50 percent for the period from November 1, 2010 through June 30, 2011. The District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2011, 2010, and 2009 were \$712,801, \$640,069, and \$680,271, respectively.

**NOTE G: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds:	
General Fund	\$ 49,951
Special Education Fund	220,680
Vocational Education Fund	<u>25,000</u>
	<u>\$ 295,631</u>

The transfers from the General Fund and Special Education Fund to the nonmajor governmental (Debt Service) fund were to cover bond payments as they became due. The transfers from the General Fund, the Special Education Fund, and the Vocational Education Fund to the nonmajor governmental (Capital Projects) funds were to fund current and future capital expenditures.

**NOTE H: RISK MANAGEMENT**

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, crime, data processing, valuable papers and records, outdoor sign, boiler, and employee dishonesty. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

Eaton Intermediate School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE I: FLEXIBLE BENEFITS PLAN**

The District offers flexible benefit cafeteria plans established under Section 125 of the Internal Revenue Code. The plans are available to all employees who are either collective bargaining unit employees or administrative employees.

The bargaining unit employee's plan permits employees, who must pay a portion of the health insurance, to do so through a pretax compensation reduction. The plan also permits employees to reduce their compensation and apply it to medical or dependent care expenses. If the employee waives health insurance coverage from the District they may receive a cash benefit in lieu of such health insurance.

The administrative employee's plan allows for an employer provided payment to the plan for each employee, which can be used for medical or dependent care expenses. The plan also permits employees to reduce their compensation and apply it to medical or dependent care expenses.

The plans are administered by Eaton Intermediate School District.

**NOTE J: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT**

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff District an agreed upon amount for past under funding of special education. Eaton Intermediate School District, a nonplaintiff District, was awarded \$1,122,375 in the settlement. The funds are being paid as follows:

- a. One-half was being paid over the next ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds were recorded within the General Fund as categorical State Aid. The year ended June 30, 2008 was the last year the District received these funds.
- b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

**NOTE K: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS**

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Eaton Intermediate School District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE K: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED**

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a formal action and approval by the Board of Education and committed fund balances do not lapse at year end.

For assigned fund balance, the School Board is authorized to assign amounts to a specific purpose. This authority has been retained by the Board of Education.

For the classification of fund balances, the District considers restricted amounts to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**REQUIRED SUPPLEMENTARY INFORMATION**

Eaton Intermediate School District

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	\$ 908,673	\$ 1,744,689	\$ 1,726,083	\$ (18,606)
State sources	826,891	1,086,877	1,047,022	(39,855)
Federal sources	1,048,740	725,253	665,012	(60,241)
<b>TOTAL REVENUES</b>	<b>2,784,304</b>	<b>3,556,819</b>	<b>3,438,117</b>	<b>(118,702)</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	1,270,896	1,407,397	1,324,262	83,135
Added needs	-	90,460	149,167	(58,707)
<b>Total instruction</b>	<b>1,270,896</b>	<b>1,497,857</b>	<b>1,473,429</b>	<b>24,428</b>
Supporting services				
Pupil	209,277	230,541	207,567	22,974
Instructional staff	1,191,407	1,474,482	1,365,714	108,768
General administration	203,668	268,526	281,211	(12,685)
School administration	74,921	102,787	95,030	7,757
Business	83,142	90,613	75,318	15,295
Pupil transportation	436	-	-	-0-
Central	585,536	642,284	612,712	29,572
Operation and maintenance	50,942	50,950	49,042	1,908
<b>Total supporting services</b>	<b>2,399,329</b>	<b>2,860,183</b>	<b>2,686,594</b>	<b>173,589</b>
Community services	484,577	542,764	549,587	(6,823)
<b>TOTAL EXPENDITURES</b>	<b>4,154,802</b>	<b>4,900,804</b>	<b>4,709,610</b>	<b>191,194</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,370,498)</b>	<b>(1,343,985)</b>	<b>(1,271,493)</b>	<b>72,492</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other transactions	1,308,778	1,611,410	1,291,864	(319,546)
Payments to other districts	(17,384)	(32,328)	(32,328)	-0-
Transfers to other funds	(55,694)	(49,920)	(49,951)	(31)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,235,700</b>	<b>1,529,162</b>	<b>1,209,585</b>	<b>(319,577)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(134,798)</b>	<b>185,177</b>	<b>(61,908)</b>	<b>(247,085)</b>
Fund balance, beginning of year	1,145,329	1,145,329	1,145,329	-0-
Fund balance, end of year	<u>\$ 1,010,531</u>	<u>\$ 1,330,506</u>	<u>\$ 1,083,421</u>	<u>\$ (247,085)</u>

Eaton Intermediate School District

Special Education Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local sources	\$ 7,619,146	\$ 7,726,931	\$ 7,761,148	\$ 34,217
State sources	4,563,373	4,325,042	4,327,271	2,229
Federal sources	4,821,291	6,655,667	6,140,857	(514,810)
TOTAL REVENUES	17,003,810	18,707,640	18,229,276	(478,364)
EXPENDITURES				
Current				
Instruction				
Added needs	2,986,510	2,879,159	2,767,581	111,578
Supporting services				
Pupil	6,993,205	7,158,330	6,994,317	164,013
Instructional staff	566,382	897,729	778,954	118,775
General administration	93,747	18,291	17,444	847
School administration	187,327	202,850	200,205	2,645
Business	452,866	428,978	419,145	9,833
Pupil transportation	2,718,161	2,793,889	2,832,743	(38,854)
Central	655,863	1,014,807	1,027,483	(12,676)
Operation and maintenance	301,859	304,618	298,957	5,661
Other	2,400	2,400	1,763	637
Total supporting services	11,971,810	12,821,892	12,571,011	250,881
Community services	40,319	38,927	37,269	1,658
TOTAL EXPENDITURES	14,998,639	15,739,978	15,375,861	364,117
EXCESS OF REVENUES OVER EXPENDITURES	2,005,171	2,967,662	2,853,415	(114,247)
OTHER FINANCING SOURCES (USES)				
Other transactions	2,589,465	2,304,284	2,241,051	(63,233)
Payments to other districts	(5,339,498)	(6,606,033)	(6,125,268)	480,765
Transfers to other funds	(215,087)	(248,789)	(220,680)	28,109
TOTAL OTHER FINANCING SOURCES (USES)	(2,965,120)	(4,550,538)	(4,104,897)	445,641
NET CHANGE IN FUND BALANCE	(959,949)	(1,582,876)	(1,251,482)	331,394
Fund balance, beginning of year	2,670,122	2,670,122	2,670,122	-0-
Fund balance, end of year	\$ 1,710,173	\$ 1,087,246	\$ 1,418,640	\$ 331,394

Eaton Intermediate School District

Vocational Education Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Local sources	\$ 2,432,105	\$ 2,458,318	\$ 2,599,891	\$ 141,573
State sources	49,850	80,634	81,089	455
Federal sources	1,691,051	1,626,996	1,571,263	(55,733)
<b>TOTAL REVENUES</b>	<b>4,173,006</b>	<b>4,165,948</b>	<b>4,252,243</b>	<b>86,295</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Added needs	1,499,937	1,626,206	1,761,594	(135,388)
Supporting services				
Pupil	614,329	629,872	600,670	29,202
Instructional staff	266,455	220,740	246,688	(25,948)
General administration	20,135	3,927	3,745	182
School administration	225,156	222,932	204,106	18,826
Business	114,422	104,496	104,669	(173)
Pupil transportation	491	150,117	150,209	(92)
Central	88,638	91,616	86,275	5,341
Operation and maintenance	115,888	121,113	115,422	5,691
Total supporting services	1,445,514	1,544,813	1,511,784	33,029
Community services	1,480,566	1,307,203	1,232,643	74,560
<b>TOTAL EXPENDITURES</b>	<b>4,426,017</b>	<b>4,478,222</b>	<b>4,506,021</b>	<b>(27,799)</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(253,011)</b>	<b>(312,274)</b>	<b>(253,778)</b>	<b>58,496</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other transactions	416,500	416,500	428,750	12,250
Payments to other districts	(197,617)	-	-	-0-
Transfers to other funds	(25,000)	(25,000)	(25,000)	-0-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>193,883</b>	<b>391,500</b>	<b>403,750</b>	<b>12,250</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(59,128)</b>	<b>79,226</b>	<b>149,972</b>	<b>70,746</b>
Fund balance, beginning of year	1,578,637	1,578,637	1,578,637	-0-
Fund balance, end of year	<u>\$ 1,519,509</u>	<u>\$ 1,657,863</u>	<u>\$ 1,728,609</u>	<u>\$ 70,746</u>

Eaton Intermediate School District

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

As shown in the Budgetary Comparison Schedules, which are included in the financial statements as Required Supplementary Information, the District's budgeted expenditures in the governmental funds have been adopted and shown at the functional classification level.

During the year ended June 30, 2011, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Added Needs	\$ 90,460	\$ 149,167	\$ 58,707
Supporting services			
General administration	268,526	281,211	12,685
Community Service	542,764	549,587	6,823
Other financing uses			
Transfers to other funds	49,920	49,951	31
Special Education Fund			
Supporting services			
Pupil transportation	2,793,889	2,832,743	38,854
Central	1,014,807	1,027,483	12,676
Vocational Education Fund			
Instruction			
Added needs	1,626,206	1,761,594	135,388
Supporting services			
Instructional staff	220,740	246,688	25,948
Business	104,496	104,669	173
Pupil transportation	150,117	150,209	92

## **OTHER SUPPLEMENTARY INFORMATION**

Eaton Intermediate School District  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 June 30, 2011

	Special Revenue	Debt Service Funds	
	SAPE Fund	Debt Service Fund	Durant Resolution Bonds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,919	\$ 9,995	\$ -
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 20	\$ -	\$ -
<b>FUND BALANCES</b>			
Restricted for:			
Debt service	-	9,995	-
Assigned to:			
Capital projects	-	-	-
SAPE	6,899	-	-
<b>TOTAL FUND BALANCES</b>	<b>6,899</b>	<b>9,995</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,919</b>	<b>\$ 9,995</b>	<b>\$ -0-</b>

Capital Project Funds

General Capital Projects	Special Education Capital Projects	Vocational Education Capital Projects	Total
\$ 235,249	\$ 370,176	\$ 148,400	\$ 770,739
-	-	-	20
-	-	-	9,995
235,249	370,176	148,400	753,825
-	-	-	6,899
235,249	370,176	148,400	770,719
\$ 235,249	\$ 370,176	\$ 148,400	\$ 770,739

Eaton Intermediate School District

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2011

	Special Revenue	Debt Service Funds	
	SAPE Fund	Debt Service Fund	Durant Resolution Bonds
REVENUES			
Local sources	\$ -	\$ 1	\$ -
State sources	-	-	39,408
<b>TOTAL REVENUES</b>	<b>-0-</b>	<b>1</b>	<b>39,408</b>
EXPENDITURES			
Current			
Supporting services	10,392	-	-
Debt service			
Principal retirement	-	160,000	34,276
Interest and fiscal charges	-	60,631	5,132
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>10,392</b>	<b>220,631</b>	<b>39,408</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(10,392)</b>	<b>(220,630)</b>	<b>-0-</b>
OTHER FINANCING SOURCES			
Transfers from other funds	-	220,631	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(10,392)</b>	<b>1</b>	<b>-0-</b>
Fund balances, beginning of year	17,291	9,994	-
Fund balances, end of year	<u>\$ 6,899</u>	<u>\$ 9,995</u>	<u>\$ -0-</u>

Capital Project Funds

<u>General Capital Projects</u>	<u>Special Education Capital Projects</u>	<u>Vocational Education Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 1
-	-	-	39,408
-0-	-0-	-0-	39,409
-	-	-	10,392
-	-	-	194,276
-	-	-	65,763
66,513	233,929	910	301,352
66,513	233,929	910	571,783
(66,513)	(233,929)	(910)	(532,374)
-	50,000	25,000	295,631
(66,513)	(183,929)	24,090	(236,743)
301,762	554,105	124,310	1,007,462
<u>\$ 235,249</u>	<u>\$ 370,176</u>	<u>\$ 148,400</u>	<u>\$ 770,719</u>