

**Oneida Township School District #3
Grand Ledge, Michigan**

FINANCIAL STATEMENTS

June 30, 2011

Oneida Township School District #3

Grand Ledge, Michigan

BOARD OF EDUCATION

June 30, 2011

Diane McNeil

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Oneida Township School District #3

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Oneida Township School District #3
Grand Ledge, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Oneida Township School District #3 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 Oneida Township School District #3'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 and the major fund of Oneida Township School District #3 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 14, 2011 on our consideration of Oneida Township School District #3'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 important for 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 a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note G, 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 14, 2011

Oneida Township School District #3

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

This section of Oneida Township School District #3's ("Oneida" or the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011.

Financial Highlights

- The District's financial status dropped as the State cut student funding by \$170 per pupil and eliminated the Section 20j funding from Districts.
- Enrollment decreased from 21 students in the spring of 2010 to 15 students in the fall.
- The District has a great commitment to financial accountability with all purchases and expenditures brought before the Board for approval by the entire Board. All alternatives are discussed to make sure that the best possible decision is made.

Overview of the Financial Statements

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and supporting services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities - All of the District's basic services are included here, such as instruction and support services. Property taxes and state formula aid finance most of these activities.

Oneida Township School District #3

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Oneida School District #3's Net Assets

	<u>2010</u>	<u>2011</u>
Current and other assets	\$ 259,057	\$ 230,232
Capital Assets	<u>79,111</u>	<u>83,064</u>
Total assets	<u>338,168</u>	<u>313,296</u>
Liabilities (all current)	<u>70,537</u>	<u>13,008</u>
Net assets		
Invested in capital assets	79,111	83,064
Unrestricted	<u>188,520</u>	<u>217,224</u>
Total net assets	<u>\$ 267,631</u>	<u>\$ 300,288</u>

Changes in Oneida School District #3's Net Assets

	<u>2010</u>	<u>2011</u>
Revenues:		
Program revenues:		
Operating grants	\$ 1,038	\$ 1,633
General Revenues:		
Property taxes	78,625	74,226
State aid - unrestricted	85,565	106,190
Investment earnings	2,070	393
Other	<u>7,433</u>	<u>10,408</u>
Total revenues	<u>174,731</u>	<u>192,850</u>
Expenses		
Instruction	119,248	116,362
Support services	55,867	38,207
Unallocated depreciation	<u>5,471</u>	<u>5,624</u>
Total expenses	<u>180,586</u>	<u>160,193</u>
Change in net assets	<u>\$ (5,855)</u>	<u>\$ 32,657</u>

Financial Analysis of the District's Funds

The fund financial statements provide more detailed information about the District's funds, focusing on the General Fund, not the District as a whole. The General Fund is an accounting device the District uses to keep track of specific sources of funding and spending on particular programs. Fund balance in the General Fund stands at \$217,224 (\$293 nonspendable, \$48,923 assigned, and \$168,008 unassigned), up from \$199,285 in the prior year.

Oneida Township School District #3

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

General Fund Budgetary Highlights

We continue to try to give salary increases to teaching staff where possible in the form of incentive payments upon completion of goals and objectives. The teacher and the Board of Directors agree upon goals for the year and incentive payments are made upon the Board's review at the end of the year and evaluations of accomplishments. This has been a successful program and we feel that the costs are worth the benefits.

A teacher's meeting is held at the beginning of the year with the School Board during which teaching staff and the Board brainstorm to come up with a year long plan of programs, field trips, etc. which tie in with the subjects that are being taught. At that time, the staff presents a "wish list" to the School Board for material and resources to implement those programs. We are very proud of the results of this effort.

CAPITAL ASSET AND DEBT ADMINISTRATION

	2011		2010	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 20	\$ -	\$ 20	\$ 20
Land improvements	12,471	3,445	9,026	3,691
Buildings	64,764	11,826	52,938	51,272
Equipment and furniture	40,421	19,341	21,080	24,128
Total	<u>\$ 117,676</u>	<u>\$ 34,612</u>	<u>\$ 83,064</u>	<u>\$ 79,111</u>

Financial Issues

- The Oneida District School Board and the surrounding community as well as parents have worked hard to insure that the focus has been on the education of the children and their success. Our scores continue to be high on all MEAP testing.

Our School District consists of a single one room school with a small building known as our resource center where items are stored necessary to education such as extra books and supplies, as well as a small office and records from previous years. The resource center also serves as the computer center where the children receive their computer education.

Our School has not only students from within the District but from other districts. We serve as a unique niche to provide students whose parents would home school if that were the only other option as well as students who larger school districts have not been able to provide the individual attention to make their school experience a success. We have many elementary students arrive who have been disciplinary problems in other districts, but with the attention and standards available at our school, become high achievers and score well in testing usually by the end of the year.

All this increases the passion that parents and the community feel for the School.

- Unfortunately, the same situation that makes the School such a great place for the students creates an increasing stress on the District itself. Resources and funds simply are not there to provide the administrative support that other school districts have. District administrative responsibilities are handled by the three school board members and Eaton Intermediate School District.

Oneida Township School District #3
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- State aid funding continues to uncertain.
- The State continues to use one-time Federal funding to cover part of shortfalls in school funding.
- Student enrollment is uncertain.
- On the positive side, the taxpayers overwhelmingly passed the district's tax renewal.

Summary

A large majority of our students go on to higher education, based on the solid start they receive from our School. Students have become journalists, dentists, high achievers in the military and a number of teachers. The most surprising thing of all is the large number of students who visit the school as adults, often when coming home for the holidays because their appreciation for the education they received there.

The District's focus will continue to be to provide a wonderful educational experience for the children from Kindergarten to Fifth Grade who found their passion for learning at our school.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Treasurer's office at 2480 E. Strange Highway, Grand Ledge, Michigan 48837 or by phone at (517) 627-2501.

BASIC FINANCIAL STATEMENTS

Oneida Township School District #3

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 217,834
Prepays	293
Due from other governmental units	<u>12,105</u>
Total current assets	230,232
Noncurrent assets	
Capital assets not being depreciated	20
Capital assets, net of accumulated depreciation	<u>83,044</u>
Total noncurrent assets	<u>83,064</u>
TOTAL ASSETS	313,296
LIABILITIES	
Current liabilities	
Accounts payable	<u>13,008</u>
NET ASSETS	
Invested in capital assets	83,064
Unrestricted	<u>217,224</u>
TOTAL NET ASSETS	<u>\$ 300,288</u>

See accompanying notes to the financial statements.

Oneida Township School District #3

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
Governmental Activities			
Instruction	\$ 116,362	\$ 1,633	\$ (114,729)
Supporting services	38,207	-	(38,207)
Unallocated depreciation	5,624	-	(5,624)
	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 160,193</u>	<u>\$ 1,633</u>	<u>(158,560)</u>
General revenues			
Property taxes			74,226
Investment earnings			393
State school aid - unrestricted			106,190
ARRA Stabilization funds			2,236
Education Jobs funds			2,512
Other			5,660
			<u> </u>
TOTAL GENERAL REVENUES			<u>191,217</u>
CHANGE IN NET ASSETS			32,657
Net assets, beginning of the year			<u>267,631</u>
Net assets, end of the year			<u>\$ 300,288</u>

See accompanying notes to the financial statements.

Oneida Township School District #3

Governmental Fund

BALANCE SHEET

June 30, 2011

	<u>General</u>
ASSETS	
Cash	\$ 217,834
Prepays	293
Due from other governmental units	<u>12,105</u>
TOTAL ASSETS	<u><u>\$ 230,232</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 13,008
FUND BALANCE	
Nonspendable	
Prepays	293
Assigned to:	
Subsequent year's expenditures	48,923
Unassigned	<u>168,008</u>
TOTAL FUND BALANCE	<u>217,224</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 230,232</u></u>

See accompanying notes to the financial statements.

Oneida Township School District #3

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2011

Total fund balance - governmental fund \$ 217,224

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 fund.

The cost of capital assets is	\$ 117,676	
Accumulated depreciation is	<u>(34,612)</u>	
		<u>83,064</u>
Net assets of governmental activities		<u><u>\$ 300,288</u></u>

Oneida Township School District #3

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended June 30, 2011

	<u>General</u>
REVENUES	
Local sources	\$ 80,279
State sources	107,823
Federal sources	<u>4,748</u>
TOTAL REVENUES	192,850
EXPENDITURES	
Current	
Instruction	127,127
Supporting services	41,784
Capital outlay	<u>6,000</u>
TOTAL EXPENDITURES	<u>174,911</u>
NET CHANGE IN FUND BALANCE	17,939
Fund balance, beginning of year	<u>199,285</u>
Fund balance, end of year	<u><u>\$ 217,224</u></u>

See accompanying notes to the financial statements.

Oneida Township School District #3

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

Year Ended June 30, 2011

Net change in fund balance - total governmental fund \$ 17,939

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

Capital outlays are reported as expenditures in governmental fund. 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	\$	9,577	
Depreciation expense		<u>(5,624)</u>	
Excess of capital outlay over depreciation expense			3,953

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 fund. These activities consist of:

Decrease in compensated absences			<u>10,765</u>
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Change in net assets of governmental activities \$ 32,657

Oneida Township School District #3
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Oneida Township School District #3 (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 Oneida Township School District #3. The District has no activities that would be classified as component units.

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 activities of the District are included.

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 shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses a fund 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 fund financial statements present the District's only fund. The General Fund is the general operating fund of the District and is considered a major fund. It is used to account for all financial resources provided to the District to support the educational programs and general operations of the District.

3. Measurement Focus

The district-wide 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.

The governmental fund is 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.

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 financial statements are prepared using the accrual basis of accounting.

Oneida Township School District #3
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting - continued

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 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 the general fund.

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

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

- a. The School Board considers a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of 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 at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.

Oneida Township School District #3
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

- e. Formal budgetary integration is employed as a management control device during the year for the general fund.
- f. The budget, as presented, has been amended in a legally permissible manner.

6. Cash

Cash consists of checking and savings accounts.

7. Capital Assets

Capital assets include land, land improvements, buildings, computer and outdoor equipment, and furniture and fixtures and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$1,000 and an estimated useful life of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition and construction are reflected as expenditures in governmental fund, and the related assets are reported in the district-wide financial statements. All purchased fixed 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	50 years
Furniture and fixtures	20 years
Land improvements	15 years
Computer and outdoor equipment	5 years

8. Due From Other Governmental Units

Due from other governmental units consists of amounts owed to the District for state and federal aid payments. The total amount of \$12,105 due from other governmental units consists of \$11,738 in State Aid and \$367 in grant and local programs.

9. 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 bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of \$18 per \$1,000 of taxable valuation on most nonprimary residence exempt property; \$6.1474 on primary residence exempt, and qualified agricultural and forest property; and \$6 per \$1,000 of taxable valuation on commercial personal property for general governmental services. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. Current property tax revenue generated from this levy for the general fund was \$73,979.

Oneida Township School District #3
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. 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 sick leave amounts expected to be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability in the district-wide financial statements, when applicable. At June 30, 2011 this balance is \$0.

11. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. 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, 2011, the foundation allowance was based on the average of pupil membership counts taken in September 2010 and February 2010. The average calculation was weighted 75% for the September 2010 count and 25% for the February 2010 count.

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 nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue was recognized during the foundation period (currently the fiscal year) and was funded through five (5) payments made during the year and two (2) payments made in July and August subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

12. Comparative Data

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

NOTE B: CASH

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.

Oneida Township School District #3
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE B: CASH - CONTINUED

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 institutions such as banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured institutions in the State of Michigan in the name of the School District.

Deposits

There is 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 \$217,834 and the bank balance was \$236,692. The entire bank balance was covered by Federal depository insurance.

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). The District has adopted a policy that District will minimize credit risk by limiting the types of securities as described in the investment policy, and pre-qualifying the financial intuitions.

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, structuring the investment portfolio so that securities mature to meets cash requirement for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter - term securities, liquid asset funds, or similar investment pools and limiting the average maturity in accordance with 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.

Oneida Township School District #3
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE C: CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated				
Land	\$ 20	\$ -	\$ -	\$ 20
Capital assets being depreciated				
Computer equipment	17,726	-	(1,150)	16,576
Furniture & fixtures	2,072	-	-	2,072
Land improvements	6,471	6,000	-	12,471
Outdoor equipment	21,773	-	-	21,773
Buildings	61,187	3,577	-	64,764
Total capital assets being depreciated	109,229	9,577	(1,150)	117,656
Less accumulated depreciation for:				
Computer equipment	(11,198)	(1,855)	1,150	(11,903)
Furniture & fixtures	(746)	(104)	-	(850)
Land improvements	(2,780)	(665)	-	(3,445)
Outdoor equipment	(5,499)	(1,089)	-	(6,588)
Buildings	(9,915)	(1,911)	-	(11,826)
Total accumulated depreciation	(30,138)	(5,624)	1,150	(34,612)
Net capital assets being depreciated	79,091	3,953	-0-	83,044
Capital assets, net	\$ 79,111	\$ 3,953	\$ -0-	\$ 83,064

Depreciation expense of \$5,624 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE D: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences (including current portion) 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
Compensated absences	\$ 10,765	\$ -	\$ 10,765	\$ -0-	\$ -

In recognition of services to the District, accumulated sick leave payments will be paid up to a maximum of forty (40) days upon retirement or voluntary termination of employment to eligible employees according to their respective employment contracts.

Oneida Township School District #3
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E: EMPLOYEE PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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.

MPERS covered payroll (including MIP option) for the year ended June 30, 2011 was \$72,593; the District's total payroll was \$92,468.

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 through June 30, 2008, 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 MPERS Basic Plan and may retire after attaining age sixty with ten (10) or more 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 MPERS 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, 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. In addition, employees first hired on or after July 1, 2010, are required to contribute 3% of all wages to a retiree health care fund and 2% to a hybrid defined contribution pension plan.

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% of covered payroll for the period from July 1, 2010 through September 20, 2010, 19.41% of covered payroll for the period from October 1, 2010 through October 31, 2010, and 20.66% 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% of covered payroll for the period from July 1, 2010 through September 30, 2010, 17.91% of covered payroll for the period from October 1, 2010 through October 31, 2010, and 19.16% 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% to 6.4% of gross wages. The District's required and actual contributions to the plan for the years ended June 30, 2009, 2010, and 2011 were \$6,695, \$6,000, and \$8,606, respectively.

Oneida Township School District #3
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E: 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 for the period from July 1, 2010 through September 30, 2010, 7.25% of covered payroll for the period from October 1, 2010 through October 30, 2010, and 8.5% 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, 2009, 2010, and 2011 were \$4,685, \$4,033, and \$5,900 respectively.

NOTE F: 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, employee dishonesty, crime, and errors and omissions. 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.

NOTE G: 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.

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.

Oneida Township School District #3
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED

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 District has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is 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

Oneida Township School District #3

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 85,000	\$ 82,223	\$ 80,279	\$ (1,944)
State sources	51,770	64,226	107,823	43,597
Federal sources	-	4,748	4,748	-0-
TOTAL REVENUES	136,770	151,197	192,850	41,653
EXPENDITURES				
Current				
Instruction				
Basic programs	131,015	126,981	127,127	(146)
Supporting services	70,025	42,071	41,784	287
Capital outlay	-	6,000	6,000	-0-
TOTAL EXPENDITURES	201,040	175,052	174,911	141
NET CHANGE IN FUND BALANCE	(64,270)	(23,855)	17,939	41,794
Fund balance, beginning of year	199,285	199,285	199,285	-0-
Fund balance, end of year	\$ 135,015	\$ 175,430	\$ 217,224	\$ 41,794

Oneida Township School District #3

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2011

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

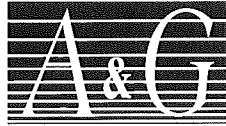
In the budgetary comparison schedule shown as required supplementary information to the financial statements, the District's budgeted expenditures in the General Fund have been shown at the functional classification level.

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

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Instruction			
Basic programs	\$ 126,981	\$ 127,127	\$ (146)

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



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

To the Board of Education
Oneida Township School District #3
Grand Ledge, Michigan

We have audited the financial statements of the governmental activities and the major fund of Oneida Township School District #3 as of and for the year ended June 30, 2011, which collectively comprise Oneida Township School District #3's basic financial statements and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oneida Township School District #3's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Education and administration of Oneida Township School District #3, others within the District, the pass-through entities, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 14, 2011