

Eaton Rapids Public Schools
Eaton Rapids, Michigan
Annual Financial Statements
and
Auditors' Report
June 30, 2011

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Eaton Rapids Public Schools
Members of the Board of Education and Administration
June 30, 2011

Members of the Board of Education

Brian Ross	President
Debbie Brinson	Vice President
Carolyn Wyckoff	Treasurer
Theresa Platte	Secretary
Tom Reich	Trustee
Jon Althouse	Trustee
Jeff Allison	Trustee

Administration

Dr. William DeFrance	Superintendent
Collin Smith	Chief Financial Officer



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Independent Auditors' Report

To the Board of Education
Eaton Rapids Public Schools
Eaton Rapids, Michigan

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Public Schools as of June 30, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the School District adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2011, on our consideration of Eaton Rapids Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eaton Rapids Public Schools financial statements as a whole. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, Eaton Rapids Public Schools' financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated November 8, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eaton Rapids Public Schools' financial statements as a whole. The 2010 information in the comparative statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 information in the comparative statements is fairly stated in all material respects in relation to the financial statements from which they have been derived.

Yeo & Yeo, P.C.

Lansing, Michigan
November 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eaton Rapids Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

This section of Eaton Rapids Public Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2011. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Eaton Rapids Public Schools, a K-12 school district located in Eaton County, Michigan, and presents its financial statements under the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Eaton Rapids Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2011 with comparative information for June 30, 2010 in certain instances.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Eaton Rapids Public Schools as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, and then proceeds to provide an increasingly detailed look at specific financial activities.

District-wide Financial Statements

The Statement of Net Assets and Statement of Activities

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

The two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. The reader will need to consider other nonfinancial factors such as the quality of the education provided, property tax base, political conditions at the State Capitol, student enrollment changes, birth rates and facility conditions in arriving at their conclusion regarding the overall health of the District.

The District-wide financial statements can be found on pages 4-1 to 4-3 of this report.

Eaton Rapids Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 4-4 and provide detailed information about the most significant funds, not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements at pages 4 - 6 and 4 - 8.

Fiduciary Funds

The District is the fiduciary for various student group activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets starting on page 4-9. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**Eaton Rapids Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$3,875,603. This is divided into restricted and unrestricted net assets.

The following summarizes the net assets at fiscal years ended June 30, 2011 and 2010:

	<u>NET ASSETS SUMMARY</u>	
	<u>JUNE 30,</u>	
	<u>2011</u>	<u>2010</u>
Current Assets	\$ 7,398,525	8,245,428
Noncurrent Assets	<u>48,009,682</u>	<u>49,252,484</u>
Total Assets	\$55,408,207	\$ 57,497,912
Current Liabilities	\$5,429,329	\$ 6,565,292
Noncurrent Liabilities	<u>46,103,275</u>	<u>47,684,320</u>
Total Liabilities	\$51,532,604	\$ 54,249,612
Net Assets		
Invested in capital assets, net of related debt	\$ 1,836,370	\$ 1,453,176
Restricted	493,184	781,014
Unrestricted	<u>1,546,049</u>	<u>1,014,110</u>
TOTAL NET ASSETS	<u>\$3,875,603</u>	<u>\$ 3,248,300</u>

**Eaton Rapids Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

CHANGES IN NET ASSETS
YEARS ENDED JUNE 30,

Revenues:

	<u>2011</u>	<u>2010</u>
Program Revenues		
Charges for Services	\$1,134,218	\$1,257,864
Operating Grants and Contributions	4,369,248	4,334,571
Capital Grants and Contributions	32,773	220,199
General Revenues		
Property Taxes for general purposes	1,749,651	1,748,933
Property Taxes for debt service	3,576,309	3,746,850
State aid – unrestricted	17,154,986	17,208,107
Interest and investment earnings	10,226	12,661
Other & Extraordinary Items	<u>122,197</u>	<u>110,323</u>
Total Revenues	\$28,149,608	\$28,639,508

Functions/Program Expenses:

Instruction	\$15,125,068	\$14,970,814
Supporting Services	7,208,788	7,557,217
Food Services	954,090	922,366
Athletics*	0	403,292
Community Services	590,109	570,012
Interest and issuance on long-term debt	2,137,888	2,185,623
Depreciation – unallocated	<u>1,506,362</u>	<u>1,533,982</u>
Total Expenses	<u>\$27,522,305</u>	<u>\$28,143,306</u>

Increase in net assets	<u>627,303</u>	<u>496,202</u>
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* Classified as support services after 2009/10 due to GASB 54

**Eaton Rapids Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

In the table below, we have presented the cost of each of the School District's 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 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. More detail may be found in the Statement of Activities found on page 4 - 3.

	<u>TOTAL COST OF SERVICES</u>	<u>NET COST OF SERVICES</u>
Instruction	\$15,125,068	\$11,641,708
Supporting Services	7,208,788	6,516,352
Food Services	954,090	(31,706)
Community Services	590,109	215,462
Interest on long-term debt	2,137,888	2,137,888
Depreciation – unallocated	<u>1,506,362</u>	<u>1,506,362</u>
TOTAL	<u>\$27,522,305</u>	<u>\$21,986,066</u>

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2011, the School District amended the budget of the general fund two times.

**Eaton Rapids Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Foundation Allowance. The Per Pupil Foundation Allowance, which consists of a combination of state aid and local property tax revenue, has changed for the past several years as follows:

<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
\$7,204	\$7,316	\$7,162	\$7,146

Pupil Count. The pupil census, which together with the amount of the Per Pupil Foundation Allowance, determines the allocation of non-categorical state aid, has changed for the past several years as follows:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
September Count	2,983.96	2,921.48	2,850.41	2,770.47

The comparison of 2010-11 general fund expenditures and revenues to budgeted amounts is shown on page 5-1 and 5-2.

The 2010-11 general fund revenue was \$23,415,237. This amount is below the original budget estimates of \$23,433,914 and below the final amended budget of \$23,647,752. The \$ 213,838 variance between the original and final budget was primarily due to school budgeting for State sources.

The actual expenditures and other financing uses of the general fund were \$23,444,450. This is below the original budget estimates of \$23,468,971 and below the final amended budget amount of \$23,647,752. The \$ 178,781 variance between the original and final budget was primarily due to Instruction basic programs.

The ending fund balance for the general fund was \$ 1,646,775, as compared to the original budget which projected an ending fund balance of \$1,640,931. The general fund balance is approximately 7.02% of general fund expenditures. This relatively low fund balance is of concern to the District, because it limits the options that are available to deal with unanticipated reductions in revenue or increases in expenditures.

**Eaton Rapids Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

GOVERNMENTAL FUND REVENUES

The total governmental fund revenues of the District were \$28,015,076. Of the total revenues, \$18,579,205 came from state, \$6,425,144 from local, \$2,082,805 from Federal sources, and the remaining \$927,922 was from interdistrict and other sources.

GOVERNMENTAL FUND EXPENDITURES

The largest portion of governmental fund expenditures is for the District's general fund. General fund expenditures for 2010-11 were \$23,444,450. Expenditures for the Debt Fund were \$4,028,243. The Food Service Fund expenditures were \$943,293.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the School District had \$ 66,379,367 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$19,052,997 in depreciation has been taken over the years. We currently have net book value of \$47,326,370. Total acquisitions for the year were \$98,173 and depreciation was \$1,506,362. This information is shown in greater detail on page 4-16 of the report.

	June 30, 2011	Accumulated Depreciation	Net Capital Assets
Land	705,824	-	705,824
Construction in progress	-	-	-
Buildings & Improvements	60,352,335	15,232,227	45,120,108
Machinery and Vehicles	1,738,090	1,521,891	216,199
Furniture and Equipment	<u>3,583,118</u>	<u>2,298,879</u>	<u>1,284,239</u>
TOTALS	<u>66,379,367</u>	<u>19,052,997</u>	<u>47,326,370</u>

**Eaton Rapids Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Long-Term Debt

As of June 30, 2011, the School District had \$45,490,000 in government obligation bonds outstanding. These are bonds for which the District has pledged its full faith and credit. In addition, there was \$61,142 in outstanding Durant Resolution Bonds issued pursuant to Public Act 142. These are a legal obligation of the School District, but the annual State of Michigan appropriation is the only revenue source making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. Compensated absences reflecting earned leave days due to employees is calculated at \$317,547. The District's long-term debt is discussed in greater detail at pages 4-18 through 4-20 of the report.

	<u>June 30, 2011</u>
Government obligation bonds	45,490,000
Other bonds	61,142
Voluntary Severance/Termination Benefits	164,874
Compensated absences	<u>317,547</u>
TOTAL	<u>46,033,563</u>

**Eaton Rapids Public Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The great majority of the District's revenues are based on State of Michigan appropriations from the School Aid Fund for the Per Pupil Foundation Allowance (PPFA). The monies available for appropriation by the legislature are, in large part, receipts from sales taxes, income taxes, and lottery proceeds. The District's share of appropriations from this fund is based on the pupil count.

The economy in the State of Michigan has slowed significantly, and the outlook for the next year is problematic at best. Therefore, the District should anticipate static revenues as a best case, and a very real prospect of declining operating revenues for the near-term future. In addition, the district faces the likelihood of steady or declining enrollment for the near future. There is very little in the way of available fund balance to cushion these possible future events.

The District needs to plan for a reduction in its level of expenditures. The budget planning for the District, and negotiations strategy with employee groups, will take this need into account.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Eaton Rapids Public School District's finances for all 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:

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Eaton Rapids, Michigan 48827
Fax (517) 663 2236
Office Telephone (517) 663 1258
E-Mail – cdsmith@erpsk12.org

BASIC FINANCIAL STATEMENTS

Eaton Rapids Public Schools
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,572,703
Taxes receivable	62,189
Accounts receivable	140,375
Due from other governmental units	4,574,149
Interest receivable	292
Inventory	23,506
Prepaid items	25,311
Noncurrent assets	
Deferred bond issuance and refunding costs	683,312
Capital assets not being depreciated	705,824
Capital assets - net of accumulated depreciation	<u>46,620,546</u>
 Total assets	 <u>55,408,207</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	251,480
State aid anticipation note payable	1,426,200
Due to other governmental units	504,921
Payroll deductions and withholdings	1,784
Accrued expenditures	1,186,363
Accrued salaries payable	1,489,617
Deferred revenue	568,964
Noncurrent liabilities	
Due within one year	2,313,114
Due in more than one year	<u>43,790,161</u>
Total liabilities	<u>51,532,604</u>
Net Assets	
Invested in capital assets, net of related debt	1,836,370
Restricted for:	
Debt service	351,629
Capital projects	15,367
Food service	126,188
Unrestricted	<u>1,546,049</u>
Total net assets	<u>\$ 3,875,603</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Statement of Activities
For the Year Ended June 30, 2011

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs					
Governmental activities					
Instruction	\$ 15,125,068	\$ 9,999	\$ 3,473,361	\$ -	\$(11,641,708)
Supporting services	7,208,788	314,605	345,058	32,773	(6,516,352)
Food services	954,090	434,967	550,829	-	31,706
Community services	590,109	374,647	-	-	(215,462)
Interest and issuance costs on long-term debt	2,137,888	-	-	-	(2,137,888)
Depreciation - unallocated	1,506,362	-	-	-	(1,506,362)
Total governmental activities	\$ 27,522,305	\$ 1,134,218	\$ 4,369,248	\$ 32,773	(21,986,066)
General revenues					
					1,749,651
					3,576,309
					17,154,986
					10,226
					122,197
Total general revenues					22,613,369
Change in net assets					627,303
Net assets - beginning					3,248,300
Net assets - ending					\$ 3,875,603

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Governmental Funds
Balance Sheet
June 30, 2011

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 2,136,759	\$ 435,944	\$ 2,572,703
Taxes receivable	20,361	41,828	62,189
Accounts receivable	137,794	2,581	140,375
Due from other funds	-	129,531	129,531
Due from other governmental units	4,566,673	7,476	4,574,149
Interest receivable	249	43	292
Inventory	4,730	18,776	23,506
Prepaid items	<u>25,311</u>	<u>-</u>	<u>25,311</u>
Total assets	<u>\$ 6,891,877</u>	<u>\$ 636,179</u>	<u>\$ 7,528,056</u>

See Accompanying Notes to Financial Statements

**Eaton Rapids Public Schools
Governmental Funds
Balance Sheet
June 30, 2011**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 245,250	\$ 6,230	\$ 251,480
State aid anticipation note payable	1,426,200	-	1,426,200
Due to other funds	125,517	4,014	129,531
Due to other governmental units	439,726	65,195	504,921
Payroll deductions and withholdings	1,784	-	1,784
Accrued expenditures	828,891	6,953	835,844
Accrued salaries payable	1,489,617	-	1,489,617
Deferred revenue	<u>688,117</u>	<u>41,827</u>	<u>729,944</u>
Total liabilities	<u>5,245,102</u>	<u>124,219</u>	<u>5,369,321</u>
Fund Balance			
Non-spendable			
Inventory	4,730	18,776	23,506
Prepaid items	25,311	-	25,311
Restricted for			
Debt service	-	351,629	351,629
Capital projects	-	15,367	15,367
Food service	-	126,188	126,188
Assigned for maintenance	350,223	-	350,223
Unassigned	<u>1,266,511</u>	<u>-</u>	<u>1,266,511</u>
Total fund balance	<u>1,646,775</u>	<u>511,960</u>	<u>2,158,735</u>
Total liabilities and fund balance	<u>\$ 6,891,877</u>	<u>\$ 636,179</u>	<u>\$ 7,528,056</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2011

Total fund balances for governmental funds	\$ 2,158,735
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	30,564
Operating grants	130,416
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	705,824
Capital assets - net of accumulated depreciation	46,620,546
Other long-term assets are not deferred in the governmental funds.	683,312
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(343,899)
Retirement incentive benefits	(164,874)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(317,547)
Bonds payable	<u>(45,627,474)</u>
Net assets of governmental activities	<u>\$ 3,875,603</u>

Eaton Rapids Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 2,408,907	\$ 4,016,237	\$ 6,425,144
State sources	18,491,883	87,322	18,579,205
Federal sources	1,586,525	496,280	2,082,805
Interdistrict sources and other	<u>927,922</u>	<u>-</u>	<u>927,922</u>
Total revenues	<u>23,415,237</u>	<u>4,599,839</u>	<u>28,015,076</u>
Expenditures			
Current			
Education			
Instruction	15,612,736	-	15,612,736
Supporting services	7,241,605	-	7,241,605
Food services	-	943,293	943,293
Community services	590,109	-	590,109
Debt service			
Principal	-	1,903,505	1,903,505
Interest	<u>-</u>	<u>2,124,738</u>	<u>2,124,738</u>
Total expenditures	<u>23,444,450</u>	<u>4,971,536</u>	<u>28,415,986</u>
Excess (deficiency) of revenues over expenditures	<u>(29,213)</u>	<u>(371,697)</u>	<u>(400,910)</u>
Fund balance - beginning	<u>1,675,988</u>	<u>883,657</u>	<u>2,559,645</u>
Fund balance - ending	<u>\$ 1,646,775</u>	<u>\$ 511,960</u>	<u>\$ 2,158,735</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - Total governmental funds	\$ (400,910)
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	7,795
Deferred revenue - operating grant funds not available	130,416
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,506,362)
Capital outlay	98,173
Disposal of capital assets (net book value)	(3,679)
Expenses are recorded when incurred in the statement of activities.	
Interest	10,617
Retirement incentive benefits	382,888
Compensated absences	62,466
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Repayments of long-term debt	1,903,505
Amortization of premiums	49,356
Amortization of deferred refunding costs	-
Amortization bond issuance costs	(33,839)
Amortization of bond discount	(73,123)
Change in net assets of governmental activities	\$ <u>627,303</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2011

	<u>Private Purpose Trust Funds</u>	<u>Student Activities Agency Fund</u>
Assets		
Cash	\$ 11,784	\$ 250,432
Liabilities		
Due to student activities	<u>-</u>	<u>250,432</u>
Net Assets		
Reserved for scholarships and loans	<u>\$ 11,784</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	<u>Private Purpose Trust Funds</u>
Additions	
Interest and investment earnings	\$ <u>65</u>
Deductions	
Scholarships	<u>5,500</u>
Change in net assets	(5,435)
Net assets - beginning	<u>17,219</u>
Net assets - ending	<u>\$ 11,784</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Eaton Rapids Public Schools (the School District) conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

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

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the School District as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted

net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Community Service Funds. Operating deficits generated by these activities are generally eliminated by a transfer from the General Fund.

Debt Service Funds – The Durant Bond, 1999/2009 Debt Service, 2004/2006 Debt Service and 2010 Debt Service Funds are used to record tax, interest, state aid Durant funds and other revenue

and the payment of interest, principal, and other expenditures on long-term debt.

2004 School Building Capital Projects Fund - The 2004 School Building Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring land, re-equipping buildings and equipment, and for remodeling and repairs related to the 2004 bond.

Fuel Systems Capital Projects Fund - The Fuel Systems Fund is to be used for repairs, maintenance and replacements to the gasoline and diesel fuel systems.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are entrusted to the School District for scholarship awards and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2011, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.86690
Commercial personal property	5.86690
Debt Service Funds	7.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 25% of the School District's tax roll lies within the City of Eaton Rapids.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of July and December of the levy year and are due on or before September 15 or February 15. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the Counties of Eaton and Ingham and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with

an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Equipment and furniture	5-20 years
Buses and other vehicles	8-15 years

Compensated Absences – The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the termination method as described in GASB Statement 16. The amount reported is salary related and includes no fringe benefits, since the amount of said benefits would be immaterial.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the District's highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned – amounts intended to be used for specific purposes, as determined by the Superintendent. The board of education has granted the finance committee and Superintendent the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Adoption of New Accounting Standard

The Government Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District adopted effective July 1, 2010. The

new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Subsequent Events

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with US GAAP and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancelling all encumbrances. These appropriations are reestablished at the beginning of the year.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Original and final budget appropriations are reported beginning on page 5-1.

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs	\$ 3,201,100	\$ 3,390,948	\$ 189,848
Adult and continuing education	269,499	277,830	8,331
Instructional staff	563,606	571,642	8,036
General administration	382,644	412,872	30,228
Central	401,003	416,667	15,664
Community services	586,531	590,109	3,578

Compliance - Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. The following is a summary of

the revenue and expenditures in the 2004 Capital Project Funds from the inception of the funds through the current fiscal year:

Revenues	\$ 35,814,036
Expenditures	\$ 35,810,549

NOTE 3 - DEPOSITS AND INVESTMENTS

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 2,572,703</u>	<u>\$ 262,216</u>	<u>\$ 2,834,919</u>

Deposits and investments for the School District are summarized follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 679,700
Investments in securities, mutual funds, and similar vehicles	2,152,356
Petty cash and cash on hand	<u>2,863</u>
Total	<u>\$ 2,834,919</u>

Investments	Fair Value	Maturity	Rating	Rating Organization
PNC Municipal Invest Fund	\$ 2,038,480	< 90 days	N/A	Standard and Poor's
Comerica Govt Invest Fund	99,527	< 90 days	N/A	Standard and Poor's
Michigan Liquid Asset Fund Plus	<u>14,349</u>	6 Mos Avg	AAAm	Standard and Poor's
	<u>\$ 2,152,356</u>			

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

Interest rate risk – In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio so that securities mature to meet cash requirements 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, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

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

Concentration of credit risk - The District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits and investments– In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk.

As of year end, the School District's deposit balance of \$ 719,454 of bank deposits (certificates of deposit, checking and savings accounts) had \$ 187,643 exposed to custodial credit risk because it was uninsured or uncollateralized.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value

of its investments or collateral securities that are in the possession of an outside party. The District does not hold investments subject to custodial credit risk at year end.

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 705,824	\$ -	\$ -	\$ 705,824
Total capital assets not being depreciated	705,824	-	-	705,824
Capital assets being depreciated				
Buildings and additions	60,352,335	-	-	60,352,335
Equipment and furniture	3,549,318	70,590	36,790	3,583,118
Buses and other vehicles	1,710,507	27,583	-	1,738,090
Total capital assets being depreciated	65,612,160	98,173	36,790	65,673,543
Less accumulated depreciation for				
Buildings and additions	13,987,997	1,244,230	-	15,232,227
Equipment and furniture	2,135,904	196,086	33,111	2,298,879
Buses and other vehicles	1,455,845	66,046	-	1,521,891
Total accumulated depreciation	17,579,746	1,506,362	33,111	19,052,997
Net capital assets being depreciated	48,032,414	(1,408,189)	3,679	46,620,546
Net capital assets	\$ 48,738,238	\$ (1,408,189)	\$ 3,679	\$ 47,326,370

Depreciation for the fiscal year ended June 30, 2011, amounted to \$ 1,506,362. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE

Individual interfund receivable and payable balances at year-end were:

Due From Fund	Due to Fund	Amount
General Fund	Food Service Fund	\$ 125,517
Community Service Fund	Food Service Fund	3,948
2010 Debt Fund	2004 Debt Fund	50
2004 Debt Fund	1999 Debt Fund	16
		<u>\$ 129,531</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Delinquent property taxes	\$ 62,189	\$ -	\$ 62,189
Noncurrent grant receivable	130,416	-	130,416
Grant and categorical aid payments received prior to meeting all eligibility requirements	-	537,339	537,339
Total	<u>\$ 192,605</u>	<u>\$ 537,339</u>	<u>\$ 729,944</u>

NOTE 7 - LEASES

Operating Leases

The School District leases copiers under non-cancelable operating leases through June 30, 2013. Total expenses for such leases were \$ 44,234 for the year. Future minimum lease payments are as follows:

Year ending June 30,	
2012	\$ 44,234
2013	44,234
Total	<u>\$ 88,468</u>

NOTE 8 - STATE AID ANTICIPATION NOTE

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 2,300,000	\$ 3,000,000	\$ 3,873,800	\$ 1,426,200

\$ 20,650,000 serial bond due in annual installments of \$ 965,000 to \$ 980,000 through May 1, 2025, interest at 4.30% to 5.00%	\$ 2,920,000
\$ 33,520,000 serial bond due in annual installments of \$575,000 to \$ 2,675,000 through May 1, 2027, interest at 3.50% to 5.25%	24,670,000
\$ 6,000,000 serial bond due in annual installments of \$ 85,000 to \$ 2,780,000 through May 1, 2029, interest at 4.00% to 4.25%	5,895,000
\$ 13,635,000 serial bond due in annual installments of \$ 955,000 to \$ 1,135,000 through May 1, 2022, interest at 3.00% to 4.25%	11,420,000
\$ 755,000 serial bond due in annual installments of \$ 245,000 to \$ 340,000 through May 1, 2013, interest at 3.25%	<u>585,000</u>
Total general obligation bonded debt	<u>\$ 45,490,000</u>

NOTE 9 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, severance liabilities, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 47,365,000	\$ -	\$ 1,875,000	\$ 45,490,000	\$ 2,125,000
Durant bonds	89,647	-	28,505	61,142	29,860
Compensated absences	380,013	-	62,466	317,547	-
Retirement incentives	547,762	20,000	402,888	164,874	158,254
Premium on bonds	448,763	-	49,356	399,407	-
Discount on bonds	(347,287)	-	24,212	(323,075)	-
Deferred refunding costs	(251,816)	-	48,911	(202,905)	-
Deferred issuance costs	(514,246)	-	33,839	(480,407)	-
Total	<u>\$ 47,717,836</u>	<u>\$ 20,000</u>	<u>\$ 2,525,177</u>	<u>\$ 45,426,583</u>	<u>\$ 2,313,114</u>

For governmental activities, compensated absences and retirement incentives are primarily liquidated by the general fund.

General obligation bonds payable at year-end, consist of the following:

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2012	\$ 2,125,000	\$ 2,061,242	\$ 4,186,242
2013	2,085,000	1,988,516	4,073,516
2014	1,920,000	1,916,292	3,836,292
2015	1,995,000	1,840,129	3,835,129
2016	2,075,000	1,765,116	3,840,116
2017-2021	12,025,000	7,331,119	19,356,119
2022-2026	14,935,000	4,091,554	19,026,554
2027-2029	<u>8,330,000</u>	<u>722,557</u>	<u>9,052,557</u>
Total	<u>\$ 45,490,000</u>	<u>\$ 21,716,525</u>	<u>\$ 67,206,525</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$ 351,629 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds payable at year-end consist of the following:

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

89,647 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually \$ 61,142

These bond obligations issued by Public Act 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by Public Act 142.

Future principal and interest requirements are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2012	\$ 29,860	\$ 2,911	\$ 32,771
2013	31,282	1,490	32,772
Total	<u>\$ 61,142</u>	<u>\$ 4,401</u>	<u>\$ 65,543</u>

Interest expenditures for fiscal year 2011, in the Debt Service Funds were \$ 2,124,738.

Compensated Absences

Sick days are earned by most employees at the rate of approximately one day per month. An employee may accumulate unused sick days, but the number of days that can be accumulated are limited. Upon separation of employment, non-teaching personnel who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category. There is no contractual provision for payment of unused vacation for teaching personnel. Accrued compensated absences at year-end consisted of \$ 317,547 of accrued vacation and sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Retirement Benefits

Voluntary severance - In prior years, teachers who met certain criteria and selected early retirement received an annual payment of \$ 662 for ten years. After June 30, 2004, this benefit was no longer available; however, the School District has a remaining \$ 17,874 liability for unpaid annual payments at June 30, 2011.

Termination benefit – In prior years, the School District has offered a termination benefit plan to employees to be paid over a four year period. During the current year, the School District offered a termination benefit plan to employees to be paid in one payment after year end. The balance at June 30, 2011, was \$ 147,000.

Future payments are as follows:

Year Ending June 30,	Voluntary Severance	Termination Benefit
2012	\$ 11,254	\$ 147,000
2013	5,958	-
2014	662	-
Total	<u>\$ 17,874</u>	<u>\$ 147,000</u>

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

The final payment date is May 15, 2027. As of year-end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2004 Issue refunded	\$	5,580,000
1999 Issue refunded		13,185,000
 Total		 \$ 18,765,000

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is self-insured for dental and vision insurance. The School District has contracted with an independent administrator to process the dental claims and perform other administrative duties. For governmental activities, the liability for dental and vision benefits is primarily liquidated by the general fund.

The School District participates in a self-insured program through the School Employee Group for employee injuries (workers' compensation). The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements for the year ended June 30, 2011.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Michigan Employment Commission for all benefits charged against the School District. The School District had unemployment compensation expense for the year ended June 30, 2011, which was paid in August 2011. No provision has been made for possible future claims.

NOTE 11 - PENSION PLANS AND POST EMPLOYMENT BENEFITS

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees' Retirement System (MPERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, who has the authority to establish and amend benefit provisions. The Michigan Department of Technology, Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

In 2010 MPSERS created a new Pension Plus plan. All Michigan public school employees who begin work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two components: (a) a defined benefit pension component, and (b) a defined contribution savings component.

Funding Policy

The School District is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The School Districts' actual contributions match the required contributions. Additionally, employees participating in the Member Investment Plan contributed 3% to 6.4% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS pension funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	8.63-12.16%	9.73 - 10.13%	9.73 - 10.17%
Total payroll	13,376,890	14,263,915	14,508,011
Total covered payroll	12,711,904	13,710,053	13,975,228
School pension contributions	1,504,696	1,376,264	1,367,441
Employee MIP contributions	678,625	459,776	465,169
Tax deferred payment program	112,012	97,809	133,900

Defined Contribution Savings Plan

For the Pension Plus savings plan, participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the

employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Contributions by the District and participants during the year ended June 30, 2011, were:

	School District	Participants
Contributions to the Pension Plus Savings Plan	\$ 2,302	\$ 4,604

Post Employment Benefits

In addition to the pension benefits described above, the School Finance Reform Act requires the School District to provide post-retirement health care, dental, and vision benefits for retirees and beneficiaries 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 healthcare, dental and vision coverage at the time of receiving the benefits. The School District's actual contributions match the required contributions.

The following table discloses pertinent information relative to MPSERS post employment benefits funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	6.81% - 8.50%	6.81%	6.55 - 6.81%
School post employment benefits contributions	\$ 1,080,512	\$ 933,655	\$ 950,256

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2011

NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2011.

NOTE 13 - SUBSEQUENT EVENT

Subsequent to June 30, 2011, the School District has paid off the balance of \$ 3,000,000 and accrued interest on the short-term state aid anticipation notes borrowed in August 2010 and has subsequently borrowed \$ 3,000,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District on August 22, 2011. The rate on the new notes will be 0.60% and 0.311%.

REQUIRED SUPPLEMENTAL INFORMATION

Eaton Rapids Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 2,414,233	\$ 2,410,472	\$ 2,408,907	\$ (1,565)
State sources	17,955,179	18,574,279	18,491,883	(82,396)
Federal sources	1,963,534	1,654,061	1,586,525	(67,536)
Interdistrict sources and other	1,100,968	1,008,940	927,922	(81,018)
	<u>23,433,914</u>	<u>23,647,752</u>	<u>23,415,237</u>	<u>(232,515)</u>
Expenditures				
Instruction				
Basic programs	11,667,243	12,162,665	11,943,958	(218,707)
Added needs	3,280,435	3,201,100	3,390,948	189,848
Adult and continuing education	277,407	269,499	277,830	8,331
Supporting services				
Pupil	620,932	639,983	635,233	(4,750)
Instructional staff	658,855	563,606	571,642	8,036
General administration	356,905	382,644	412,872	30,228
School administration	1,182,607	1,168,469	1,161,662	(6,807)
Business	398,707	397,774	366,744	(31,030)
Operations and maintenance	1,955,127	1,994,145	1,957,396	(36,749)
Pupil transportation services	1,601,901	1,466,827	1,328,250	(138,577)
Central services	368,582	401,003	416,667	15,664
Athletic services	-	400,845	391,139	(9,706)
Other	406,545	7,461	-	(7,461)
Community services	634,083	586,531	590,109	3,578
Intergovernmental payments	-	5,200	-	(5,200)
	<u>23,409,329</u>	<u>23,647,752</u>	<u>23,444,450</u>	<u>(203,302)</u>
Total expenditures				
Excess (deficiency) of				

Eaton Rapids Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
revenues over expenditures	<u>24,585</u>	<u>-</u>	<u>(29,213)</u>	<u>(29,213)</u>
Other Financing Sources (Uses)				
Transfers out	<u>59,642</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>59,642</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(35,057)</u>	<u>-</u>	<u>(29,213)</u>	<u>(29,213)</u>
Fund balance - beginning	<u>1,675,988</u>	<u>1,675,988</u>	<u>1,675,988</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,640,931</u>	<u>\$ 1,675,988</u>	<u>\$ 1,646,775</u>	<u>\$ (29,213)</u>

OTHER SUPPLEMENTAL INFORMATION

**Eaton Rapids Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011**

	Special Revenue Funds			Debt Service Funds			Capital Projects		Total Nonmajor Governmental Funds
	Food Service	Community Service	Durant Bond	1999 & 2009 Issues	2004 & 2006 Issues	2010 Issue	Fuel Service	2004 School Building	
Assets									
Cash	\$ -	\$ 3,948	\$ -	\$ 78,464	\$ 310,552	\$ 27,614	\$ 11,880	\$ 3,486	\$ 435,944
Taxes receivable	-	-	-	16,953	24,875	-	-	-	41,828
Accounts receivable	2,430	-	-	-	-	151	-	-	2,581
Due from other funds	129,465	-	-	-	66	-	-	-	129,531
Due from other governmental units	7,476	-	-	-	-	-	-	-	7,476
Interest receivable	-	-	-	7	35	-	1	-	43
Inventory	18,776	-	-	-	-	-	-	-	18,776
Total assets	\$ 158,147	\$ 3,948	\$ -	\$ 95,424	\$ 335,528	\$ 27,765	\$ 11,881	\$ 3,486	\$ 636,179

**Eaton Rapids Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011**

	Special Revenue Funds		Debt Service Funds			Capital Projects		Total Nonmajor Governmental Funds	
	Food Service	Community Service	Durant Bond	1999 & 2009 Issues	2004 & 2006 Issues	2010 Issue	Fuel Service		2004 School Building
Liabilities and Fund Balance									
Liabilities									
Accounts payable	\$ 6,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,230
Due to other funds	-	3,948	-	16	-	50	-	-	4,014
Due to other governmental units	-	-	-	32,205	32,990	-	-	-	65,195
Accrued expenditures	6,953	-	-	-	-	-	-	-	6,953
Deferred revenue	-	-	-	16,953	24,874	-	-	-	41,827
Total liabilities	13,183	3,948	-	49,174	57,864	50	-	-	124,219
Fund Balance									
Non-spendable									
Inventory	18,776	-	-	-	-	-	-	-	18,776
Restricted for									
Debt service	-	-	-	46,250	277,664	27,715	-	-	351,629
Capital projects	-	-	-	-	-	-	11,881	3,486	15,367
Food service	126,188	-	-	-	-	-	-	-	126,188
Total fund balance	144,964	-	-	46,250	277,664	27,715	11,881	3,486	511,960
Total liabilities and fund balance	\$ 158,147	\$ 3,948	\$ -	\$ 95,424	\$ 335,528	\$ 27,765	\$ 11,881	\$ 3,486	\$ 636,179

Eaton Rapids Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	Special Revenue Funds		Debt Service Funds			Capital Projects		Total	
	Food Service	Community Service	Durant Bond	1999 & 2009 Issues	2004 & 2006 Issues	2010 Issue	Fuel Service	2004 School Building	Nonmajor Governmental Funds
Revenues									
Local sources	\$ 434,970	\$ -	\$ -	\$ 1,041,405	\$ 2,317,656	\$ 218,887	\$ 18	\$ 3,301	\$ 4,016,237
State sources	54,549	-	32,773	-	-	-	-	-	87,322
Federal sources	496,280	-	-	-	-	-	-	-	496,280
Total revenues	985,799	-	32,773	1,041,405	2,317,656	218,887	18	3,301	4,599,839
Expenditures									
Current									
Education									
Food services	943,293	-	-	-	-	-	-	-	943,293
Debt service									
Principal	-	-	28,505	1,130,000	575,000	170,000	-	-	1,903,505
Interest	-	-	4,268	574,679	1,520,967	24,824	-	-	2,124,738
Total expenditures	943,293	-	32,773	1,704,679	2,095,967	194,824	-	-	4,971,536
Excess (deficiency) of revenues over expenditures	42,506	-	-	(663,274)	221,689	24,063	18	3,301	(371,697)
Net change in fund balance	42,506	-	-	(663,274)	221,689	24,063	18	3,301	(371,697)
Fund balance - beginning	102,458	-	-	709,524	55,975	3,652	11,863	185	883,657
Fund balance - ending	<u>\$ 144,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,250</u>	<u>\$ 277,664</u>	<u>\$ 27,715</u>	<u>\$ 11,881</u>	<u>\$ 3,486</u>	<u>\$ 511,960</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue from local sources			
Property tax levy	\$ 1,750,800	\$ 1,741,856	\$ (8,944)
Transportation fees	35,000	43,322	8,322
Earnings on investments	5,100	5,272	172
Student participation fees and athletic admission fees	133,427	134,695	1,268
Community service activities	367,745	374,786	7,041
Other local revenues	<u>118,400</u>	<u>108,976</u>	<u>(9,424)</u>
Total revenues from local sources	<u>2,410,472</u>	<u>2,408,907</u>	<u>(1,565)</u>
Revenues from state sources			
Grants - unrestricted	17,159,670	17,154,986	(4,684)
Grants - restricted	<u>1,414,609</u>	<u>1,336,897</u>	<u>(77,712)</u>
Total revenues from state sources	<u>18,574,279</u>	<u>18,491,883</u>	<u>(82,396)</u>
Revenues from federal sources			
Grants - restricted	<u>1,654,061</u>	<u>1,586,525</u>	<u>(67,536)</u>
Total revenues from federal sources	<u>1,654,061</u>	<u>1,586,525</u>	<u>(67,536)</u>
Interdistrict sources			
Act 18 and transportation	898,940	817,958	(80,982)
Other revenues	<u>110,000</u>	<u>109,964</u>	<u>(36)</u>
Total interdistrict sources and other	<u>1,008,940</u>	<u>927,922</u>	<u>(81,018)</u>
Total revenue and other financing sources	<u>\$ 23,647,752</u>	<u>\$ 23,415,237</u>	<u>\$ (232,515)</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary			
Salaries	\$ 1,940,501	\$ 1,939,719	\$ (782)
Employee benefits	953,319	928,332	(24,987)
Supplies and materials	175,827	179,561	3,734
Other	53,395	54,074	679
Total elementary	<u>3,123,042</u>	<u>3,101,686</u>	<u>(21,356)</u>
Basic program - middle school			
Salaries	3,127,975	3,084,047	(43,928)
Employee benefits	1,599,767	1,534,775	(64,992)
Supplies and materials	72,726	67,353	(5,373)
Other	43,755	50,262	6,507
Total middle school	<u>4,845,723</u>	<u>4,736,437</u>	<u>(109,286)</u>
Basic program - high school			
Salaries	2,702,428	2,666,292	(36,136)
Employee benefits	1,309,123	1,268,841	(40,282)
Purchased services	2,400	1,860	(540)
Supplies and materials	61,185	55,638	(5,547)
Capital outlay	1,500	1,500	-
Other	80,217	73,466	(6,751)
Total high school	<u>4,156,853</u>	<u>4,067,597</u>	<u>(89,256)</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Over (Under) Final Budget
Basic program - pre-school			
Salaries	28,000	30,428	2,428
Employee benefits	6,047	4,361	(1,686)
Supplies and materials	3,000	3,449	449
Total pre-school	<u>37,047</u>	<u>38,238</u>	<u>1,191</u>
Added needs - special education			
Salaries	1,635,543	1,602,762	(32,781)
Employee benefits	861,261	891,241	29,980
Purchased services	1,496	1,368	(128)
Supplies and materials	925	458	(467)
Other	388,590	388,333	(257)
Total special education	<u>2,887,815</u>	<u>2,884,162</u>	<u>(3,653)</u>
Added needs - compensatory education			
Salaries	147,817	212,830	65,013
Employee benefits	89,629	131,098	41,469
Purchased services	825	-	(825)
Supplies and materials	26,900	25,765	(1,135)
Total compensatory education	<u>265,171</u>	<u>369,693</u>	<u>104,522</u>
Added needs - career and technical education			
Salaries	-	72,847	72,847
Employee benefits	-	20,067	20,067
Purchased services	114	400	286
Supplies and materials	48,000	43,779	(4,221)
Total career and technical education	<u>48,114</u>	<u>137,093</u>	<u>88,979</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Over (Under) Final Budget
Adult and continuing education - secondary			
Salaries	177,061	183,820	6,759
Employee benefits	69,810	75,395	5,585
Purchased services	20,100	15,092	(5,008)
Supplies and materials	<u>2,528</u>	<u>3,523</u>	<u>995</u>
Total adult and continuing education	<u>269,499</u>	<u>277,830</u>	<u>8,331</u>
Pupil - guidance services			
Salaries	256,806	263,915	7,109
Employee benefits	108,346	111,211	2,865
Supplies and materials	<u>2,216</u>	<u>2,075</u>	<u>(141)</u>
Total guidance services	<u>367,368</u>	<u>377,201</u>	<u>9,833</u>
Pupil - health services			
Supplies and materials	<u>160</u>	<u>142</u>	<u>(18)</u>
Pupil - speech services			
Purchased services	-	611	611
Supplies and materials	2,000	2,494	494
Other	<u>2,200</u>	<u>1,865</u>	<u>(335)</u>
Total speech services	<u>4,200</u>	<u>4,970</u>	<u>770</u>
Pupil - social work services			
Purchased services	4,000	2,640	(1,360)
Supplies and materials	<u>1,500</u>	<u>1,079</u>	<u>(421)</u>
Total social work services	<u>5,500</u>	<u>3,719</u>	<u>(1,781)</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Over (Under) Final Budget
Pupil - teacher consultant			
Salaries	64,361	64,361	-
Employee benefits	32,585	32,076	(509)
			-
Total teacher consultant	<u>96,946</u>	<u>96,437</u>	<u>(509)</u>
Pupil - other support services			
Salaries	119,802	110,261	(9,541)
Employee benefits	37,224	33,644	(3,580)
Purchased services	3,000	2,579	(421)
Supplies and materials	3,750	1,858	(1,892)
Other	2,033	4,422	2,389
			-
Total other pupil support services	<u>165,809</u>	<u>152,764</u>	<u>(13,045)</u>
Instructional staff - improvement of education			
Salaries	93,697	133,152	39,455
Employee benefits	39,393	49,188	9,795
Purchased services	74,000	72,342	(1,658)
Supplies and materials	80,317	29,256	(51,061)
			-
Total improvement of education	<u>287,407</u>	<u>283,938</u>	<u>(3,469)</u>
Instructional staff - educational media services			
Supplies and materials	11,321	9,995	(1,326)
Instructional staff - technology assisted instruction			
Supplies and materials	14,379	22,322	7,943

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - supervision and direction of instructional staff			
Salaries	130,314	130,958	644
Employee benefits	47,935	50,015	2,080
Purchased services	600	1,630	1,030
Supplies and materials	71,400	72,619	1,219
Other	250	165	(85)
	<u>250,499</u>	<u>255,387</u>	<u>4,888</u>
General administration - board of education			
Purchased services	<u>104,230</u>	<u>104,967</u>	<u>737</u>
General administration - executive administration			
Salaries	164,768	187,974	23,206
Employee benefits	79,831	83,719	3,888
Purchased services	14,200	13,967	(233)
Supplies and materials	7,115	6,980	(135)
Other	12,500	15,265	2,765
	<u>278,414</u>	<u>307,905</u>	<u>29,491</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Over (Under) Final Budget
School administration - office of the principal			
Salaries	752,964	740,618	(12,346)
Employee benefits	345,856	354,133	8,277
Purchased services	53,884	52,120	(1,764)
Supplies and materials	9,753	8,345	(1,408)
Capital outlay	1,100	886	(214)
Other	2,212	2,351	139
Total office of the principal	<u>1,165,769</u>	<u>1,158,453</u>	<u>(7,316)</u>
School administration - other			
Other	<u>2,700</u>	<u>3,209</u>	<u>509</u>
Business - fiscal services			
Salaries	191,001	186,757	(4,244)
Employee benefits	81,229	83,153	1,924
Purchased services	4,395	3,941	(454)
Supplies and materials	4,000	3,700	(300)
Other	8,500	8,413	(87)
Total fiscal services	<u>289,125</u>	<u>285,964</u>	<u>(3,161)</u>
Business - other			
Purchased services	11,773	11,773	-
Other	<u>96,876</u>	<u>69,007</u>	<u>(27,869)</u>
Total other business	<u>108,649</u>	<u>80,780</u>	<u>(27,869)</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Over (Under) Final Budget
Operations and maintenance - operating building services			
Salaries	649,496	642,581	(6,915)
Employee benefits	276,681	303,360	26,679
Purchased services	200,441	194,406	(6,035)
Supplies and materials	867,527	817,049	(50,478)
Total operating building services	<u>1,994,145</u>	<u>1,957,396</u>	<u>(36,749)</u>
Pupil transportation services			
Salaries	495,850	501,941	6,091
Employee benefits	283,221	292,686	9,465
Purchased services	501,220	348,163	(153,057)
Supplies and materials	183,952	183,007	(945)
Other	2,584	2,453	(131)
Total transportation services	<u>1,466,827</u>	<u>1,328,250</u>	<u>(138,577)</u>
Central - communication services			
Purchased services	<u>11,807</u>	<u>12,828</u>	<u>1,021</u>
Central - staff/personnel services			
Purchased services	<u>14,311</u>	<u>23,781</u>	<u>9,470</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Over (Under) Final Budget
Central - support services technology			
Salaries	115,145	115,247	102
Employee benefits	55,990	56,934	944
Purchased services	199,350	207,519	8,169
Supplies and materials	4,400	358	(4,042)
Total support services technology	<u>374,885</u>	<u>380,058</u>	<u>5,173</u>
Athletics			
Salaries	228,113	217,811	(10,302)
Employee benefits	74,330	72,400	(1,930)
Supplies and materials	27,076	27,076	-
Other	71,326	73,852	2,526
Total athletics	<u>400,845</u>	<u>391,139</u>	<u>(9,706)</u>
Other supporting services			
Employee benefits	7,461	-	(7,461)
Community services - direction			
Salaries	46,288	56,234	9,946
Employee benefits	18,008	19,169	1,161
Total direction	<u>64,296</u>	<u>75,403</u>	<u>11,107</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Over (Under) Final Budget
Community services - community recreation			
Salaries	88,299	75,938	(12,361)
Employee benefits	10,027	8,818	(1,209)
Purchased services	3,950	3,992	42
Supplies and materials	1,000	682	(318)
Other	800	831	31
Total community recreation	<u>104,076</u>	<u>90,261</u>	<u>(13,815)</u>
Community services - custody and care of children			
Salaries	379,096	382,040	2,944
Employee benefits	20,213	23,150	2,937
Purchased services	4,400	3,929	(471)
Supplies and materials	10,050	9,489	(561)
Other	4,400	5,837	1,437
Total custody and care of children	<u>418,159</u>	<u>424,445</u>	<u>6,286</u>
Intergovernmental payments			
Payments to other public schools	5,200	-	(5,200)
Total expenditures	<u>\$ 23,647,752</u>	<u>\$ 23,444,450</u>	<u>\$ (203,302)</u>

Eaton Rapids Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups July 1, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
Administration Flower Fund	\$ 96	\$ -	\$ 69	\$ 27
Adult Education - Scholarship	436	-	-	436
Alumni Account	50	-	-	50
Business Office	2,451	-	1,001	1,450
Class of 1990	(320)	-	-	(320)
Class of 1999	309	-	-	309
Class of 2000	2,150	-	1,459	691
Class of 2001	1,430	-	-	1,430
Class of 2002	117	-	-	117
Class of 2003	372	-	-	372
Class of 2004	738	-	-	738
Class of 2005	1,974	-	-	1,974
Class of 2007	2,257	-	-	2,257
Class of 2008	1,554	-	-	1,554
Class of 2009	1,520	-	-	1,520
Class of 2010	752	6,873	-	7,625
Class of 2011	1,170	1,672	1,380	1,462
Class of 2012	106	14,845	10,405	4,546
Class of 2013	208	64	-	272
Curriculum	1,525	811	49	2,287
High School:				
Advanced Placement	1,818	3,605	9,816	(4,393)
Art Club	795	-	-	795
Athletic Department	3,890	7,674	8,502	3,062
Band	17	-	-	17
Baseball Club	261	400	-	661
Blakely Memorial	1,332	800	336	1,796
Botany	49	-	-	49
Bowling	163	774	937	-

Eaton Rapids Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups July 1, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
Boys Basketball Club	(78)	6,426	3,448	2,900
Boys Swim Club	343	1,595	1,918	20
Boys Track Club	1,519	5,468	4,337	2,650
Cheerleaders	1,425	5,240	6,138	527
Choir	81	-	35	46
Cross Country Club	924	1,586	225	2,285
Disk Frisbee	51	-	-	51
Drama Club	3,809	333	-	4,142
English Club	665	930	1,083	512
Football Club	225	7,961	4,552	3,634
Forensics Club	29	-	-	29
German Student Council	236	1,846	1,763	319
Girls Basketball Club	76	6,997	3,822	3,251
Girls/Boys Golf Club	77	-	-	77
Girls Swim Club	886	2,339	2,522	703
Girls Track Club	291	735	1,076	(50)
Journalism Club	31	3,247	2,537	741
Language Club	1,377	-	-	1,377
Library Fund	186	1,205	1,166	225
National Honors Society	729	4,884	3,080	2,533
PALS	50	-	-	50
Photography	4,303	1,505	-	5,808
Physical Education	15	1,748	1,472	291
Power Mechanics	4,569	949	2,442	3,076
SADD	2,380	-	415	1,965
Scienaunts	2,602	5,460	5,290	2,772
Science Club	1,985	-	-	1,985
Ski Club	654	66	53	667
Soccer Club	889	1,120	1,449	560

Eaton Rapids Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups July 1, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
Softball Club	6	6,040	5,575	471
Special Education	4	-	-	4
Store	1,097	5,462	6,279	280
Student Service Co.	3,082	266	748	2,600
Sunshine	549	480	459	570
Volleyball Club	1,279	16,053	14,387	2,945
Web	2,738	2,791	946	4,583
Wrestling Club	88	-	-	88
Writing Club	58	-	-	58
Yearbook - Eatonian	3,355	21,472	7,869	16,958
Youth in Government	166	270	370	66
King Street - Child Care	22,559	1,104	2,776	20,887
Special Education - Gift of Reading	(9)	-	-	(9)
Dori Ike CMU Fund	-	709	594	115
Middle School:				
Benevolence Fund	125	-	-	125
Book Fair	896	2,110	2,559	447
Drama	2,093	2,236	1,728	2,601
Equations Club	91	170	98	163
Computer Club	-	679	594	85
Foreign Exchange	(197)	197	-	-
National History Day	38	-	-	38
Outdoor Education	1,160	37,425	38,528	57
Passta	100	279	279	100
Ski Club	126	-	-	126
Space Camp	5,738	9,018	8,559	6,197
TAG	-	840	17	823
Tech Ed.	600	1,884	1,678	806
Teachers Lounge Pop Fund	268	475	326	417

Eaton Rapids Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups July 1, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
Wellness Club	278	116	225	169
Youth Grant	-	50	-	50
Northwestern:				
Chess Club	1,441	-	-	1,441
Accelerated reader	620	-	-	620
Library	1,667	2,170	1,337	2,500
School Store	7,017	-	-	7,017
Music/Bells	220	-	-	220
Nature Center	310	-	-	310
C.A.S.M. Pilot Site	696	-	696	-
Lugnut fund	-	740	740	-
Board Pop Grants	2,652	26,193	13,099	15,746
Transportation Pop Fund	121	253	155	219
Union Book Donations	1,647	-	1,647	-
Union Mentoring	804	-	804	-
Principal's Accounts:				
High School	9,475	10,488	8,829	11,134
Café'	5,894	-	1,019	4,875
In Lieu of Subs	4,564	105	60	4,609
King Street	9,984	3,254	3,202	10,036
Lockwood	9,238	6,276	9,018	6,496
In Lieu of Subs	489	-	-	489
Berhold Tree Fund				
Middle School	2,390	31,721	24,645	9,466
Northwestern	2,588	12,243	10,393	4,438
In Lieu of Subs	189	-	-	189
Union Street	3,038	-	3,038	-
In Lieu of Subs	864	-	864	-
Greyhound Intermediate	14,801	41,230	35,657	20,374

Eaton Rapids Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2011

	Due to (From) Student Groups July 1, 2010	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2011
In Lieu of Subs	280	-	-	280
Youth Grant	(53)	-	-	(53)
Student Council:				
Middle School	-	-	-	-
High School	10,939	4,350	2,594	12,695
Minigrants:				
Shimnoski	336	-	-	336
Smith	16	-	-	16
Paquet	7	-	-	7
Platts Minigrant	31	-	-	31
McDonnel Minigrant ²	600	-	-	600
Beretta Minigrant ³	320	-	-	320
Sharpe Minigrant ³	33	-	-	33
Brantley Minigrant ⁴	54	-	-	54
Graving Minigrant ⁴	36	-	-	36
Matthews Minigrant ⁴	68	-	-	68
McKenzie Minigrant ⁴	80	-	-	80
	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>
 Total	 <u>\$ 197,293</u>	 <u>\$ 348,307</u>	 <u>\$ 295,168</u>	 <u>\$ 250,432</u>

Eaton Rapids Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30,	1999 Bond Issue		
	Interest	Principal	Total
2012	\$ 138,700	\$ -	\$ 138,700
2013	138,700	-	138,700
2014	138,700	-	138,700
2015	138,700	-	138,700
2016	138,700	-	138,700
2017	138,700	-	138,700
2018	138,700	-	138,700
2019	138,700	-	138,700
2020	138,700	-	138,700
2021	138,700	-	138,700
2022	138,700	-	138,700
2023	138,700	980,000	1,118,700
2024	92,150	975,000	1,067,150
2025	45,837	965,000	1,010,837
Total	<u>\$ 1,802,387</u>	<u>\$ 2,920,000</u>	<u>\$ 4,722,387</u>

Principal payments
due the first day of

May

Interest payments
due the first day of

May and
November

Interest rate

4.30% - 5.00%

Original issue

\$ 20,650,000

Eaton Rapids Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30,	2004 Bond Issue		
	Interest	Principal	Total
2012	\$ 1,248,925	\$ 650,000	\$ 1,898,925
2013	1,221,300	725,000	1,946,300
2014	1,190,488	825,000	2,015,488
2015	1,147,175	925,000	2,072,175
2016	1,106,937	1,025,000	2,131,937
2017	1,053,125	1,150,000	2,203,125
2018	992,750	1,275,000	2,267,750
2019	925,813	1,400,000	2,325,813
2020	852,312	1,525,000	2,377,312
2021	772,250	1,675,000	2,447,250
2022	684,312	1,825,000	2,509,312
2023	588,500	2,000,000	2,588,500
2024	483,500	2,150,000	2,633,500
2025	376,000	2,325,000	2,701,000
2026	259,750	2,675,000	2,934,750
2027	126,000	2,520,000	2,646,000
Total	\$ 13,029,137	\$ 24,670,000	\$ 37,699,137

Principal payments
due the first day of

May

Interest payments
due the first day of

May and
November

Interest rate

3.50% - 5.25%

Original issue

\$ 33,520,000

Eaton Rapids Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30,	2006 Advanced Refunding Issue		
	Interest	Principal	Total
2012	\$ 248,704	\$ -	\$ 248,704
2013	248,704	-	248,704
2014	248,704	-	248,704
2015	248,704	-	248,704
2016	248,704	-	248,704
2017	248,704	-	248,704
2018	248,704	-	248,704
2019	248,704	-	248,704
2020	248,704	-	248,704
2021	248,703	-	248,703
2022	248,704	-	248,704
2023	248,703	-	248,703
2024	248,704	-	248,704
2025	248,703	-	248,703
2026	248,704	85,000	333,704
2027	245,197	270,000	515,197
2028	234,060	2,780,000	3,014,060
2029	117,300	2,760,000	2,877,300
Total	\$ 4,327,114	\$ 5,895,000	\$ 10,222,114

Principal payments
due the first day of

May

Interest payments
due the first day of

May and
November

Interest rate

4.00% - 4.25%

Original issue

\$ 6,000,000

Eaton Rapids Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30,	2009 Advanced Refunding Issue		
	Interest	Principal	Total
2012	\$ 405,900	\$ 1,135,000	\$ 1,540,900
2013	371,850	1,115,000	1,486,850
2014	338,400	1,095,000	1,433,400
2015	305,550	1,070,000	1,375,550
2016	270,775	1,050,000	1,320,775
2017	236,650	1,030,000	1,266,650
2018	200,600	1,015,000	1,215,600
2019	160,000	1,000,000	1,160,000
2020	120,000	985,000	1,105,000
2021	80,600	970,000	1,050,600
2022	40,587	955,000	995,587
Total	<u>\$ 2,530,912</u>	<u>\$ 11,420,000</u>	<u>\$ 13,950,912</u>

Principal payments
due the first day of

May

Interest payments
due the first day of

May and
November

Interest rate

3.00% - 4.25%

Original issue

\$ 13,635,000

Eaton Rapids Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30,	2010 Refunding Issue		
	Interest	Principal	Total
2012	\$ 19,013	\$ 340,000	\$ 359,013
2013	7,962	245,000	252,962
Total	<u>\$ 26,975</u>	<u>\$ 585,000</u>	<u>\$ 611,975</u>

Principal payments
due the first day of

May

Interest payments
due the first day of

May and
November

Interest rate

3.25%

Original issue

\$ 755,000

Eaton Rapids Public Schools

Eaton Rapids, Michigan

Single Audit Report

June 30, 2011

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board of Education
Eaton Rapids Public Schools
Eaton Rapids, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eaton Rapids Public Schools as of and for the year ended June 30, 2011, which collectively comprise Eaton Rapids Public School's basic financial statements and have issued our report thereon dated November 11, 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 Eaton Rapids Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eaton Rapids Public School'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*.

We noted certain other matters that we reported to management of Eaton Rapids Public School's in a separate letter dated November 11, 2011.

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

Yeo & Yeo, P.C.

Lansing, Michigan
November 11, 2011



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Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major program and Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Members of the Board of Education
Eaton Rapids Public Schools
Eaton Rapids, Michigan

Compliance

We have audited Eaton Rapids Public School's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Eaton Rapids Public School's major federal programs for the year ended June 30, 2011. Eaton Rapids Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Eaton Rapids Public School's management. Our responsibility is to express an opinion on Eaton Rapids Public School's compliance based on our audit.

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

In our opinion, Eaton Rapids Public Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material affect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Public Schools as of and for the year ended June 30, 2011, and have issued our report thereon dated November 11, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Yeo & Yeo, P.C.

Lansing, Michigan
November 11, 2011

Eaton Rapids Public Schools
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued Revenue June 30, 2011
U. S. Department of Agriculture								
Passed through Michigan Department of Education								
Nutrition Cluster								
101970 National School Breakfast	10.553	\$ 86,187	\$ -	\$ 79,707	\$ 6,480	\$ 6,480	\$ -	\$ -
111970 National School Breakfast		86,644	-	-	86,645	86,645	-	-
			<u>-</u>	<u>79,707</u>	<u>93,125</u>	<u>93,125</u>	<u>-</u>	<u>-</u>
National School Lunch								
101950 Sec. 4 - Total Servings	10.555	51,969	-	46,591	5,378	5,378	-	-
111950 Sec. 4 - Total Servings		45,702	-	-	45,702	45,702	-	-
101960 Sec. 11 - Free and Reduced		275,668	-	247,903	27,765	27,765	-	-
111960 Sec. 11 - Free and Reduced		252,900	-	-	252,900	252,900	-	-
			<u>-</u>	<u>294,494</u>	<u>331,745</u>	<u>331,745</u>	<u>-</u>	<u>-</u>
			<u>-</u>	<u>409,932</u>	<u>424,870</u>	<u>424,870</u>	<u>-</u>	<u>-</u>
Commodities - Non-Cash Assistance								
Entitlement - 10/11	10.555	53,040	-	36,578	53,040	53,040	-	-
Bonus - 10/11		1,403	-	48	1,404	1,404	-	-
			<u>-</u>	<u>36,626</u>	<u>54,444</u>	<u>54,444</u>	<u>-</u>	<u>-</u>
Summer Food Service Program								
101900 Operating	10.559	18,286	-	-	16,966	16,966	-	-
			<u>-</u>	<u>446,558</u>	<u>496,280</u>	<u>496,280</u>	<u>-</u>	<u>-</u>
Child Care Food Program								
101920 Meals Reimbursement	10.558	5,769	-	4,785	984	984	-	-
111920 Meals Reimbursement		2,035	-	-	2,035	2,035	-	-
102010 - Cash in Lieu		867	-	841	26	26	-	-
			<u>-</u>	<u>5,626</u>	<u>3,045</u>	<u>3,045</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>452,184</u>	<u>499,325</u>	<u>499,325</u>	<u>-</u>	<u>-</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Eaton Rapids Public Schools
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued Revenue June 30, 2011
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Cluster								
1015300910 - Title I	84.010	389,471	96,908	335,786	-	96,908	-	-
1115301011 - Title I		373,954	-	-	349,567	231,857	-	117,710
1015351011 - ARRA Title I	84.389	176,376	69,816	104,097	-	69,816	-	-
1115351011 - ARRA Title I		72,278	-	-	63,356	-	-	63,356
			<u>166,724</u>	<u>439,883</u>	<u>412,923</u>	<u>398,581</u>	<u>-</u>	<u>181,066</u>
1005200809 Title IIA - Improving Teacher Quality	84.367	206,506	34,678	123,030	562	35,240	-	-
1105200910 Title IIA - Improving Teacher Quality		198,481	-	-	100,144	77,570	-	22,574
			<u>34,678</u>	<u>123,030</u>	<u>100,706</u>	<u>112,810</u>	<u>-</u>	<u>22,574</u>
1142951011 ARRA Title IID - Carryover	84.386	5,679	-	-	5,679	-	-	5,679
1025250809 ARRA State Fiscal Stabilization Fund	84.394	820,853	-	820,853	-	-	-	-
1125250910 ARRA State Fiscal Stabilization Fund		332,287	-	-	332,287	332,287	-	-
			<u>-</u>	<u>820,853</u>	<u>332,287</u>	<u>332,287</u>	<u>-</u>	<u>-</u>
Special Education Cluster								
Passed through Eaton Intermediate School District								
110490TS IDEA Part B	84.027A	1,227	-	-	351	351	-	-
1104501011 IDEA Flowthrough		636,750	-	-	636,750	-	-	636,750
1004500910 IDEA - Least Restrictive Environment		4,425	4,425	4,425	-	4,425	-	-
1104551011 ARRA IDEA Flowthrough	84.391A	569,736	-	151,857	217,971	4,208	-	213,763
			<u>4,425</u>	<u>156,282</u>	<u>855,072</u>	<u>8,984</u>	<u>-</u>	<u>850,513</u>
Passed through Macomb Intermediate School District								
1011 IDEA, Part B	84.027A	3,700	-	3,700	3,000	3,000	-	-
1011 IDEA, Part B		1,140	-	-	964	964	-	-
Total Special Education Cluster			<u>4,425</u>	<u>237,349</u>	<u>859,036</u>	<u>12,948</u>	<u>-</u>	<u>850,513</u>
Passed through Eaton Intermediate School District								
1011-4209 Safe and Drug Free Schools	84.186	8,820	-	1,834	175	175	-	-
Passed through Pottsville School District								
1123200910 McKinney Vento	84.196A	3,090	713	4,584	3,090	1,163	-	2,640
Total U.S. Department of Education			<u>206,540</u>	<u>1,627,533</u>	<u>1,713,896</u>	<u>857,964</u>	<u>-</u>	<u>1,062,472</u>
Total Federal Programs			<u>\$ 206,540</u>	<u>\$ 2,079,717</u>	<u>\$ 2,213,221</u>	<u>\$ 1,357,289</u>	<u>\$ -</u>	<u>\$ 1,062,472</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Eaton Rapids Public Schools
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2011.
3. The federal amounts reported on the Form R-7120 "Grant Sections Auditors Report" and on the "Grant Auditors Report" are in agreement with the Schedule of Expenditures of Federal Awards, except for receipts noted in Note 6 below.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. A reconciliation of the total expenditures for Federal Awards to the federal revenue reported in the financial statements is as follows:

Federal revenue per the financial statements	\$ 2,082,805
Revenues received after 60 days of year end for the prior year	
ARRA IDEA Flowthrough	120,239
Title IIA - Improving Teacher Quality	10,144
Title IA - Improving Basic Programs	<u>33</u>
Expenditures per the Schedule of Federal Awards	<u><u>\$ 2,213,221</u></u>

6. A reconciliation of the total receipts of federal awards reported in the Schedule of Expenditures of Federal Awards to receipts reported on the "Grant Auditors Report:" is as follows:

Receipts passed through MDE per the Grant Auditors Report	\$ 1,378,582
Receipts received by the District after June 30, 2011	
Title IA - Improving Basic Programs	74,032
ARRA Title IA - Improving Basic Programs	13,371
ARRA Title IID - Enhancing Education Through Technology	1,300
Summer Food Service Program	<u>(1,320)</u>
Receipts passed through MDE per the Schedule of Federal Awards	<u><u>\$ 1,289,879</u></u>

Eaton Rapids Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Eaton Rapids Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.394	ARRA State Fiscal Stabilization Funds
84.027A, 84.173A, 84.391A, 84.392A	Special Education Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Eaton Rapids Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II – Government Auditing Standards

CURRENT YEAR

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2011.

PRIOR YEAR

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2010.

Eaton Rapids Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section III – Federal Awards Findings and Questioned Costs

CURRENT YEAR

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2011.

PRIOR YEAR

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2010.



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November 11, 2011

To the Management and the Board of Education
Eaton Rapids Public Schools
Eaton Rapids, Michigan

We have completed our audit of the financial statements of Eaton Rapids Public Schools as of and for the year ended June 30, 2011 and have issued our report dated November 11, 2011. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit and would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Lansing, Michigan
November 11, 2011

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated August 11, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. The School District has adopted Government Accounting Standards Board Statement No. 54 effective July 1, 2010. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There were no significant estimates in the financial statements.

Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II
Management Comments

In planning and performing our audit of the financial statements of Eaton Rapids Public Schools as of and for the year ended June 30, 2011, we considered Eaton Rapids Public Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of a couple matters that are reported below. This letter does not affect our report dated November 11, 2011, on the financial statements of Eaton Rapids Public Schools. Our comments and recommendations regarding those matters are:

Fund Balance in the Community Service and 2004 School Building Capital Projects Funds

During the course of the audit we noted that the Community Service and 2004 School Building Capital Projects Funds were still retaining a fund balance as well as related assets; however, there was little to no activity in them during the year.

We recommend that the unused balances be transferred from the Funds if their respective purposes have been completed.

Bank Reconciling Items

We noted a reconciling item to the Student Activities Agency Fund bank reconciliation for a deposit made just before June 30, 2011. The bank received a deposit; however, Central Office did not have information available to record the transaction. We requested that the District record the deposit in the fund, which was promptly done. We recommend that going forward, all bank activity occurring before year end be recorded in the respective fund.

Additionally, we noted outstanding checks in the General Fund bank reconciliation that were one to two years old. In total, these items amounted to approximately \$2,000. We recommend that the District review the nature of the outstanding checks and consider removing as necessary.