

Eaton Rapids Public Schools
Eaton Rapids, Michigan
Annual Financial Statements
and
Auditors' Report
June 30, 2010

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Eaton Rapids Public Schools
Members of the Board of Education and Administration
June 30, 2010

Members of the Board of Education

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

Administration

Dr. William DeFrance	Superintendent
Collin Smith	Chief Financial Officer



6639 Centurion Drive, Suite 170
Lansing, MI 48917
(517) 323-8500
Fax (517) 323-8360

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, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2010, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eaton Rapids Public Schools' basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Lansing, Michigan
November 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010. 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, 2010 with comparative information for June 30, 2009 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.

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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 - 9.

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 on page 4-10. 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 – EATON RAPIDS, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 \$3,248,301. This is divided into restricted and unrestricted net assets.

The following summarizes the net assets at fiscal years ended June 30, 2010 and 2009:

	<u>NET ASSETS SUMMARY</u>	
	<u>JUNE 30,</u>	
	<u>2010</u>	<u>2009</u>
Current Assets	\$ 8,245,428	\$ 9,329,070
Noncurrent Assets	<u>49,252,484</u>	<u>51,417,292</u>
Total Assets	\$57,497,912	\$ 60,746,362
Current Liabilities	\$6,565,291	\$ 7,971,253
Noncurrent Liabilities	<u>47,684,320</u>	<u>50,023,010</u>
Total Liabilities	\$54,249,611	\$ 57,994,263
Net Assets		
Invested in capital assets, net of related debt	\$ 1,453,176	\$ 1,709,416
Restricted	781,014	870,560
Unrestricted	<u>1,014,111</u>	<u>172,123</u>
TOTAL NET ASSETS	<u>\$3,248,301</u>	<u>\$ 2,752,099</u>

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>CHANGES IN NET ASSETS</u>		
<u>YEARS ENDED JUNE 30,</u>		
Revenues:		
Program Revenues	<u>2010</u>	<u>2009</u>
Charges for Services	\$1,257,864	\$1,249,990
Operating Grants and Contributions	4,334,571	4,233,589
Capital Grants and Contributions	220,199	32,774
General Revenues		
Property Taxes for general purposes	1,748,933	1,650,078
Property Taxes for debt service	3,746,850	3,733,305
State aid – unrestricted	17,208,107	17,958,517
Interest and investment earnings	12,661	29,225
Other & Extraordinary Items	<u>110,323</u>	<u>113,576</u>
Total Revenues	\$22,826,874	\$29,001,054
Functions/Program Expenses:		
Instruction	\$14,970,814	\$14,769,034
Supporting Services	7,557,217	7,988,255
Food Services	922,366	990,170
Athletics	403,292	420,852
Community Services	570,012	699,572
Interest and issuance on long-term debt	2,185,623	2,388,235
Depreciation – unallocated	<u>1,533,982</u>	<u>1,565,902</u>
Total Expenses	<u>\$28,143,306</u>	<u>\$28,822,020</u>
Increase in net assets	<u><u>496,202</u></u>	<u><u>179,034</u></u>

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	\$14,970,814	\$11,606,856
Supporting Services	7,557,217	6,635,624
Food Services	922,366	(94,211)
Athletics	403,292	254,106
Community Services	570,012	208,692
Interest on long-term debt	2,185,623	2,185,623
Depreciation – unallocated	<u>1,533,982</u>	<u>1,533,982</u>
TOTAL	<u>\$28,143,306</u>	<u>\$22,330,672</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, 2010, the School District amended the budget of the general fund two times.

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$7,085	\$7,204	\$7,316	\$7,162

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>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
September Count	3,061.07	2,983.96	2,921.48	2,850.41

The comparison of 2009-10 general fund expenditures and revenues to budgeted amounts is shown on page 5-1 and 5-2.

The 2009-10 general fund revenue and other financing sources were \$23,503,295. This amount is above the original budget estimates of \$23,141,040 and below the final amended budget of \$23,760,734. The \$ 619,694 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 \$23,294,407. This is below the original budget estimates of \$23,691,525 and below the final amended budget amount of \$23,784,958. The \$ 93,433 variance between the original and final budget was primarily due to operations and maintenance services.

The ending fund balance for the general fund was \$ 1,675,894, as compared to the original budget which projected an ending fund balance of \$916,521. The general fund balance is approximately 7.2% 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.

GOVERNMENTAL FUND REVENUES

The total governmental fund revenues of the District were \$28,640,058. Of the total revenues, \$18,793,384 came from state sources, \$6,789,313 from local sources, \$2,084,818 from Federal sources, and the remaining \$972,543 was from interdistrict sources.

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

GOVERNMENTAL FUND EXPENDITURES

The largest portion of governmental fund expenditures is for the District’s general fund. General fund expenditures for 2009-10 were \$23,037,289. Expenditures for the Debt Funds were \$4,086,987. The Food Service Fund expenditures were \$917,659. The Athletic Fund expenditures were \$403,292, the 2004 School Building Fund were \$16,131 and the Community Services Fund expenditures were \$3,305.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009, the School District had \$ 66,317,984 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$17,579,746 in depreciation has been taken over the years. We currently have net book value of \$48,738,238. Total acquisitions for the year were \$7,500 and depreciation was \$1,533,982. This information is shown in greater detail on page 4-16 of the report.

	June 30, 2010	Accumulated Depreciation	Net Capital Assets
Land	705,824	-	705,824
Construction in progress	-	-	-
Buildings & Improvements	60,352,335	13,987,997	46,364,338
Machinery and Vehicles	1,710,507	1,455,845	254,662
Furniture and Equipment	3,549,318	2,135,904	1,413,414
TOTALS	66,317,984	17,579,746	48,738,238

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Long-Term Debt

As of June 30, 2010, the School District had \$47,365,000 in government obligation bonds outstanding. These are bonds for which the District has pledged its full faith and credit. In addition, there was \$89,647 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 \$380,013. The District's long-term debt is discussed in greater detail at pages 4-18 through 4-20 of the report.

	<u>June 30, 2010</u>
Government obligation bonds	47,365,000
Other bonds	89,647
Voluntary Severance/Termination Benefits	547,762
Compensated absences	380,013
TOTAL	48,382,422

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.

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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:

Collin Smith
Chief Financial Officer
Eaton Rapids Public Schools
912 S. Greyhound Drive
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, 2010

	<u>Governmental Activities</u>
Assets	
Cash	\$ 4,488,341
Taxes receivable	45,535
Accounts receivable	18,032
Due from other governmental units	3,635,034
Interest receivable	665
Inventory	21,172
Prepaid items	36,647
Noncurrent assets	
Deferred issuance costs	514,246
Capital assets not being depreciated	705,824
Capital assets - net of accumulated depreciation	<u>48,032,414</u>
 Total assets	 <u>57,497,910</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	249,790
State aid anticipation note payable	2,300,000
Due to other governmental units	68,186
Payroll deductions, withholdings and accrued benefits	238,864
Accrued expenditures	1,735,985
Accrued salaries payable	1,547,218
Deferred revenue	425,247
Noncurrent liabilities	
Due within one year	2,306,393
Due in more than one year	<u>45,377,927</u>
Total liabilities	<u>54,249,610</u>
Net Assets	
Invested in capital assets, net of related debt	1,453,176
Restricted for:	
Debt service	769,151
Capital projects	11,863
Unrestricted	<u>1,014,110</u>
Total net assets	<u>\$ 3,248,300</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Statement of Activities
For the Year Ended June 30, 2010

	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	\$ 14,970,814	\$ 50,726	\$ 3,313,232	\$ -	\$(11,606,856)
Supporting services	7,557,217	182,782	518,612	220,199	(6,635,624)
Food services	922,366	513,850	502,727	-	94,211
Athletic activities	403,292	149,186	-	-	(254,106)
Community services	570,012	361,320	-	-	(208,692)
Interest and issuance costs on long-term debt	2,185,623	-	-	-	(2,185,623)
Depreciation - unallocated	1,533,982	-	-	-	(1,533,982)
Total governmental activities	\$ 28,143,306	\$ 1,257,864	\$ 4,334,571	\$ 220,199	(22,330,672)
General revenues					
Property taxes, levied for general purposes					1,748,933
Property taxes, levied for debt service					3,746,850
State aid - unrestricted					17,208,107
Interest and investment earnings					12,661
Other					110,322
Total general revenues					22,826,873
Change in net assets					496,201
Net assets - beginning					2,752,099
Net assets - ending					\$ 3,248,300

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Governmental Funds
Balance Sheet
June 30, 2010

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 3,618,978	\$ 869,363	\$ 4,488,341
Taxes receivable	11,253	34,282	45,535
Accounts receivable	17,853	179	18,032
Due from other funds	-	142,499	142,499
Due from other governmental units	3,620,533	14,501	3,635,034
Interest receivable	563	102	665
Inventory	3,785	17,387	21,172
Prepaid items	<u>36,647</u>	<u>-</u>	<u>36,647</u>
Total assets	<u>\$ 7,309,612</u>	<u>\$ 1,078,313</u>	<u>\$ 8,387,925</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Governmental Funds
Balance Sheet
June 30, 2010

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 232,244	\$ 17,546	\$ 249,790
State aid anticipation note payable	2,300,000	-	2,300,000
Due to other funds	91,937	50,562	142,499
Due to other governmental units	-	68,186	68,186
Payroll deductions, withholdings and accrued benefits	238,864	-	238,864
Accrued expenditures	822,473	11,234	833,707
Accrued salaries payable	1,534,466	12,752	1,547,218
Deferred revenue	413,734	34,282	448,016
Total liabilities	5,633,718	194,562	5,828,280
Fund Balance			
Reserved for inventory	3,785	17,387	21,172
Reserved for prepaid items	36,647	-	36,647
Reserved for debt service	-	769,151	769,151
Reserved for capital projects	-	12,048	12,048
Designated for maintenance	350,223	-	350,223
Other undesignated	1,285,239	85,165	1,370,404
Total fund balance	1,675,894	883,751	2,559,645
Total liabilities and fund balance	\$ 7,309,612	\$ 1,078,313	\$ 8,387,925

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, 2010

Total fund balances for governmental funds	\$ 2,559,645
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	22,769
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	48,032,414
Other long-term assets are not deferred in the governmental funds.	514,246
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(354,516)
Retirement incentive benefits	(547,762)
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	(380,013)
Bonds payable	<u>(47,304,307)</u>
Net assets of governmental activities	<u>\$ 3,248,300</u>

Eaton Rapids Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 2,374,076	\$ 4,415,237	\$ 6,789,313
State sources	18,517,016	276,368	18,793,384
Federal sources	1,638,260	446,558	2,084,818
Interdistrict sources	<u>972,543</u>	<u>-</u>	<u>972,543</u>
Total revenues	<u>23,501,895</u>	<u>5,138,163</u>	<u>28,640,058</u>
Expenditures			
Current			
Education			
Instruction	14,958,573	-	14,958,573
Supporting services	7,506,836	-	7,506,836
Food services	-	917,659	917,659
Athletic activities	-	403,292	403,292
Community services	566,707	3,305	570,012
Intergovernmental payments	5,173	-	5,173
Capital outlay	-	16,131	16,131
Debt service			
Principal	-	1,794,950	1,794,950
Interest	-	2,270,361	2,270,361
Bond issuance costs	<u>-</u>	<u>21,676</u>	<u>21,676</u>
Total expenditures	<u>23,037,289</u>	<u>5,427,374</u>	<u>28,464,663</u>
Excess (deficiency) of revenues over expenditures	<u>464,606</u>	<u>(289,211)</u>	<u>175,395</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)			
Proceeds from refinancing debt	-	755,000	755,000
Payments to school bond loan fund	-	(729,672)	(729,672)
Proceeds from sale of capital assets	1,400	-	1,400
Transfers in	-	376,018	376,018
Transfers out	<u>(257,118)</u>	<u>(118,900)</u>	<u>(376,018)</u>
Total other financing sources (uses)	<u>(255,718)</u>	<u>282,446</u>	<u>26,728</u>
Net change in fund balance	208,888	(6,765)	202,123
Fund balance - beginning	<u>1,467,006</u>	<u>890,516</u>	<u>2,357,522</u>
Fund balance - ending	<u>\$ 1,675,894</u>	<u>\$ 883,751</u>	<u>\$ 2,559,645</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, 2010

Net change in fund balances - Total governmental funds	\$ 202,123
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	2,252
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	(1,533,982)
Capital outlay	7,500
Sale of capital assets (net book value)	(4,203)
Expenses are recorded when incurred in the statement of activities.	
Interest	90,422
Retirement incentive benefits	27,522
Compensated absences	(48,563)
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.	
Debt issued	(755,000)
Repayments of long-term debt	2,480,654
Defer bond issuance costs	21,676
Amortization of premiums	62,496
Amortization bond issuance costs	(32,484)
Amortization of bond discount	(24,212)
Change in net assets of governmental activities	\$ 496,201

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2010

	<u>Private Purpose Trust Funds</u>	<u>Student Activities Agency Fund</u>
Assets		
Cash	\$ 17,219	\$ 197,293
Liabilities		
Due to student activities	-	197,293
Net Assets		
Reserved for scholarships and loans	<u>\$ 17,219</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2010

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, 2010

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, Athletic 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 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 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 Agency Funds are funds 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, 2010

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2010, 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 and are recorded 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, 2010

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

Comparative Data

Comparative data is not included in the School District's financial statements.

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.

Upcoming Accounting and Reporting Changes

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 new definition of special revenue funds will affect which activities the School District can report in special revenue funds as the Athletic Fund will no longer meet the definition for a special revenue fund. This statement is effective for the year ending June 30, 2011.

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 cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under Michigan Public Act 621 of 1978 (the Act). The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act 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.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2010

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			
Basic programs	\$ 11,556,946	\$ 11,607,053	\$ 50,107
Adult and continuing education	277,407	279,603	2,196
School administration	1,290,064	1,306,115	16,051
Operations and maintenance	2,087,483	2,093,315	5,832

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	\$ 35,810,735
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	\$ 4,488,341	\$ 214,512	\$ 4,702,853

Deposits and investments for the School District are summarized follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 4,586,234
Investments in securities, mutual funds, and similar vehicles	113,706
Petty cash and cash on hand	<u>2,913</u>
Total	\$ 4,702,853

Investments	Fair Value	Rating	Rating Organization
Comerica School Cash Investment	99,373	N/A	Standard and Poor's
Michigan Liquid Asset Fund Plus	<u>14,333</u>	AAA	Standard and Poor's
	<u>\$ 113,706</u>		

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.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2010

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 – 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, \$ 0 of the School District’s bank balance of \$ 4,723,916 was exposed to custodial credit risk because it was uninsured or uncollateralized.

Custodial credit risk - investments - 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. As of year end, all of the School District’s investment balance of \$ 113,706 was exposed to custodial credit risk because it was uninsured by the FDIC. Of this amount, \$ 99,373 was backed by the full faith of the Federal government.

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	60,344,835	7,500	-	60,352,335
Equipment and furniture	3,549,318	-	-	3,549,318
Buses and other vehicles	1,752,532	-	42,025	1,710,507
Total capital assets being depreciated	65,646,685	7,500	42,025	65,612,160
Less accumulated depreciation for				
Buildings and additions	12,744,510	1,243,487	-	13,987,997
Equipment and furniture	2,097,691	76,035	37,822	2,135,904
Buses and other vehicles	1,241,385	214,460	-	1,455,845
Total accumulated depreciation	16,083,586	1,533,982	37,822	17,579,746
Net capital assets being depreciated	49,563,099	(1,526,482)	4,203	48,032,414
Net capital assets	\$ 50,268,923	\$ (1,526,482)	\$ 4,203	\$ 48,738,238

Depreciation for the fiscal year ended June 30, 2010, amounted to \$ 1,533,982. 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, 2010

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

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

Due From Fund	Due to Fund	Amount
General Fund	Athletic Fund	\$ 13,801
General Fund	Food Service Fund	78,136
Community Service Fund	Food Service Fund	3,948
2010 Debt Fund	2004 Debt Fund	50
2004 Debt Fund	1999 Debt Fund	46,564
		<u>46,564</u>
		<u>\$ 142,499</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.

Interfund transfers were made during the year, between the General Fund and the Athletic and Community Service Funds totaling \$ 257,118. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities. A transfer was also made between the Durant Bond fund and the 2004 & 2006 Bond fund to transfer funds remaining from 95 Bond Issue to cover 2004 & 2006 Bond Issue.

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are 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	\$ 22,769	\$ -	\$ 22,769
Grant and categorical aid payments received prior to meeting all eligibility requirements	-	425,247	425,247
	<u>-</u>	<u>425,247</u>	<u>425,247</u>
Total	<u>\$ 22,769</u>	<u>\$ 425,247</u>	<u>\$ 448,016</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,	
2011	\$ 44,234
2012	44,234
2013	<u>44,234</u>
Total	<u>\$ 132,702</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.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2010

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 3,200,000	\$ 3,200,000	\$ 4,100,000	\$ 2,300,000

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	\$ 48,245,000	\$ 755,000	\$ 1,635,000	\$ 47,365,000	\$ 1,875,000
Durant bonds	249,597	-	159,950	89,647	28,505
School Bond Loan	685,704	-	685,704	-	-
Compensated absences	331,450	48,563	-	380,013	-
Retirement incentives	575,284	220,000	247,522	547,762	15,888
Premium on bonds	511,259	-	62,496	448,763	387,000
Discount on bonds	(371,499)	-	24,212	(347,287)	-
Deferred refunding costs	(251,816)	-	-	(251,816)	-
Deferred issuance costs	(525,054)	21,676	32,484	(514,246)	-
Total	\$ 49,449,925	\$ 1,045,239	\$ 2,847,368	\$ 47,717,836	\$ 2,306,393

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:

\$ 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%	25,245,000
\$ 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%	12,550,000
\$ 755,000 serial bond due in annual installments of \$ 170,000 to \$ 340,000 through May 1, 2013, interest at 3.25%	755,000
Total general obligation bonded debt	\$ 47,365,000

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

	Principal	Interest	Total
Year Ending June 30,			
2011	\$ 1,875,000	\$ 2,123,803	\$ 3,998,803
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
2016-2020	11,455,000	7,855,982	19,310,982
2021-2025	14,820,000	4,823,353	19,643,353
2026-2029	11,090,000	1,231,011	12,321,011
Total	\$ 47,365,000	\$ 23,840,328	\$ 71,205,328

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$ 769,151 to pay this debt. Future debt and interest will be payable from future tax levies.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2010

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

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

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:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 28,505	\$ 4,268	\$ 32,773
2012	29,860	2,911	32,771
2013	<u>31,282</u>	<u>1,490</u>	<u>32,772</u>
Total	<u>\$ 89,647</u>	<u>\$ 8,669</u>	<u>\$ 98,316</u>

Interest expenditures for fiscal year 2010, in the Debt Service Funds were \$ 2,270,361.

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's 2004 bond issue. During 2004, the School District issued \$ 33 million in bonds to renovate School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.0 mills, but instead the election permitted the School District to extend this levy through the year 2030. Since the monies generated by the 7.0 mills are presently not

sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow funds to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the 2004 and 2006 bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District repaid the outstanding balance outstanding to the State School Bond Loan Fund.

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. 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 \$ 380,013 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 \$ 33,762 liability for unpaid annual payments at June 30, 2010.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2010

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, 2010, was \$ 514,000.

Future payments are as follows:

<u>Year Ending June 30,</u>	Voluntary Severance	Termination Benefit
2011	\$ 15,888	\$ 387,000
2012	11,254	127,000
2013	5,958	-
2014	<u>662</u>	<u>-</u>
Total	<u>\$ 33,762</u>	<u>\$ 514,000</u>

Advance Refunding

On April 29, 2010, the School District issued general obligation bonds of \$ 755,000 (par value) with an interest rate of 3.25% to advance refund school bond loan funds of \$719,159 with an interest rate of 5.00%. The school bond loan funds were payable through May 1, 2013. After paying issuance costs of \$ 21,676, the net proceeds were \$ 733,324. The net proceeds from the issuance of the general obligation bonds were used to pay off balance of principal and interest remaining on the school bond loan. The advance refunding met the requirements of an in-substance debt defeasance and the school bond loan was removed from the School District's financial statements.

The issuance costs of \$ 21,676, are reported in the accompanying statement of net assets as a reduction of bonds payable and are being charged to activities through fiscal year 2026.

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.

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	<u>13,185,000</u>
Total	<u>\$ 18,765,000</u>

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.

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2010

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, 2010.

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, 2010, which was paid in August 2009. No provision has been made for possible future claims.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

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

Funding Policy

The School District is required by the School Finance Reform Act to contribute to MPERS 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 MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPERS pension funding for the three-year period beginning July 1, 2007 through June 30, 2010.

	2010	2009	2008
Funding percentage range	9.73 - 10.13%	9.73 - 10.17%	10.17 - 11.19%
Total payroll	14,263,915	14,508,011	14,379,205
Total covered payroll	13,710,053	13,975,228	13,917,203
School pension contributions	1,376,264	1,367,441	1,440,117
Employee MIP contributions	459,776	465,169	453,297
Tax deferred payment program	97,809	133,900	174,271

Eaton Rapids Public Schools
Notes to Financial Statements
June 30, 2010

Trend Information

Ten-year historical trend information is presented in the September 30, 2009, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2009, the latest date for which information is available, approximates \$ 41.8 billion and \$ 35.2 billion, respectively. The School District's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2009.

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, 2007 through June 30, 2010.

	2010	2009	2008
Funding percentage range	6.81%	6.55 - 6.81%	6.55%
School post employment benefits contributions	933,655	950,256	920,731

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, 2010.

NOTE 13 - SUBSEQUENT EVENT

Subsequent to June 30, 2010, the School District has paid the balance of the \$ 2,300,000 and accrued interest on the short-term state aid anticipation notes borrowed in August 2009 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 20, 2009. The rate on the new notes will be 0.80% and 0.40%.

REQUIRED SUPPLEMENTAL INFORMATION

Eaton Rapids Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 2,154,950	\$ 2,359,233	\$ 2,374,076	\$ 14,843
State sources	17,678,848	18,611,999	18,517,016	(94,983)
Federal sources	2,266,081	1,793,534	1,638,260	(155,274)
Interdistrict sources	1,041,161	994,568	972,543	(22,025)
	<u>23,141,040</u>	<u>23,759,334</u>	<u>23,501,895</u>	<u>(257,439)</u>
Expenditures				
Instruction				
Basic programs	11,662,867	11,556,946	11,607,053	50,107
Added needs	3,054,197	3,219,346	3,071,917	(147,429)
Adult and continuing education	288,856	277,407	279,603	2,196
Supporting services				
Pupil	783,184	787,150	759,280	(27,870)
Instructional staff	588,644	750,897	667,846	(83,051)
General administration	349,432	356,905	350,777	(6,128)
School administration	1,251,938	1,290,064	1,306,115	16,051
Business	400,316	398,707	396,612	(2,095)
Operations and maintenance	2,225,472	2,087,483	2,093,315	5,832
Pupil transportation services	1,639,889	1,651,901	1,533,091	(118,810)
Central services	544,417	410,582	399,800	(10,782)
Other	13,740	10,000	-	(10,000)
Community services	555,085	654,082	566,707	(87,375)
Intergovernmental payments	59,643	59,643	5,173	(54,470)
	<u>23,417,680</u>	<u>23,511,113</u>	<u>23,037,289</u>	<u>(473,824)</u>

Eaton Rapids Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over expenditures	<u>(276,640)</u>	<u>248,221</u>	<u>464,606</u>	<u>216,385</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	1,400	1,400	-
Transfers out	<u>(273,845)</u>	<u>(273,845)</u>	<u>(257,118)</u>	<u>(16,727)</u>
Total other financing sources (uses)	<u>(273,845)</u>	<u>(272,445)</u>	<u>(255,718)</u>	<u>(16,727)</u>
Net change in fund balance	(550,485)	(24,224)	208,888	233,112
Fund balance - beginning	<u>1,467,006</u>	<u>1,467,006</u>	<u>1,467,006</u>	<u>-</u>
Fund balance - ending	<u>\$ 916,521</u>	<u>\$ 1,442,782</u>	<u>\$ 1,675,894</u>	<u>\$ 233,112</u>

OTHER SUPPLEMENTAL INFORMATION

Eaton Rapids Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

	Special Revenue Funds			Durant Bond	Debt Service Funds			Capital Projects		Total Nonmajor Governmental Funds
	Food Service	Athletics	Community Service		1999 & 2009 Issues	2004 & 2006 Issues	2010 Issue	Fuel Service	2004 School Building	
Assets										
Cash	\$ -	\$ -	\$ 3,947	\$ -	\$ 696,126	\$ 137,410	\$ 3,702	\$ 11,861	\$ 16,317	\$ 869,363
Taxes receivable	-	-	-	-	16,540	17,742	-	-	-	34,282
Accounts receivable	179	-	-	-	-	-	-	-	-	179
Due from other funds	82,084	13,801	-	-	46,564	50	-	-	-	142,499
Due from other governmental units	14,501	-	-	-	-	-	-	-	-	14,501
Interest receivable	-	-	1	-	50	49	-	2	-	102
Inventory	17,387	-	-	-	-	-	-	-	-	17,387
Total assets	\$ 114,151	\$ 13,801	\$ 3,948	\$ -	\$ 759,280	\$ 155,251	\$ 3,702	\$ 11,863	\$ 16,317	\$ 1,078,313

Eaton Rapids Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

	Special Revenue Funds			Durant Bond	Debt Service Funds			Capital Projects		Total Nonmajor Governmental Funds
	Food Service	Athletics	Community Service		1999 & 2009 Issues	2004 & 2006 Issues	2010 Issue	Fuel Service	2004 School Building	
Liabilities and Fund Balance										
Liabilities										
Accounts payable	\$ 1,414	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,132	\$ 17,546
Due to other funds	-	-	3,948	-	-	46,564	50	-	-	50,562
Due to other governmental units	-	-	-	-	33,216	34,970	-	-	-	68,186
Accrued expenditures	7,613	3,621	-	-	-	-	-	-	-	11,234
Accrued salaries payable	2,666	10,086	-	-	-	-	-	-	-	12,752
Deferred revenue	-	-	-	-	16,540	17,742	-	-	-	34,282
Total liabilities	11,693	13,707	3,948	-	49,756	99,276	50	-	16,132	194,562
Fund Balance										
Reserved for inventory	17,387	-	-	-	-	-	-	-	-	17,387
Reserved for debt service	-	-	-	-	709,524	55,975	3,652	-	-	769,151
Reserved for capital projects	-	-	-	-	-	-	-	11,863	185	12,048
Other undesignated (deficit)	85,071	94	-	-	-	-	-	-	-	85,165
Total fund balance	102,458	94	-	-	709,524	55,975	3,652	11,863	185	883,751
Total liabilities and fund balance	\$ 114,151	\$ 13,801	\$ 3,948	\$ -	\$ 759,280	\$ 155,251	\$ 3,702	\$ 11,863	\$ 16,317	\$ 1,078,313

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, 2010

	Special Revenue Funds			Debt Service Funds			Capital Projects		Total Nonmajor Governmental Funds	
	Food Service	Athletics	Community Service	Durant Bond	1999 & 2009 Issues	2004 & 2006 Issues	2010 Issue	Fuel Service		2004 School Building
Revenues										
Local sources	\$ 513,851	\$ 149,182	\$ 290	\$ -	\$ 1,924,501	\$ 1,827,367	\$ -	\$ 46	\$ -	\$ 4,415,237
State sources	56,169	-	-	220,199	-	-	-	-	-	276,368
Federal sources	446,558	-	-	-	-	-	-	-	-	446,558
Total revenues	1,016,578	149,182	290	220,199	1,924,501	1,827,367	-	46	-	5,138,163
Expenditures										
Current										
Education										
Food services	917,659	-	-	-	-	-	-	-	-	917,659
Athletic activities	-	403,292	-	-	-	-	-	-	-	403,292
Community services	-	-	3,305	-	-	-	-	-	-	3,305
Capital outlay	-	-	-	-	-	-	-	-	16,131	16,131
Debt service										
Principal	-	-	-	159,950	1,085,000	550,000	-	-	-	1,794,950
Interest	-	-	-	60,249	668,070	1,542,042	-	-	-	2,270,361
Bond issuance costs	-	-	-	-	-	-	21,676	-	-	21,676
Total expenditures	917,659	403,292	3,305	220,199	1,753,070	2,092,042	21,676	-	16,131	5,427,374
Excess (deficiency) of revenues over expenditure:	98,919	(254,110)	(3,015)	-	171,431	(264,675)	(21,676)	46	(16,131)	(289,211)

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, 2010

	Special Revenue Funds			Debt Service Funds			Capital Projects		Total Nonmajor Governmental Funds	
	Food Service	Athletics	Community Service	Durant Bond	1999 & 2009 Issues	2004 & 2006 Issues	2010 Issue	Fuel Service		2004 School Building
Other Financing Sources										
Proceeds from refinancing debt	-	-	-	-	-	-	755,000	-	-	755,000
Payment to school bond loan fund	-	-	-	-	-	-	(729,672)	-	-	(729,672)
Transfers in	-	254,103	3,015	-	-	118,900	-	-	-	376,018
Transfers out	-	-	-	(118,900)	-	-	-	-	-	(118,900)
Total other financing sources	-	254,103	3,015	(118,900)	-	118,900	25,328	-	-	282,446
Net change in fund balance	98,919	(7)	-	(118,900)	171,431	(145,775)	3,652	46	(16,131)	(6,765)
Fund balance - beginning	3,539	101	-	118,900	538,093	201,750	-	11,817	16,316	890,516
Fund balance - ending	<u>\$ 102,458</u>	<u>\$ 94</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,524</u>	<u>\$ 55,975</u>	<u>\$ 3,652</u>	<u>\$ 11,863</u>	<u>\$ 185</u>	<u>\$ 883,751</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue from local sources			
Property tax levy	\$ 1,746,627	\$ 1,746,681	\$ 54
Transportation fees	29,000	42,835	13,835
Earnings on investments	6,000	7,575	1,575
Community service activities	367,000	361,051	(5,949)
Other local revenues	<u>210,606</u>	<u>215,934</u>	<u>5,328</u>
Total revenues from local sources	<u>2,359,233</u>	<u>2,374,076</u>	<u>14,843</u>
Revenues from state sources			
Grants - unrestricted	17,312,603	17,208,107	(104,496)
Grants - restricted	<u>1,299,396</u>	<u>1,308,909</u>	<u>9,513</u>
Total revenues from state sources	<u>18,611,999</u>	<u>18,517,016</u>	<u>(94,983)</u>
Revenues from federal sources			
Grants - restricted	<u>1,793,534</u>	<u>1,638,260</u>	<u>(155,274)</u>
Interdistrict sources			
Act 18 and transportation	<u>994,568</u>	<u>972,543</u>	<u>(22,025)</u>
Other financing sources			
Proceeds from sale of capital assets	<u>1,400</u>	<u>1,400</u>	<u>-</u>
Total revenue and other financing sources	<u>\$ 23,760,734</u>	<u>\$ 23,503,295</u>	<u>\$ (257,439)</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2010

	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary			
Salaries	\$ 2,112,483	\$ 2,172,915	\$ 60,432
Employee benefits	962,897	935,843	(27,054)
Supplies and materials	157,166	144,302	(12,864)
Capital outlay	2,000	1,918	(82)
Other	36,000	33,562	(2,438)
Total elementary	<u>3,270,546</u>	<u>3,288,540</u>	<u>17,994</u>
Basic program - middle school			
Salaries	2,929,778	2,921,430	(8,348)
Employee benefits	1,412,020	1,403,633	(8,387)
Supplies and materials	112,394	84,214	(28,180)
Other	61,425	60,110	(1,315)
Total middle school	<u>4,515,617</u>	<u>4,469,387</u>	<u>(46,230)</u>
Basic program - high school			
Salaries	2,406,720	2,490,730	84,010
Employee benefits	1,136,409	1,148,213	11,804
Purchased services	7,172	5,433	(1,739)
Supplies and materials	68,302	61,366	(6,936)
Other	80,197	78,899	(1,298)
Total high school	<u>3,698,800</u>	<u>3,784,641</u>	<u>85,841</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2010

	Final Budget	Actual	Over (Under) Final Budget
Basic program - pre-school			
Salaries	33,628	32,201	(1,427)
Employee benefits	8,700	7,809	(891)
Purchased services	400	117	(283)
Supplies and materials	3,602	3,510	(92)
Other	100	37	(63)
Total pre-school	<u>46,430</u>	<u>43,674</u>	<u>(2,756)</u>
Basic program - summer school			
Salaries	24,340	20,449	(3,891)
Employee benefits	1,213	362	(851)
Total summer school	<u>25,553</u>	<u>20,811</u>	<u>(4,742)</u>
Added needs - special education			
Salaries	1,780,269	1,670,134	(110,135)
Employee benefits	953,422	924,022	(29,400)
Purchased services	768	771	3
Supplies and materials	1,175	605	(570)
Other	200	90	(110)
Total special education	<u>2,735,834</u>	<u>2,595,622</u>	<u>(140,212)</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2010

	Final Budget	Actual	Over (Under) Final Budget
Added needs - compensatory education			
Salaries	258,179	238,060	(20,119)
Employee benefits	113,294	112,268	(1,026)
Purchased services	300	593	293
Supplies and materials	17,325	43,734	26,409
Total compensatory education	<u>389,098</u>	<u>394,655</u>	<u>5,557</u>
Added needs - career and technical education			
Salaries	72,170	72,170	-
Employee benefits	-	133	133
Purchased services	1,200	1,140	(60)
Supplies and materials	21,044	8,197	(12,847)
Total career and technical education	<u>94,414</u>	<u>81,640</u>	<u>(12,774)</u>
Adult and continuing education - secondary			
Salaries	171,217	174,860	3,643
Employee benefits	79,790	77,672	(2,118)
Purchased services	26,200	26,011	(189)
Supplies and materials	200	1,060	860
Total adult and continuing education	<u>277,407</u>	<u>279,603</u>	<u>2,196</u>
Pupil - guidance services			
Salaries	274,312	277,442	3,130
Employee benefits	112,823	110,842	(1,981)
Supplies and materials	2,202	1,420	(782)
Total guidance services	<u>389,337</u>	<u>389,704</u>	<u>367</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Pupil - health services			
Supplies and materials	145	108	(37)
Pupil - speech services			
Supplies and materials	50	-	(50)
Other	132,000	118,400	(13,600)
Total speech services	<u>132,050</u>	<u>118,400</u>	<u>(13,650)</u>
Pupil - social work services			
Purchased services	3,500	3,278	(222)
Supplies and materials	1,100	1,077	(23)
Total social work services	<u>4,600</u>	<u>4,355</u>	<u>(245)</u>
Pupil - teacher consultant			
Salaries	63,724	63,724	-
Employee benefits	29,596	29,468	(128)
Purchased services	300	-	(300)
Total teacher consultant	<u>93,620</u>	<u>93,192</u>	<u>(428)</u>
Pupil - other support services			
Salaries	128,482	120,662	(7,820)
Employee benefits	38,916	32,859	(6,057)
Total other pupil support services	<u>167,398</u>	<u>153,521</u>	<u>(13,877)</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2010

	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - improvement of education			
Salaries	235,851	226,725	(9,126)
Employee benefits	91,533	82,053	(9,480)
Purchased services	91,600	85,784	(5,816)
Supplies and materials	40,317	46,693	6,376
Total improvement of education	<u>459,301</u>	<u>441,255</u>	<u>(18,046)</u>
Instructional staff - educational media services			
Supplies and materials	4,350	4,055	(295)
Instructional staff - supervision and direction of instructional staff			
Salaries	119,325	119,589	264
Employee benefits	44,164	44,689	525
Purchased services	27,000	1,214	(25,786)
Supplies and materials	95,552	56,044	(39,508)
Other	1,205	1,000	(205)
Total supervision and direction of instructional staff	<u>287,246</u>	<u>222,536</u>	<u>(64,710)</u>
General administration - board of education			
Purchased services	79,600	64,059	(15,541)

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2010

	Final Budget	Actual	Over (Under) Final Budget
General administration - executive administration			
Salaries	159,745	168,516	8,771
Employee benefits	80,085	80,315	230
Purchased services	16,300	14,328	(1,972)
Supplies and materials	6,321	5,951	(370)
Capital outlay	1,354	2,708	1,354
Other	13,500	14,900	1,400
	<u>277,305</u>	<u>286,718</u>	<u>9,413</u>
School administration - office of the principal			
Salaries	856,099	860,104	4,005
Employee benefits	356,532	364,341	7,809
Purchased services	52,238	51,193	(1,045)
Supplies and materials	10,885	6,863	(4,022)
Capital outlay	9,901	18,628	8,727
Other	1,709	1,800	91
	<u>1,287,364</u>	<u>1,302,929</u>	<u>15,565</u>
School administration - other			
Other	2,700	3,186	486
Business - fiscal services			
Salaries	177,485	177,396	(89)
Employee benefits	78,457	81,286	2,829
Purchased services	5,100	4,698	(402)
Supplies and materials	2,400	2,200	(200)
	<u>263,442</u>	<u>265,580</u>	<u>2,138</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2010

	Final Budget	Actual	Over (Under) Final Budget
Business - other			
Purchased services	13,680	13,680	-
Other	<u>121,585</u>	<u>117,352</u>	<u>(4,233)</u>
Total other business	<u>135,265</u>	<u>131,032</u>	<u>(4,233)</u>
Operations and maintenance - operating building services			
Salaries	656,762	663,723	6,961
Employee benefits	372,571	346,108	(26,463)
Purchased services	230,150	212,429	(17,721)
Supplies and materials	<u>828,000</u>	<u>871,055</u>	<u>43,055</u>
Total operating building services	<u>2,087,483</u>	<u>2,093,315</u>	<u>5,832</u>
Pupil transportation services			
Salaries	512,579	529,567	16,988
Employee benefits	293,500	300,424	6,924
Purchased services	681,058	524,323	(156,735)
Supplies and materials	162,650	176,003	13,353
Other	<u>2,114</u>	<u>2,774</u>	<u>660</u>
Total transportation services	<u>1,651,901</u>	<u>1,533,091</u>	<u>(118,810)</u>
Central - planning, research development and evaluation			
Supplies and materials	<u>250</u>	<u>-</u>	<u>(250)</u>
Central - communication services			
Purchased services	<u>8,481</u>	<u>9,938</u>	<u>1,457</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2010

	Final Budget	Actual	Over (Under) Final Budget
Central - staff/personnel services			
Salaries	800	682	(118)
Employee benefits	150	164	14
Purchased services	<u>18,400</u>	<u>16,285</u>	<u>(2,115)</u>
Total staff/personnel services	<u>19,350</u>	<u>17,131</u>	<u>(2,219)</u>
Central - support services technology			
Salaries	111,452	111,500	48
Employee benefits	54,676	54,178	(498)
Purchased services	210,247	206,064	(4,183)
Supplies and materials	5,726	591	(5,135)
Capital outlay	<u>400</u>	<u>398</u>	<u>(2)</u>
Total support services technology	<u>382,501</u>	<u>372,731</u>	<u>(9,770)</u>
Other supporting services			
Employee benefits	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Community services - direction			
Salaries	44,950	44,929	(21)
Employee benefits	<u>16,475</u>	<u>15,864</u>	<u>(611)</u>
Total direction	<u>61,425</u>	<u>60,793</u>	<u>(632)</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Community services - community recreation			
Salaries	94,300	38,186	(56,114)
Employee benefits	9,997	7,236	(2,761)
Purchased services	11,902	3,993	(7,909)
Supplies and materials	28,200	1,873	(26,327)
Other	950	503	(447)
Total community recreation	<u>145,349</u>	<u>51,791</u>	<u>(93,558)</u>
Community services - community activities			
Purchased services	100	-	(100)
Supplies and materials	300	-	(300)
Total community activities	<u>400</u>	<u>-</u>	<u>(400)</u>
Community services - custody and care of children			
Salaries	325,344	333,184	7,840
Employee benefits	88,749	90,839	2,090
Purchased services	6,150	6,855	705
Supplies and materials	21,900	21,007	(893)
Other	2,875	2,238	(637)
Total custody and care of children	<u>445,018</u>	<u>454,123</u>	<u>9,105</u>
Community services - other			
Purchased services	1,500	-	(1,500)
Supplies and materials	390	-	(390)
Total other	<u>1,890</u>	<u>-</u>	<u>(1,890)</u>

Eaton Rapids Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Intergovernmental payments			
Payments to other public schools	<u>59,643</u>	<u>5,173</u>	<u>(54,470)</u>
Total intergovernmental payments	<u>59,643</u>	<u>5,173</u>	<u>(54,470)</u>
 Other financing uses			
Transfers out	<u>273,845</u>	<u>257,118</u>	<u>(16,727)</u>
Total expenditures and financing uses	<u>\$ 23,784,958</u>	<u>\$ 23,294,407</u>	<u>\$ (490,551)</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, 2010

	Due to (From) Student Groups July 1, 2009	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2010
Administration Flower Fund	\$ 96	\$ -	\$ -	\$ 96
Adult Education - Scholarship	436	-	-	436
Alumni Account	50	-	-	50
Business Office	4,646	119	2,314	2,451
Class of 1990	(12)	-	308	(320)
Class of 1999	309	-	-	309
Class of 2000	2,150	-	-	2,150
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	309	4,603	4,160	752
Class of 2011	1,090	13,387	13,307	1,170
Class of 2012	241	2,200	2,335	106
Class of 2013	-	315	107	208
Curriculum	1,525	-	-	1,525
High School:				
Advanced Placement	1,026	12,554	11,762	1,818
Art Club	776	2,404	2,385	795
Athletic Department	3,890	-	-	3,890
Band	613	-	596	17
Baseball Club	347	445	531	261
Blakely Memorial	401	1,815	884	1,332
Botany	586	227	764	49
Bowling	9	1,007	853	163

Eaton Rapids Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2010

	Due to (From) Student Groups July 1, 2009	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2010
Boys Basketball Club	463	3,848	4,389	(78)
Boys Swim Club	1	1,065	723	343
Boys Track Club	2,119	4,860	5,460	1,519
Cheerleaders	123	1,327	25	1,425
Choir	81	-	-	81
Cross Country Club	1,844	1,951	2,871	924
Disk Frisbee	355	1,696	2,000	51
Drama Club	4,532	-	723	3,809
English Club	625	40	-	665
Football Club	154	3,210	3,139	225
Forensics Club	29	-	-	29
German Student Council	513	1,976	2,253	236
Girls Basketball Club	1	750	675	76
Girls/Boys Golf Club	87	-	10	77
Girls Swim Club	-	1,715	829	886
Girls Track Club	38	2,606	2,353	291
Journalism Club	428	2,701	3,098	31
Language Club	1,157	220	-	1,377
Library Fund	125	1,441	1,380	186
National Honors Society	176	888	335	729
PALS	92	181	223	50
Photography	1,931	2,996	624	4,303
Physical Education	41	1,871	1,897	15
Power Mechanics	2,958	6,287	4,676	4,569
SADD	2,380	-	-	2,380
Scienaunts	377	6,484	4,259	2,602
Science Club	1,985	-	-	1,985
Ski Club	654	-	-	654
Soccer Club	205	1,950	1,266	889

Eaton Rapids Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2010

	Due to (From) Student Groups July 1, 2009	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2010
Softball Club	73	7,455	7,522	6
Special Education	4	-	-	4
Store	367	2,685	1,955	1,097
Student Service Co.	2,582	500	-	3,082
Sunshine	785	350	586	549
Volleyball Club	1,104	14,632	14,457	1,279
Web	-	2,766	28	2,738
Wrestling Club	33	55	-	88
Writing Club	58	-	-	58
Yearbook - Eatonian	9,163	12,674	18,482	3,355
Youth in Government	166	-	-	166
King Street - Child Care	17,197	14,380	9,018	22,559
Special Education - Gift of Reading	(9)	-	-	(9)
Middle School:				
Benevolence Fund	125	-	-	125
Book Fair	434	3,629	3,167	896
Drama	1,764	1,543	1,214	2,093
Equations Club	24	186	119	91
Foreign Exchange	(197)	-	-	(197)
National History Day	38	-	-	38
Outdoor Education	19	32,645	31,504	1,160
Passta	100	-	-	100
Ski Club	126	-	-	126
Space Camp	2,982	10,669	7,913	5,738
Tech Ed.	2,266	2,181	3,847	600
Teachers Lounge Pop Fund	414	418	564	268
Wellness Club	324	665	711	278
Northwestern:				
Chess Club	1,441	-	-	1,441

Eaton Rapids Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2010

	Due to (From) Student Groups July 1, 2009	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2010
Accelerated reader	620	-	-	620
Library	510	3,651	2,494	1,667
School Store	7,017	-	-	7,017
Music/Bells	220	-	-	220
Nature Center	310	-	-	310
C.A.S.M. Pilot Site	-	696	-	696
Lugnut fund	-	710	710	-
Board Pop Grants	(389)	7,485	4,444	2,652
Transportation Pop Fund	64	255	198	121
Union Book Donations	1,647	-	-	1,647
Union Mentoring	804	-	-	804
Principal's Accounts:				
High School	9,619	10,635	10,779	9,475
Café'	8,293	113	2,512	5,894
In Lieu of Subs	2,994	1,570	-	4,564
King Street	11,648	821	2,485	9,984
Lockwood	10,147	4,611	5,520	9,238
In Lieu of Subs	489	-	-	489
Berhold Tree Fund				
Middle School	2,318	23,748	23,676	2,390
Northwestern	832	8,024	6,268	2,588
In Lieu of Subs	189	-	-	189
Union Street	3,038	-	-	3,038
In Lieu of Subs	864	-	-	864
Greyhound Intermediate	17,556	42,219	44,974	14,801
In Lieu of Subs	280	-	-	280
Youth Grant	(53)	-	-	(53)
Student Council:				
Middle School	17	-	17	-

Eaton Rapids Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2010

	Due to (From) Student Groups July 1, 2009	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2010
High School	8,677	3,508	1,246	10,939
Minigrants:				
Shimnoski	336	-	-	336
Smith	16	-	-	16
Paquet	7	-	-	7
Platts Minigrant	31	-	-	31
McDonnel Minigrant2	600	-	-	600
Beretta Minigrant3	320	-	-	320
Sharpe Minigrant3	33	-	-	33
Brantley Minigrant4	54	-	-	54
Graving Minigrant4	36	-	-	36
Matthews Minigrant4	68	-	-	68
McKenzie Minigrant4	80	-	-	80
	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>
Total	<u>\$ 182,599</u>	<u>\$ 304,618</u>	<u>\$ 289,924</u>	<u>\$ 197,293</u>

Eaton Rapids Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2010

Year Ending June 30,	1999 Bond Issue		
	Interest	Principal	Total
2011	138,700	-	138,700
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>\$ 1,941,087</u>	<u>\$ 2,920,000</u>	<u>\$ 4,861,087</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, 2010

Year Ending June 30,	2004 Bond Issue		
	Interest	Principal	Total
2011	1,271,925	575,000	1,846,925
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	<u>\$ 14,301,062</u>	<u>\$ 25,245,000</u>	<u>\$ 39,546,062</u>
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		<u>\$ 33,520,000</u>	

Eaton Rapids Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2010

Year Ending June 30,	2006 Advanced Refunding Issue		
	Interest	Principal	Total
2011	248,704	-	248,704
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	<u>\$ 4,575,818</u>	<u>\$ 5,895,000</u>	<u>\$ 10,470,818</u>

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, 2010

Year Ending June 30,	2009 Advanced Refunding Issue		
	Interest	Principal	Total
2011	439,800	1,130,000	1,569,800
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>\$ 2,970,712</u>	<u>\$ 12,550,000</u>	<u>\$ 15,520,712</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		<u>\$ 13,635,000</u>	

Eaton Rapids Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2010

Year Ending June 30,	2010 Refunding Issue		
	Interest	Principal	Total
2011	24,674	170,000	194,674
2012	19,013	340,000	359,013
2013	7,962	245,000	252,962
Total	\$ 51,649	\$ 755,000	\$ 806,649

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, 2010

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6639 Centurion Drive, Suite 170
Lansing, MI 48917
Phone (517) 323-9500
Fax (517) 323-8360

**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**

Members of the Board of Directors
Eaton Rapids Public Schools

We have audited the financial statements of the 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, 2010, which collectively comprise Eaton Rapids Public Schools' basic financial statements and have issued our report thereon dated November 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Yeo & Yeo, P.C.

Lansing, Michigan
November 8, 2010



6639 Centurion Drive, Suite 170
Lansing, MI 48917
Phone (517) 323-9500
Fax (517) 323-8360

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

Members of the Board of Directors
Eaton Rapids Public Schools

Compliance

We have audited Eaton Rapids Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Eaton Rapids Public Schools' major federal programs for the year ended June 30, 2010. Eaton Rapids Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Eaton Rapids Public Schools' management. Our responsibility is to express an opinion on Eaton Rapids Public Schools' 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 Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Eaton Rapids Public Schools' 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 effect on each of its major federal program for the year ended June 30, 2010.

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 Schools' internal control over compliance with 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 Schools' internal control over compliance.

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

Our consideration of 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 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, 2010, and have issued our report thereon dated November 8, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Eaton Rapids Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Yeo & Yeo, P.C.

Lansing, Michigan
November 8, 2010

Eaton Rapids Public Schools
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued Revenue July 1, 2009	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued Revenue June 30, 2010
U. S. Department of Agriculture								
Passed through Michigan Department of Education								
Nutrition Cluster								
091970 National School Breakfast	10.553	\$ 59,847	\$ -	\$ 54,331	\$ 5,516	\$ 5,516	\$ -	\$ -
101970 National School Breakfast		79,707	-	-	79,707	79,707	-	-
			<u>-</u>	<u>54,331</u>	<u>85,223</u>	<u>85,223</u>	<u>-</u>	<u>-</u>
National School Lunch								
091950 Sec. 4 - Total Servings	10.555	49,771	-	44,654	5,117	5,117	-	-
101950 Sec. 4 - Total Servings		46,591	-	-	46,591	46,591	-	-
091960 Sec. 11 - Free and Reduced		230,355	-	205,257	25,098	25,098	-	-
101960 Sec. 11 - Free and Reduced		247,903	-	-	247,903	247,903	-	-
			<u>-</u>	<u>249,911</u>	<u>324,709</u>	<u>324,709</u>	<u>-</u>	<u>-</u>
			<u>-</u>	<u>304,242</u>	<u>409,932</u>	<u>409,932</u>	<u>-</u>	<u>-</u>
Commodities - Non-Cash Assistance								
Entitlement - 09/10	10.555	36,578	-	-	36,578	36,578	-	-
Bonus - 09/10		48	-	-	48	48	-	-
			<u>-</u>	<u>-</u>	<u>36,626</u>	<u>36,626</u>	<u>-</u>	<u>-</u>
Total Nutrition Cluster			<u>-</u>	<u>304,242</u>	<u>446,558</u>	<u>446,558</u>	<u>-</u>	<u>-</u>
Child Care Food Program								
091920 Meals Reimbursement	10.558	8,462	282	7,654	808	1,076	(14)	-
101920 Meals Reimbursement		4,785	-	-	4,785	4,785	-	-
092010 - Cash in Lieu		1,122	-	1,019	103	117	14	-
102010 - Cash in Lieu		841	-	-	841	841	-	-
			<u>282</u>	<u>8,673</u>	<u>6,537</u>	<u>6,819</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>282</u>	<u>312,915</u>	<u>453,095</u>	<u>453,377</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, 2010

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued Revenue July 1, 2009	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued Revenue June 30, 2010
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Cluster								
0915300809 - Title I	84.010	349,384	85,656	312,536	234	85,890	-	-
1015300910 - Title I		389,471	-	-	335,786	238,878	-	96,908
1015350910 - ARRA Title I	84.389	176,376	-	-	104,097	34,281	-	69,816
			<u>85,656</u>	<u>312,536</u>	<u>440,117</u>	<u>359,049</u>	<u>-</u>	<u>166,724</u>
0902500809 Title V LEA Allocation	84.298	122	122	122	-	122	-	-
0905200809 Title IIA - Improving Teacher Quality	84.367	220,897	26,462	126,028	3,956	30,418	-	-
1005200910 Title IIA - Improving Teacher Quality		206,506	-	-	123,030	88,352	-	34,678
			<u>26,462</u>	<u>126,028</u>	<u>126,986</u>	<u>118,770</u>	<u>-</u>	<u>34,678</u>
0925250809 ARRA State Fiscal Stabilization Fund	84.394	1,088,546	1,088,546	1,088,546	-	1,088,546	-	-
1025250910 ARRA State Fiscal Stabilization Fund		820,853	-	-	820,853	820,853	-	-
			<u>1,088,546</u>	<u>1,088,546</u>	<u>820,853</u>	<u>1,909,399</u>	<u>-</u>	<u>-</u>
Special Education Cluster								
Passed through Eaton Intermediate School District								
100490TS IDEA Part B	84.027A	1,227	-	-	1,227	1,227	-	-
0904500809 IDEA Flow-Through	84.027	75,000	75,000	75,000	-	75,000	-	-
1004500910 IDEA Flow-Through		75,000	-	-	75,000	75,000	-	-
0904500809 IDEA - Least Restrictive Environment		4,425	4,425	4,425	-	4,425	-	-
1004500910 IDEA - Least Restrictive Environment		4,425	-	-	4,425	-	-	4,425
1004550910 ARRA IDEA Flow-Through	84.391A	569,736	-	-	151,857	151,857	-	-
			<u>79,425</u>	<u>79,425</u>	<u>232,509</u>	<u>307,509</u>	<u>-</u>	<u>4,425</u>
Passed through Macomb Intermediate School District								
0910 IDEA, Part B	84.027A	3,700	-	-	3,700	3,700	-	-
0910 IDEA, Part B	84.027A	1,140	-	-	1,140	1,140	-	-
Total Special Education Cluster			<u>79,425</u>	<u>79,425</u>	<u>237,349</u>	<u>312,349</u>	<u>-</u>	<u>4,425</u>
Passed through Eaton Intermediate School District								
0910-4209 Safe and Drug Free Schools	84.186	8,820	-	-	1,834	1,834	-	-
Passed through Pottsville School District								
1023200910 McKinney Vento	84.196A	4,585	-	-	4,584	3,871	-	713
Total U.S. Department of Education			<u>1,280,211</u>	<u>1,606,657</u>	<u>1,631,723</u>	<u>2,705,394</u>	<u>-</u>	<u>206,540</u>
Total Federal Programs			<u>\$ 1,280,493</u>	<u>\$ 1,919,572</u>	<u>\$ 2,084,818</u>	<u>\$ 3,158,771</u>	<u>\$ -</u>	<u>\$ 206,540</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Eaton Rapids Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2010

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, 2010.
3. The Federal amounts reported on the "Grant Auditor Report" are in agreement with the Schedule of Expenditures of Federal Awards.
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. An adjustment was made to reclassify a portion of the beginning receivable balance that was originally determined to be owed to the Child Care Meals Reimbursement. Upon review, the balance included \$14 owed to the Child Care Cash in Lieu Program instead of Child Care Meal Reimbursement. Total amounts within the Child Care Food Program did not change.
6. The amounts included in the Schedule of Expenditures of Federal Awards agree to the amounts reported as federal revenue in the financial statements.

Eaton Rapids Public Schools
Schedule of Findings and Questioned Costs
June 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ___ yes no
- 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 a material weakness(es)? ___ yes no

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? x yes no

Eaton Rapids Public Schools
Schedule of Findings and Questioned Costs
June 30, 2010
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Eaton Rapids Public Schools
Summary Schedule of Prior Audit Findings
June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

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, 2009.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2009.



6639 Centurion Drive, Suite 170
Lansing, MI 48917
(517) 323-9500
Fax (517) 323-8360

November 8, 2010

Management and the Board of Directors
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, 2010 and have issued our report dated November 8, 2010. 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 Other Information

We discussed these matters with various personnel in the organization during the audit and have already met with management. We 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 Directors, and others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Lansing, Michigan

Appendix I

Auditor's Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. 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. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the organization 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. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Disclosures in the financial statements are neutral, consistent and clear (unless otherwise noted). Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

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. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

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 Organization'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 Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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* and the 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*. Please read all information included in these reports to ensure you are aware of relevant information.

GASB 54 Changes Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) is at it again. *Fund Balance Reporting and Governmental Fund Type Definitions* includes new fund balance classifications and additional note disclosures. GASB 54 will mean a new look for your governmental funds balance sheet. However, it will not change the total amount of the fund balance.

Why was GASB 54 Created?

There has been inconsistency reporting fund balances. There is widespread confusion about terminology. Restrictions are being placed on the use of some resources, but it is unclear at what level the restrictions have been imposed, and by what authority. Users of the financial statements misunderstand the fund balance components. It is often unclear if any of the reserved or designated fund balances are available or not to help balance a school district's budget.

The purpose of GASB 54 is to improve transparency and eliminate inconsistency. It is intended to eliminate the mismatch between what governments are reporting about fund balance and what the users of the financial statements really need.

Definitions

GASB 54 requires fund balance classifications in a hierarchy that shows the extent to which the school is bound to honor constraints on the specific purposes for which each amount can be spent. **Fund balances are required to be presented based on the most restricted (non-spendable) to the least restricted (unassigned) classification.**

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

Restricted – amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or legislation. Examples include bonded capital projects, debt service funds established for voter approved debt millage, school food service revenues associated with national school lunch programs and special education millage.

Committed – amounts constrained on use imposed by the school district itself using its highest level of decision making authority. Resources should be constrained before the school's fiscal year-end, although the exact amount may be determined at a later time. A committed amount can be reversed only by the same manner as it was initiated, and it should be done before the end of the fiscal year. Two examples of this are a school board resolution to move a certain

percentage of general fund balance into a capital project fund or a board resolution to maintain a general fund balance of 10% of current expenditures.

Assigned – amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or an authorized school official. Residual amounts in governmental funds other than the general fund are assigned. An appropriation of the existing fund balance to cover current year expenditures is considered an assignment of fund balance.

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

Note Disclosures

Schools will be required to disclose more information about amounts reported in fund balance, including the following:

1. Description of authority and actions that lead to committed and assigned fund balance.
2. The district's policy regarding order of spending of:
 - a. Restricted vs. unrestricted
 - b. Committed, assigned and unassigned
 - c. Multiple policies
 - d. The "default" policy
 - e. Negative balances – general fund and others
3. Restricted and unrestricted fund balances
4. Committed, assigned and unassigned
5. Encumbrances, if significant, are reported in conjunction with other disclosures of significant commitments.
6. Description of any formally adopted minimum fund balance policies.
 - a. Appropriate level of unrestricted fund balance to be maintained in the general fund
 - b. Circumstances in which unrestricted fund balances can be "spent down"
 - c. Policy for replenishing deficiencies (source of funding and time period)
 - d. Circumstances under which contingencies may be spent should be as specific as possible.
7. The purpose of each major special revenue fund and which revenues or other sources are reported in each of those funds.

Fund Balance Policies

If a school establishes a minimum fund balance policy, it needs to look at their operations and determine what they want their fund balance limits to be. Determining the components of fund balance will be an exercise to perform each year as part of the year-end financial reporting. Consider the following variables when setting the minimum amount of general fund unrestricted fund balance:

- Volatility of operating revenues (state and federal sources)
- Exposure to natural disasters
- Concentration of revenue sources (state and federal funded)
- Timing differences between revenue collections and expenditures

The Next Step

Schools should review their current policies and procedures to determine if resources will meet the definition of committed or assigned, and consider policy changes as they approach adoption of this statement. Additional policies may need to be adopted or revised to be consistent with the new definitions.

GASB 54 will improve the reporting of the fund balance and will help those who use the financial statements. Disaggregating the fund balance into non-spendable, restricted, committed, assigned and unassigned categories will greatly facilitate the understanding of a school's commitment of financial resources. It means we will have to get used to changes in the familiar fund accounting terminology before the end of the 2010-11 school year.

Example School
Governmental Funds
Fund Balance - New Format
June 30, 2010

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance			
Nonspendable			
Prepaid items	\$ 7,032	\$ -	\$ 7,032
Restricted for:			
Debt service (voted millage)	-	728,961	728,961
Food service (USDA program)	-	195,071	195,071
Future classroom projects (donation)	9,367	-	9,367
Committed to:			
Technology (Board action)	220,000	-	220,000
Assigned to:			
Major maintenance of facilities	150,000	-	150,000
Unassigned	<u>2,893,812</u>	<u>-</u>	<u>2,893,812</u>
 Total fund balance	 <u>\$ 3,280,211</u>	 <u>\$ 924,032</u>	 <u>\$ 4,204,243</u>