

**Eaton Rapids Public Schools**  
**Eaton Rapids, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**June 30, 2009**

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**Eaton Rapids Public Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2009**

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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
Steven 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, 2009, 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, 2009, 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 9, 2009, on our consideration of the 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 the 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 the 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 9, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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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, 2009. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Eaton Rapids Public Schools, is 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, 2009 with comparative information for June 30, 2008 in certain instances.

USING THIS ANNUAL REPORT

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

District-wide Financial Statements

*The Statement of Net Assets and Statement of Activities*

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

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

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

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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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.

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 \$2,752,099. This is divided into restricted and unrestricted net assets.

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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The following summarizes the net assets at June 30, 2009 and 2008:

	<u>NET ASSETS SUMMARY</u>	
	<u>JUNE 30,</u>	
	<u>2009</u>	<u>2008</u>
Current Assets	\$ 9,329,070	\$10,407,150
Noncurrent Assets	<u>51,417,292</u>	<u>52,369,828</u>
Total Assets	\$60,746,362	\$ 62,776,978
Current Liabilities	\$7,971,253	\$ 8,326,740
Noncurrent Liabilities	<u>50,023,010</u>	<u>51,877,173</u>
Total Liabilities	\$57,994,263	\$ 60,203,913
Net Assets		
Invested in capital assets, net of related debt	\$ 1,709,416	\$ 1,852,691
Restricted	870,560	703,377
Unrestricted	<u>172,123</u>	<u>16,997</u>
<b>TOTAL NET ASSETS</b>	<b>\$2,752,099</b>	<b>\$ 2,573,065</b>

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30,

Revenues:

	<u>2009</u>	<u>2008</u>
Program Revenues		
Charges for Services	\$1,249,990	\$1,210,969
Operating Grants and Contributions	4,233,589	2,994,534
Capital Grants and Contributions	32,774	-
General Revenues		
Property Taxes for general purposes	1,650,078	1,787,615
Property Taxes for debt service	3,733,305	3,597,615
State aid – unrestricted	17,958,517	18,980,906
Interest and investment earnings	29,225	261,164
Gain on disposal of equipment	105	16,093
Other & Extraordinary Items	<u>113,471</u>	<u>798,743</u>
Total Revenues	\$29,001,054	\$29,647,639

Functions/Program Expenses:

Instruction	\$14,769,034	\$15,638,044
Supporting Services	7,988,255	8,275,319
Food Services	990,170	928,039
Athletics	420,852	430,179
Community Services	699,572	498,192
Interest on long-term debt	2,388,235	2,442,645
Depreciation – unallocated	<u>1,565,902</u>	<u>1,458,091</u>
Total Expenses	\$28,822,020	\$29,670,509
<b>Increase (decrease) in net assets</b>	<b>179,034</b>	<b>(22,870)</b>

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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	\$14,769,034	\$11,446,35
Supporting Services	7,988,255	7,803,585
Food Services	990,170	1,586
Athletics	420,852	273,031
Community Services	699,572	292,793
Interest on long-term debt	2,388,235	2,388,235
Depreciation – unallocated	<u>1,565,902</u>	<u>1,565,902</u>
<b>TOTAL</b>	<b>\$28,822,020</b>	<b>\$23,305,667</b>

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, 2009, the School District amended the budget of the General Fund two times.

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	\$7,024*

\*Projected

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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Pupil Count. The pupil count, 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	2,845.84**

\*\* Unaudited

The comparison of 2008-09 general fund expenditures and revenues to budgeted amounts is shown on page 5-1 and 5-2.

The 2008-09 general fund revenue was \$24,040,117. This amount is above the original budget estimates of \$23,689,983 and below the final amended budget of \$24,074,819. The \$ 384,836 variance between the original and final budget was primarily due to school budgeting for federal sources.

The actual expenditures and other financing uses of the general fund were \$23,909,178. This is above the original budget estimates of \$23,689,983 and below the final amended budget amount of \$24,195,346. The \$505,363 variance between the original and final budget was primarily due to individual school building adjustments to salaries, wages and other fringe benefits.

The ending fund balance for the general fund was \$ 1,467,006, as compared to the original budget which projected an ending fund balance of \$1,336,067. The general fund balance is approximately 6.1% 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 \$28,986,079. Of the total revenues, \$19,352,477 came from state sources, \$6,710,488 from local sources, \$2,012,853 from Federal sources, and the remaining \$910,261 was from interdistrict sources.

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

GOVERNMENTAL FUND EXPENDITURES

The largest portion of governmental fund expenditures is for the District's general fund. General fund expenditures for 2008-09 were \$23,634,583. Expenditures for the 1999 & 2009 Debt Fund were \$1,912,739, Durant Bond Fund expenditures were \$32,775, and the 2004 Debt Fund the expenditures were \$2,167,929. The Food Service Fund expenditures were \$988,584. The Athletic Fund expenditures were \$420,852, the 2004 School Building Fund expenditures were \$495,135 and the Community Services Fund expenditures were \$47,518.

CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets*

At the end of fiscal year 2009, the School District had \$ 66,352,509 invested in land and buildings, furniture and equipment, vehicles and buses. \$16,083,586 of depreciation has been taken over the years. We currently have net book value of \$50,268,923. Total acquisitions for the year were \$398,267 and depreciation was \$1,565,902. This information is shown in greater detail on page 4-16 of the report.

	June 30, 2009	Accumulated Depreciation	Net Capital Assets
Land	705,824	-	705,824
Construction in progress	-	-	-
Buildings & Improvements	60,344,835	12,744,510	47,600,325
Machinery and Vehicles	1,752,532	1,241,385	511,147
Furniture and Equipment	3,549,318	2,097,691	1,451,627
<b>TOTALS</b>	<b>66,352,509</b>	<b>16,083,586</b>	<b>50,268,923</b>

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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*Long-Term Debt*

As of June 30, 2009, the School District had \$48,245,000 in government obligation bonds outstanding. These are bonds for which the District has pledged its full faith and credit. In addition, there was \$249,597 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 \$331,450. The District's long-term debt is discussed in greater detail at pages 4-18 through 4-20 of the report.

	<b><u>June 30, 2009</u></b>
Government obligation bonds	48,245,000
Other bonds	249,597
Voluntary Severance/Termination Benefits	575,284
Compensated absences	331,450
<b>TOTAL</b>	<b>49,453,753</b>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

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

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

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

EATON RAPIDS PUBLIC SCHOOLS – EATON RAPIDS, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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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](mailto:cdsmith@erpsk12.org)

## BASIC FINANCIAL STATEMENTS

**Eaton Rapids Public Schools**  
**Statement of Net Assets**  
**June 30, 2009**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 4,780,586
Taxes receivable	41,030
Accounts receivable	23,150
Due from other governmental units	4,409,195
Interest receivable	1,083
Inventory	43,475
Prepaid items	30,551
Noncurrent assets	
Discount on bonds, deferred amount on refunding and deferred issuance costs	1,148,369
Capital assets not being depreciated	705,824
Capital assets - net of accumulated depreciation	<u>49,563,099</u>
 Total assets	 <u>60,746,362</u>

See Accompanying Notes to Financial Statements

**Eaton Rapids Public Schools**  
**Statement of Net Assets**  
**June 30, 2009**

	<u>Governmental Activities</u>
<b>Liabilities</b>	
Accounts payable	341,362
State aid anticipation note payable	3,200,000
Due to other governmental units	513,716
Payroll deductions, withholdings and accrued benefits	225,776
Accrued expenditures	1,863,875
Accrued salaries payable	1,504,841
Deferred revenue	321,683
Noncurrent liabilities	
Due within one year	2,046,444
Due in more than one year	<u>47,976,566</u>
 Total liabilities	 <u>57,994,263</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,709,416
Restricted for:	
Debt service	858,743
Capital projects	11,817
Unrestricted	<u>172,123</u>
 Total net assets	 <u>\$ 2,752,099</u>

See Accompanying Notes to Financial Statements

**Eaton Rapids Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 14,769,034	\$ 2,507	\$ 3,320,360	\$ -	\$(11,446,167)
Supporting services	7,988,255	135,079	482,449	32,774	(7,337,953)
Food services	990,170	557,804	430,780	-	(1,586)
Athletic activities	420,852	147,821	-	-	(273,031)
Community services	699,572	406,779	-	-	(292,793)
Interest and issuance costs on long-term debt	2,388,235	-	-	-	(2,388,235)
Depreciation - unallocated	1,565,902	-	-	-	(1,565,902)
Total governmental activities	\$ 28,822,020	\$ 1,249,990	\$ 4,233,589	\$ 32,774	(23,305,667)
General revenues					
					1,650,078
					3,733,305
					17,958,517
					29,225
					105
					113,471
Total general revenues and extraordinary items					23,484,701
Change in net assets					179,034
Net assets - beginning					2,573,065
Net assets - ending					\$ 2,752,099

See Accompanying Notes to Financial Statements

**Eaton Rapids Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2009**

	<u>General Fund</u>	<u>1999 &amp; 2009 Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 4,147,708	\$ 280,937	\$ 351,941	\$ 4,780,586
Taxes receivable	20,424	9,252	11,354	41,030
Accounts receivable	22,840	-	310	23,150
Due from other funds	-	126,564	12,663	139,227
Due from other governmental units	4,135,154	130,517	143,524	4,409,195
Interest receivable	921	75	87	1,083
Inventory	27,971	-	15,504	43,475
Prepaid items	30,551	-	-	30,551
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total assets	<u>\$ 8,385,569</u>	<u>\$ 547,345</u>	<u>\$ 535,383</u>	<u>\$ 9,468,297</u>

See Accompanying Notes to Financial Statements

**Eaton Rapids Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2009**

	General Fund	1999 & 2009 Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities and Fund Balance</b>				
Liabilities				
Accounts payable	\$ 325,087	\$ -	\$ 16,275	\$ 341,362
State aid anticipation note payable	3,200,000	-	-	3,200,000
Due to other funds	5,322	-	133,905	139,227
Due to other governmental units	513,716	-	-	513,716
Payroll deductions, withholdings and accrued benefits	225,776	-	-	225,776
Accrued expenditures	831,443	-	12,210	843,653
Accrued salaries payable	1,495,627	-	9,214	1,504,841
Deferred revenue	321,592	9,252	11,356	342,200
Total liabilities	<u>6,918,563</u>	<u>9,252</u>	<u>182,960</u>	<u>7,110,775</u>
Fund Balance (Deficit)				
Reserved for inventory	27,971	-	15,504	43,475
Reserved for prepaid items	30,551	-	-	30,551
Reserved for debt service	-	538,093	320,650	858,743
Reserved for capital projects	-	-	28,133	28,133
Designated for maintenance	350,223	-	-	350,223
Other undesignated (deficit)	1,058,261	-	(11,864)	1,046,397
Total fund balance	<u>1,467,006</u>	<u>538,093</u>	<u>352,423</u>	<u>2,357,522</u>
Total liabilities and fund balance	<u>\$ 8,385,569</u>	<u>\$ 547,345</u>	<u>\$ 535,383</u>	<u>\$ 9,468,297</u>

See Accompanying Notes to Financial Statements

**Eaton Rapids Public Schools**  
**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**June 30, 2009**

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<b>Total fund balances for governmental funds</b>	<b>\$ 2,357,522</b>
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	20,517
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	49,563,099
Other long-term assets are not deferred in the governmental funds.	
	1,148,369
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(444,938)
Retirement incentive benefits	(575,284)
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	(331,450)
Bonds payable	(49,005,856)
School bond loan payable	<u>(685,704)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 2,752,099</u></b>

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, 2009**

	General Fund	1999 & 2009 Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 2,219,586	\$ 1,823,732	\$ 2,667,170	\$ 6,710,488
State sources	19,268,285	-	84,192	19,352,477
Federal sources	1,633,491	-	379,362	2,012,853
Interdistrict sources	910,261	-	-	910,261
	<u>24,031,623</u>	<u>1,823,732</u>	<u>3,130,724</u>	<u>28,986,079</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	15,133,652	-	-	15,133,652
Supporting services	7,844,787	-	-	7,844,787
Food services	-	-	988,584	988,584
Athletic activities	-	-	420,852	420,852
Community services	652,054	-	47,518	699,572
Intergovernmental payments	4,090	-	-	4,090
Capital outlay	-	-	495,135	495,135
Debt service				
Principal	-	1,155,817	630,974	1,786,791
Interest	-	556,047	1,569,730	2,125,777
Bond issuance costs	-	200,875	-	200,875
	<u>23,634,583</u>	<u>1,912,739</u>	<u>4,152,793</u>	<u>29,700,115</u>
Excess (deficiency) of revenues over expenditures	<u>397,040</u>	<u>(89,007)</u>	<u>(1,022,069)</u>	<u>(714,036)</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, 2009**

	<u>General Fund</u>	<u>1999 &amp; 2009 Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from refinancing debt	-	13,695,350	-	13,695,350
Payment to bond refunding escrow agent	-	(13,494,475)	-	(13,494,475)
Proceeds from school bond loan fund	-	-	307,345	307,345
Insurance recovery	8,389	-	-	8,389
Proceeds from sale of capital assets	105	-	-	105
Transfers in	-	-	274,595	274,595
Transfers out	(274,595)	-	-	(274,595)
 Total other financing sources (uses)	 <u>(266,101)</u>	 <u>200,875</u>	 <u>581,940</u>	 <u>516,714</u>
 Net change in fund balance	 130,939	 111,868	 (440,129)	 (197,322)
 Fund balance - beginning	 <u>1,336,067</u>	 <u>426,225</u>	 <u>792,552</u>	 <u>2,554,844</u>
 Fund balance - ending	 <u>\$ 1,467,006</u>	 <u>\$ 538,093</u>	 <u>\$ 352,423</u>	 <u>\$ 2,357,522</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, 2009**

<b>Net change in fund balances - Total governmental funds</b>	\$	(197,322)
<p>Total change in net assets reported for governmental activities in the statement of activities is different because:</p>		
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>		
Property taxes		20,517
Deferred revenue - operating grant funds not available		(14,036)
<p>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.</p>		
Depreciation expense		(1,565,902)
Capital outlay		398,267
<p>Expenses are recorded when incurred in the statement of activities.</p>		
Interest		43,532
Retirement incentive benefits		365,924
Compensated absences		(25,473)
<p>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.</p>		
Debt issued		(13,600,945)
Repayments of long-term debt		14,971,792
Defer bond issuance costs		(200,875)
Amortization of premiums		25,411
Amortization of deferred refunding costs		(2,349)
Amortization bond issuance costs		(19,929)
Amortization of bond discount		(19,578)
		(19,578)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>179,034</u></b>

See Accompanying Notes to Financial Statements

**Eaton Rapids Public Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2009**

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	<u>Private Purpose Trust Funds</u>	<u>Student Activities Agency Fund</u>
<b>Assets</b>		
Cash	\$ 17,135	\$ 182,599
<b>Liabilities</b>		
Due to student activities	-	182,599
<b>Net Assets</b>		
Reserved for scholarships and loans	<u>\$ 17,135</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

**Eaton Rapids Public Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Eaton Rapids Public Schools (School District) conform to accounting principles generally accepted in the United States of America 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 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, 2009**

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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.

1999 and 2009 Debt Service Fund – The 1999 and 2009 Debt Service Fund is used to record tax, interest, bond proceeds and other revenue and the payment of interest, principal, other expenditures on long-term debt and payment to escrow agent.

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.

Durant Bond and 2004/2006 Debt Service Funds – The Durant Bond and 2004/2006 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.

**Eaton Rapids Public Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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Property taxes and other receivables are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2009, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.86690
Commercial personal property	5.86690
Industrial personal property	17.86690
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 24% 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.

Investments – Investments are stated at fair value based on a quoted market price.

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.

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.

**Eaton Rapids Public Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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**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 Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause district-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America 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.

**Excess of Expenditures over Appropriations**

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs	\$ 3,030,941	\$ 3,065,183	\$ 34,242
Adult and continuing education	288,856	305,028	16,172
Business	383,384	383,705	321
Community services	651,068	652,054	986
Transfers out	273,845	274,595	750

**Eaton Rapids Public Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

**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	\$ 35,794,419

<u>Investments</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Comerica School Cash Investment	199,194	AAAm	Standard and Poor's
Michigan Liquid Asset Fund Plus	<u>14,310</u>	AAA	Standard and Poor's
	<u>\$ 213,504</u>		

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	<u>\$ 4,780,586</u>	<u>\$ 199,734</u>	<u>\$ 4,980,320</u>

Deposits and investments for the School District are summarized follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 4,763,903
Investments in securities, mutual funds, and similar vehicles	213,504
Petty cash and cash on hand	<u>2,913</u>
Total	<u>\$ 4,980,320</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.

*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.

**Eaton Rapids Public Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

*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 \$ 5,088,557 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.

**NOTE 4 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 705,824	\$ -	\$ -	\$ 705,824
Total capital assets not being depreciated	<u>705,824</u>	<u>-</u>	<u>-</u>	<u>705,824</u>
Capital assets being depreciated				
Buildings and additions	60,124,009	220,826	-	60,344,835
Equipment and furniture	3,445,455	103,863	-	3,549,318
Buses and other vehicles	<u>1,678,954</u>	<u>73,578</u>	<u>-</u>	<u>1,752,532</u>
Total capital assets being depreciated	<u>65,248,418</u>	<u>398,267</u>	<u>-</u>	<u>65,646,685</u>
Less accumulated depreciation for				
Buildings and additions	11,503,966	1,240,544	-	12,744,510
Equipment and furniture	1,859,558	238,133	-	2,097,691
Buses and other vehicles	<u>1,154,160</u>	<u>87,225</u>	<u>-</u>	<u>1,241,385</u>
Total accumulated depreciation	<u>14,517,684</u>	<u>1,565,902</u>	<u>-</u>	<u>16,083,586</u>
Net capital assets being depreciated	<u>50,730,734</u>	<u>(1,167,635)</u>	<u>-</u>	<u>49,563,099</u>
Net capital assets	<u>\$ 51,436,558</u>	<u>\$ (1,167,635)</u>	<u>\$ -</u>	<u>\$ 50,268,923</u>

Depreciation for the fiscal year ended June 30, 2009, amounted to \$ 1,565,902. 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, 2009**

**NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS**

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

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General Fund	Athletic Fund	\$ 5,322
Community Service	Athletic Fund	278
Food Service Fund	Athletic Fund	7,063
2004 Debt Fund	1999 Debt Fund	<u>126,564</u>
		<u>\$ 139,227</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 \$ 274,595. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities.

**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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes	\$ 20,517	\$ -	\$ 20,517
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>-</u>	<u>321,683</u>	<u>321,683</u>
Total	<u>\$ 20,517</u>	<u>\$ 321,683</u>	<u>\$ 342,200</u>

**NOTE 7 - LEASES**

**Operating Leases**

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

<b>Year ending June 30,</b>	
2010	\$ 44,234
2011	44,234
2012	44,234
2013	<u>44,234</u>
Total	<u>\$ 176,936</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 30<sup>th</sup>.

**Eaton Rapids Public Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 3,900,000	\$ 3,200,000	\$ 3,900,000	\$ 3,200,000

**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	\$ 49,315,000	\$ 13,635,000	\$ 14,705,000	\$ 48,245,000	\$ 1,635,000
Durant bonds	275,572	-	25,975	249,597	159,950
School Bond Loan	619,176	307,345	240,817	685,704	-
Compensated absences	305,977	25,473	-	331,450	-
Retirement incentives	941,208	-	365,924	575,284	251,494
Premium on bonds	420,240	116,430	25,411	511,259	-
Discount on bonds	(334,997)	56,080	19,578	(371,499)	-
Deferred refunding costs	(254,165)	-	2,349	(251,816)	-
Deferred issuance costs	(344,108)	200,875	19,929	(525,054)	-
<b>Total</b>	<b>\$ 50,943,903</b>	<b>\$ 14,341,203</b>	<b>\$ 15,404,983</b>	<b>\$ 49,449,925</b>	<b>\$ 2,046,444</b>

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 \$550,000 to \$ 2,675,000 through May 1, 2027, interest at 3.50% to 5.25%	25,795,000
\$ 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%	<u>13,635,000</u>
<b>Total general obligation bonded debt</b>	<b>\$ <u>48,245,000</u></b>

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

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2010	\$ 1,635,000	\$ 2,208,724	\$ 3,843,724
2011	1,705,000	2,099,129	3,804,129
2012	1,785,000	2,042,229	3,827,229
2013	1,840,000	1,980,554	3,820,554
2014	1,920,000	1,916,292	3,836,292
2015-2019	10,940,000	8,336,395	19,276,395
2020-2024	14,040,000	5,512,529	19,552,529
2025-2029	<u>14,380,000</u>	<u>1,901,551</u>	<u>16,281,551</u>
<b>Total</b>	<b>\$ <u>48,245,000</u></b>	<b>\$ <u>25,997,403</u></b>	<b>\$ <u>74,242,403</u></b>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$ 858,743 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, 2009**

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

249,597 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually \$ 249,597

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Year Ending June 30,</b>			
2010	\$ 159,950	\$ 60,249	\$ 220,199
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>\$ 249,597</u>	 <u>\$ 68,918</u>	 <u>\$ 318,515</u>

Interest expenditures for fiscal year 2009, in the Debt Service Funds were \$ 2,125,777.

**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 a total of \$ 685,704 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 borrowed \$ 307,345 and had an outstanding balance at year end of \$ 685,704, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

**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 \$ 331,450 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 \$ 54,284 liability for unpaid annual payments at June 30, 2009.

**Eaton Rapids Public Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

Termination benefit - The School District offered a termination benefit plan to employees to be paid over a four year period. The balance at June 30, 2009, was \$ 521,000.

Future payments are as follows:

Year Ending June 30,	Voluntary Severance	Termination Benefits
2010	\$ 20,522	\$ 227,000
2011	15,888	167,000
2012	11,254	127,000
2013	5,958	-
2014	662	-
Total	<u>\$ 54,284</u>	<u>\$ 521,000</u>

**Advance Refunding**

On March 27, 2009, the School District issued general obligation bonds of \$ 13,635,000 (par value) with an interest rate of 3.00% to 4.25% to advance refund term bonds with an interest rate of 4.30% to 5.00% and par values of \$ 975,000 to \$ 1,045,000. The term bonds mature on May 1, 2010 to May 1, 2022. The general obligation bonds were issued at a premium and after paying issuance costs of \$ 200,875, the net proceeds were \$ 13,494,475. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$ 523,218, which resulted in an economic gain of \$ 213,743.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$ 450,000. This amount, together with the issuance costs and underwriting fees of \$ 200,875, is reported in the accompanying statement of net assets as a reduction of bonds payable and is being charged to activities through fiscal year 2025.

**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>

**Eaton Rapids Public Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 10 - RISK MANAGEMENT**

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

The School District is self-insured for dental and vision insurance. The School District has contracted with an independent administrator to process the dental claims and perform other administrative duties.

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, 2009.

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, 2009, 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 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 may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

**Funding Policy**

The School District is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. 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 funding for the three-year period beginning July 1, 2006 through June 30, 2009.

**Eaton Rapids Public Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

	2009	2008	2007
Funding percentage range	16.54 - 16.72%	16.72 - 17.74%	16.34-17.74%
Total payroll	14,508,011	14,379,205	14,520,010
Total covered payroll	13,975,228	13,917,203	14,071,439
School contributions	2,317,697	2,360,848	2,448,193
Employee MIP contributions	465,169	453,297	452,639
Tax deferred payment program	133,900	174,271	180,857
Portion of school contribution covering health, dental and vision benefits	41%	39%	37%

**Trend Information**

Ten-year historical trend information is presented in the September 30, 2008, 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, 2007, the latest date for which information is available, approximates \$ 51.1 billion and \$ 45.3 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, 2008.

**Post Employment Benefits**

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through MPSERS.

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2008, statewide expenditures of \$ 735 million were recognized for post-retirement health care, dental and vision. This represented approximately 19% of the total expenditures of the MPSERS.

**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, 2009.

**NOTE 13 - SUBSEQUENT EVENT**

Subsequent to June 30, 2009, the School District has paid the balance of the \$ 3,200,000 and accrued interest on the short-term state aid anticipation note borrowed in August 2009 and has subsequently borrowed \$ 3,200,000 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 1.4% and 0.85%.

## REQUIRED SUPPLEMENTAL INFORMATION

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**Eaton Rapids Public Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 2,529,287	\$ 2,246,847	\$ 2,219,586	\$ (27,261)
State sources	19,796,217	19,250,238	19,268,285	18,047
Federal sources	631,799	1,678,171	1,633,491	(44,680)
Interdistrict sources	727,680	890,924	910,261	19,337
 Total revenues	 <u>23,684,983</u>	 <u>24,066,180</u>	 <u>24,031,623</u>	 <u>(34,557)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	11,512,192	11,854,674	11,763,441	(91,233)
Added needs	3,117,178	3,030,941	3,065,183	34,242
Adult and continuing education	277,096	288,856	305,028	16,172
Supporting services				
Pupil	816,618	784,826	771,543	(13,283)
Instructional staff	658,833	591,903	570,945	(20,958)
General administration	412,671	429,432	391,636	(37,796)
School administration	1,222,993	1,269,789	1,264,307	(5,482)
Business	443,734	383,384	383,705	321
Operations and maintenance	2,245,879	2,432,872	2,352,045	(80,827)
Pupil transportation services	1,668,261	1,695,889	1,643,056	(52,833)
Central services	481,149	484,484	467,550	(16,934)
Other	1,014	13,740	-	(13,740)
Community services	548,877	651,068	652,054	986
Intergovernmental payments	9,643	9,643	4,090	(5,553)
 Total expenditures	 <u>23,416,138</u>	 <u>23,921,501</u>	 <u>23,634,583</u>	 <u>(286,918)</u>

**Eaton Rapids Public Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Excess (deficiency) of revenues over expenditures	268,845	144,679	397,040	252,361
<b>Other Financing Sources (Uses)</b>				
Insurance recovery	-	8,389	8,389	-
Proceeds from sale of capital assets	5,000	250	105	145
Transfers out	(273,845)	(273,845)	(274,595)	750
Total other financing sources (uses)	(268,845)	(265,206)	(266,101)	895
Net change in fund balance	-	(120,527)	130,939	251,466
Fund balance - beginning	1,336,067	1,336,067	1,336,067	-
Fund balance - ending	\$ 1,336,067	\$ 1,215,540	\$ 1,467,006	\$ 251,466

## OTHER SUPPLEMENTAL INFORMATION

**Eaton Rapids Public Schools  
Other Supplemental Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2009**

	Special Revenue Funds			Debt Service Funds		Capital Projects		Total Nonmajor Governmental Funds
	Food Service	Athletics	Community Service	Durant Bond	2004 & 2006 Issues	Fuel Service	2004 School Building	
<b>Assets</b>								
Cash	\$ -	\$ -	\$ 14,087	\$ 118,868	\$ 190,857	\$ 11,814	\$ 16,315	\$ 351,941
Taxes receivable	-	-	-	2,163	9,191	-	-	11,354
Accounts receivable	310	-	-	-	-	-	-	310
Due from other funds	-	12,663	-	-	-	-	-	12,663
Due from other governmental units	6,116	-	-	-	137,408	-	-	143,524
Interest receivable	-	-	-	32	51	3	1	87
Inventory	15,504	-	-	-	-	-	-	15,504
<b>Total assets</b>	<b>\$ 21,930</b>	<b>\$ 12,663</b>	<b>\$ 14,087</b>	<b>\$ 121,063</b>	<b>\$ 337,507</b>	<b>\$ 11,817</b>	<b>\$ 16,316</b>	<b>\$ 535,383</b>

**Eaton Rapids Public Schools  
Other Supplemental Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2009**

	Special Revenue Funds			Debt Service Funds		Capital Projects		Total Nonmajor Governmental Funds
	Food Service	Athletics	Community Service	Durant Bond	2004 & 2006 Issues	Fuel Service	2004 School Building	
<b>Liabilities and Fund Balance</b>								
Liabilities								
Accounts payable	\$ 2,466	\$ -	\$ 13,809	\$ -	\$ -	\$ -	\$ -	\$ 16,275
Due to other funds	7,063	-	278	-	126,564	-	-	133,905
Accrued expenditures	8,862	3,348	-	-	-	-	-	12,210
Accrued salaries payable	-	9,214	-	-	-	-	-	9,214
Deferred revenue	-	-	-	2,163	9,193	-	-	11,356
<b>Total liabilities</b>	<b>18,391</b>	<b>12,562</b>	<b>14,087</b>	<b>2,163</b>	<b>135,757</b>	<b>-</b>	<b>-</b>	<b>182,960</b>
Fund Balance								
Reserved for inventory	15,504	-	-	-	-	-	-	15,504
Reserved for debt service	-	-	-	118,900	201,750	-	-	320,650
Reserved for capital projects	-	-	-	-	-	11,817	16,316	28,133
Other undesignated (deficit)	(11,965)	101	-	-	-	-	-	(11,864)
<b>Total fund balance</b>	<b>3,539</b>	<b>101</b>	<b>-</b>	<b>118,900</b>	<b>201,750</b>	<b>11,817</b>	<b>16,316</b>	<b>352,423</b>
<b>Total liabilities and fund balance</b>	<b>\$ 21,930</b>	<b>\$ 12,663</b>	<b>\$ 14,087</b>	<b>\$ 121,063</b>	<b>\$ 337,507</b>	<b>\$ 11,817</b>	<b>\$ 16,316</b>	<b>\$ 535,383</b>

**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, 2009**

	Special Revenue Funds			Debt Service Funds		Capital Projects		Total
	Food Service	Athletics	Community Service	Durant Bond	2004 & 2006 Issues	Fuel Service	2004 School Building	Nonmajor Governmental Funds
<b>Revenues</b>								
Local sources	\$ 557,804	\$ 147,821	\$ 40,519	\$ 884	\$ 1,914,969	\$ 47	\$ 5,126	\$ 2,667,170
State sources	51,418	-	-	32,774	-	-	-	84,192
Federal sources	379,362	-	-	-	-	-	-	379,362
<b>Total revenues</b>	<b>988,584</b>	<b>147,821</b>	<b>40,519</b>	<b>33,658</b>	<b>1,914,969</b>	<b>47</b>	<b>5,126</b>	<b>3,130,724</b>
<b>Expenditures</b>								
Current								
Education								
Food services	988,584	-	-	-	-	-	-	988,584
Athletic activities	-	420,852	-	-	-	-	-	420,852
Community services	-	-	47,518	-	-	-	-	47,518
Capital outlay	-	-	-	-	-	-	495,135	495,135
Debt service								
Principal	-	-	-	25,974	605,000	-	-	630,974
Interest	-	-	-	6,801	1,562,929	-	-	1,569,730
<b>Total expenditures</b>	<b>988,584</b>	<b>420,852</b>	<b>47,518</b>	<b>32,775</b>	<b>2,167,929</b>	<b>-</b>	<b>495,135</b>	<b>4,152,793</b>
Excess (deficiency) of revenues over expenditures	-	(273,031)	(6,999)	883	(252,960)	47	(490,009)	(1,022,069)

**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, 2009**

	Special Revenue Funds			Debt Service Funds		Capital Projects		Total
	Food Service	Athletics	Community Service	Durant Bond	2004 & 2006 Issues	Fuel Service	2004 School Building	Nonmajor Governmental Funds
<b>Other Financing Sources</b>								
Proceeds from school bond loan fund	-	-	-	-	307,345	-	-	307,345
Transfers in	-	273,031	1,564	-	-	-	-	274,595
<b>Total other financing sources</b>	<b>-</b>	<b>273,031</b>	<b>1,564</b>	<b>-</b>	<b>307,345</b>	<b>-</b>	<b>-</b>	<b>581,940</b>
Net change in fund balance	-	-	(5,435)	883	54,385	47	(490,009)	(440,129)
Fund balance - beginning	3,539	101	5,435	118,017	147,365	11,770	506,325	792,552
Fund balance - ending	<u>\$ 3,539</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ 118,900</u>	<u>\$ 201,750</u>	<u>\$ 11,817</u>	<u>\$ 16,316</u>	<u>\$ 352,423</u>

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Revenues Compared to Budget**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue from local sources</b>				
Property tax levy	\$ 1,906,000	\$ 1,651,647	\$ 1,629,561	\$ (22,086)
Transportation fees	37,500	31,000	39,185	8,185
Earnings on investments	90,000	15,000	17,772	2,772
Community service activities	360,500	391,100	377,844	(13,256)
Other local revenues	<u>135,287</u>	<u>158,100</u>	<u>155,224</u>	<u>(2,876)</u>
Total revenues from local sources	<u>2,529,287</u>	<u>2,246,847</u>	<u>2,219,586</u>	<u>(27,261)</u>
<b>Revenues from state sources</b>				
Grants - unrestricted	18,395,076	17,939,589	17,958,517	18,928
Grants - restricted	<u>1,401,141</u>	<u>1,310,649</u>	<u>1,309,768</u>	<u>(881)</u>
Total revenues from state sources	<u>19,796,217</u>	<u>19,250,238</u>	<u>19,268,285</u>	<u>18,047</u>
<b>Revenues from federal sources</b>				
Grants - restricted	<u>631,799</u>	<u>1,678,171</u>	<u>1,633,491</u>	<u>(44,680)</u>
Total revenues from federal sources	<u>631,799</u>	<u>1,678,171</u>	<u>1,633,491</u>	<u>(44,680)</u>
<b>Interdistrict sources</b>				
Act 18 and transportation	<u>727,680</u>	<u>890,924</u>	<u>910,261</u>	<u>19,337</u>
<b>Other financing sources</b>				
Insurance recovery	-	8,389	8,389	-
Proceeds from sale of capital assets	<u>5,000</u>	<u>250</u>	<u>105</u>	<u>(145)</u>
Total other financing sources	<u>5,000</u>	<u>8,639</u>	<u>8,494</u>	<u>(145)</u>
Total revenue and other financing sources	<u>\$ 23,689,983</u>	<u>\$ 24,074,819</u>	<u>\$ 24,040,117</u>	<u>\$ (34,702)</u>

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - elementary</b>				
Salaries	\$ 2,400,366	\$ 2,360,878	\$ 2,351,840	\$ (9,038)
Employee benefits	941,428	1,049,689	1,026,337	(23,352)
Supplies and materials	40,954	167,983	202,313	34,330
Capital outlay	1,000	-	-	-
Other	71,000	67,000	57,641	(9,359)
Total elementary	<u>3,454,748</u>	<u>3,645,550</u>	<u>3,638,131</u>	<u>(7,419)</u>
<b>Basic program - middle school</b>				
Salaries	2,927,165	2,949,099	2,941,235	(7,864)
Employee benefits	1,239,281	1,409,125	1,416,016	6,891
Supplies and materials	71,457	54,031	51,677	(2,354)
Other	112,625	70,725	55,461	(15,264)
Total middle school	<u>4,350,528</u>	<u>4,482,980</u>	<u>4,464,389</u>	<u>(18,591)</u>
<b>Basic program - high school</b>				
Salaries	2,308,532	2,428,597	2,381,864	(46,733)
Employee benefits	1,073,829	1,100,480	1,108,277	7,797
Purchased services	2,185	-	-	-
Supplies and materials	82,820	53,365	45,535	(7,830)
Capital outlay	3,011	1,011	250	(761)
Other	129,715	52,970	42,100	(10,870)
Total high school	<u>3,600,092</u>	<u>3,636,423</u>	<u>3,578,026</u>	<u>(58,397)</u>

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - pre-school</b>				
Salaries	59,055	42,700	39,347	(3,353)
Employee benefits	14,283	10,875	9,550	(1,325)
Purchased services	700	700	569	(131)
Supplies and materials	6,169	5,417	5,439	22
Other	1,000	485	564	79
Total pre-school	<u>81,207</u>	<u>60,177</u>	<u>55,469</u>	<u>(4,708)</u>
<b>Basic program - summer school</b>				
Salaries	5,700	9,040	7,067	(1,973)
Employee benefits	1,235	1,772	1,679	(93)
Purchased services	18,279	18,329	18,320	(9)
Supplies and materials	403	403	360	(43)
Total summer school	<u>25,617</u>	<u>29,544</u>	<u>27,426</u>	<u>(2,118)</u>
<b>Added needs - special education</b>				
Salaries	1,707,609	1,732,151	1,724,766	(7,385)
Employee benefits	915,603	946,596	930,738	(15,858)
Purchased services	100	350	611	261
Supplies and materials	856	1,910	1,637	(273)
Other	45	260	240	(20)
Total special education	<u>2,624,213</u>	<u>2,681,267</u>	<u>2,657,992</u>	<u>(23,275)</u>

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Added needs - compensatory education</b>				
Salaries	272,407	232,258	218,931	(13,327)
Employee benefits	92,212	90,747	89,953	(794)
Purchased services	3,240	3,000	-	(3,000)
Supplies and materials	4,115	2,625	712	(1,913)
Total compensatory education	<u>371,974</u>	<u>328,630</u>	<u>309,596</u>	<u>(19,034)</u>
<b>Added needs - career and technical education</b>				
Salaries	70,837	-	62,319	62,319
Employee benefits	19,823	-	15,203	15,203
Supplies and materials	30,331	21,044	20,073	(971)
Total career and technical education	<u>120,991</u>	<u>21,044</u>	<u>97,595</u>	<u>76,551</u>
<b>Adult and continuing education - secondary</b>				
Salaries	194,809	206,150	209,293	3,143
Employee benefits	61,731	60,241	72,340	12,099
Purchased services	20,306	21,715	22,706	991
Supplies and materials	250	750	689	(61)
Total adult and continuing education	<u>277,096</u>	<u>288,856</u>	<u>305,028</u>	<u>16,172</u>
<b>Pupil - guidance services</b>				
Salaries	302,413	259,705	261,524	1,819
Employee benefits	130,871	126,130	124,733	(1,397)
Supplies and materials	3,267	3,427	3,396	(31)
Total guidance services	<u>436,551</u>	<u>389,262</u>	<u>389,653</u>	<u>391</u>

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - health services</b>				
Supplies and materials	25	145	48	(97)
<b>Pupil - speech services</b>				
Supplies and materials	50	50	50	-
Other	126,186	126,186	117,904	(8,282)
Total speech services	126,236	126,236	117,954	(8,282)
<b>Pupil - teacher consultant</b>				
Salaries	62,468	63,093	63,093	-
Employee benefits	29,200	29,194	28,707	(487)
Purchased services	600	600	475	(125)
Total teacher consultant	92,268	92,887	92,275	(612)
<b>Pupil - other support services</b>				
Salaries	122,216	132,393	129,398	(2,995)
Employee benefits	39,321	43,903	42,215	(1,688)
Total other pupil support services	161,537	176,296	171,613	(4,683)
<b>Instructional staff - improvement of education</b>				
Salaries	218,092	186,336	184,856	(1,480)
Employee benefits	74,633	62,627	61,259	(1,368)
Purchased services	75,324	88,624	86,994	(1,630)
Supplies and materials	53,200	42,049	41,410	(639)
Total improvement of education	421,249	379,636	374,519	(5,117)

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Instructional staff - educational media services</b>				
Employee benefits	2,637	-	-	-
Purchased services	10,928	-	-	-
Supplies and materials	3,909	4,455	3,552	(903)
Total educational media services	17,474	4,455	3,552	(903)
<b>Instructional staff - supervision and direction of instructional staff</b>				
Salaries	171,432	132,487	135,402	2,915
Employee benefits	40,124	46,896	49,826	2,930
Purchased services	2,575	2,750	2,583	(167)
Supplies and materials	4,774	24,474	3,903	(20,571)
Other	1,205	1,205	1,160	(45)
Total supervision and direction of instructional staff	220,110	207,812	192,874	(14,938)
<b>General administration - board of education</b>				
Salaries	5,500	5,500	4,740	(760)
Employee benefits	270	270	-	(270)
Purchased services	123,015	152,700	116,545	(36,155)
Total board of education	128,785	158,470	121,285	(37,185)

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>General administration - executive administration</b>				
Salaries	154,156	155,100	159,239	4,139
Employee benefits	91,800	83,156	78,044	(5,112)
Purchased services	18,000	13,500	14,214	714
Supplies and materials	5,724	6,571	6,517	(54)
Capital outlay	1,306	1,135	1,127	(8)
Other	12,900	11,500	11,210	(290)
	<u>283,886</u>	<u>270,962</u>	<u>270,351</u>	<u>(611)</u>
<b>School administration - office of the principal</b>				
Salaries	825,712	839,723	835,492	(4,231)
Employee benefits	337,057	360,094	361,050	956
Purchased services	38,379	51,758	51,566	(192)
Supplies and materials	15,211	12,510	10,440	(2,070)
Capital outlay	1,690	225	316	91
Other	2,244	2,779	2,646	(133)
	<u>1,220,293</u>	<u>1,267,089</u>	<u>1,261,510</u>	<u>(5,579)</u>
<b>School administration - other</b>				
Other	2,700	2,700	2,797	97

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Business - fiscal services</b>				
Salaries	165,329	168,941	168,077	(864)
Employee benefits	73,400	70,430	73,451	3,021
Purchased services	4,830	4,898	3,886	(1,012)
Supplies and materials	-	5,850	5,850	-
Total fiscal services	<u>243,559</u>	<u>250,119</u>	<u>251,264</u>	<u>1,145</u>
<b>Business - other</b>				
Purchased services	14,175	13,680	13,680	-
Other	<u>186,000</u>	<u>119,585</u>	<u>118,761</u>	<u>(824)</u>
Total other business	<u>200,175</u>	<u>133,265</u>	<u>132,441</u>	<u>(824)</u>
<b>Operations and maintenance - operating building services</b>				
Salaries	848,058	862,518	818,261	(44,257)
Employee benefits	433,983	438,464	418,564	(19,900)
Purchased services	251,489	254,542	248,638	(5,904)
Supplies and materials	<u>712,349</u>	<u>877,348</u>	<u>866,582</u>	<u>(10,766)</u>
Total operating building services	<u>2,245,879</u>	<u>2,432,872</u>	<u>2,352,045</u>	<u>(80,827)</u>

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil transportation services</b>				
Salaries	523,637	535,965	534,418	(1,547)
Employee benefits	358,400	338,000	335,463	(2,537)
Purchased services	549,233	659,030	629,611	(29,419)
Supplies and materials	235,562	161,450	142,222	(19,228)
Other	1,429	1,444	1,342	(102)
<b>Total transportation services</b>	<u>1,668,261</u>	<u>1,695,889</u>	<u>1,643,056</u>	<u>(52,833)</u>
<b>Central - planning, research development and evaluation</b>				
Salaries	-	-	34	34
Employee benefits	-	-	8	8
Supplies and materials	2,454	2,454	542	(1,912)
<b>Total planning, research development and evaluation</b>	<u>2,454</u>	<u>2,454</u>	<u>584</u>	<u>(1,870)</u>
<b>Central - communication services</b>				
Purchased services	7,210	5,700	6,562	862
<b>Central - staff/personnel services</b>				
Employee benefits	944	-	-	-
Purchased services	59,050	29,145	16,103	(13,042)
<b>Total staff/personnel services</b>	<u>59,994</u>	<u>29,145</u>	<u>16,103</u>	<u>(13,042)</u>

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Central - support services technology</b>				
Salaries	116,655	120,378	121,237	859
Employee benefits	68,270	58,776	54,237	(4,539)
Purchased services	183,040	211,240	219,379	8,139
Supplies and materials	43,526	48,081	47,467	(614)
Capital outlay	-	8,710	1,981	(6,729)
	<u>411,491</u>	<u>447,185</u>	<u>444,301</u>	<u>(2,884)</u>
<b>Total support services technology</b>				
<b>Other supporting services</b>				
Employee benefits	-	12,726	-	(12,726)
Supplies and materials	1,014	1,014	-	(1,014)
	<u>1,014</u>	<u>13,740</u>	<u>-</u>	<u>(13,740)</u>
<b>Total other supporting services</b>				
<b>Community services - direction</b>				
Salaries	42,962	47,606	47,893	287
Employee benefits	14,157	16,550	18,840	2,290
	<u>57,119</u>	<u>64,156</u>	<u>66,733</u>	<u>2,577</u>
<b>Total direction</b>				
<b>Community services - community recreation</b>				
Salaries	43,608	71,558	81,624	10,066
Employee benefits	16,234	23,772	21,871	(1,901)
Purchased services	2,975	1,800	1,674	(126)
Supplies and materials	5,200	1,200	1,318	118
Other	250	250	217	(33)
	<u>68,267</u>	<u>98,580</u>	<u>106,704</u>	<u>8,124</u>
<b>Total community recreation</b>				

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Community services - community activities</b>				
Purchased services	-	100	95	(5)
Supplies and materials	<u>1,818</u>	<u>2,018</u>	<u>252</u>	<u>(1,766)</u>
Total community activities	<u>1,818</u>	<u>2,118</u>	<u>347</u>	<u>(1,771)</u>
<b>Community services - custody and care of children</b>				
Salaries	320,040	368,011	364,210	(3,801)
Employee benefits	77,933	93,808	87,983	(5,825)
Purchased services	2,800	1,400	2,260	860
Supplies and materials	19,325	19,920	21,535	1,615
Other	<u>1,575</u>	<u>3,075</u>	<u>2,282</u>	<u>(793)</u>
Total custody and care of children	<u>421,673</u>	<u>486,214</u>	<u>478,270</u>	<u>(7,944)</u>
<b>Intergovernmental payments</b>				
Payments to other public schools	<u>9,643</u>	<u>9,643</u>	<u>4,090</u>	<u>(5,553)</u>
<b>Other financing uses</b>				
Transfers out	<u>273,845</u>	<u>273,845</u>	<u>274,595</u>	<u>750</u>
Total expenditures and financing uses	<u>\$ 23,689,983</u>	<u>\$ 24,195,346</u>	<u>\$ 23,909,178</u>	<u>\$ (286,168)</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, 2009**

	Due to (From) Student Groups July 1, 2008	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2009
Administration Flower Fund	\$ 96	\$ -	\$ -	\$ 96
Adult Education - Scholarship	336	100	-	436
Alumni Account	50	-	-	50
Business Office	9,708	1,819	6,881	4,646
Class of 1990	148	-	160	(12)
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 2006	600	-	600	-
Class of 2007	2,257	-	-	2,257
Class of 2008	1,962	-	408	1,554
Class of 2009	2,548	2,029	3,057	1,520
Class of 2010	255	16,930	16,876	309
Class of 2011	147	943	-	1,090
Class of 2012	-	241	-	241
Curriculum	1,525	-	-	1,525
<b>High School:</b>				
Advanced Placement	1,059	7,832	7,865	1,026
Art Club	505	5,680	5,409	776
Athletic Department	3,392	6,187	5,689	3,890
Band	613	-	-	613
Baseball Club	172	3,163	2,988	347
Blakely Memorial	(35)	1,903	1,467	401
Botany	285	1,299	998	586

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2009**

	Due to (From) Student Groups July 1, 2008	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2009
Bowling	510	1,183	1,684	9
Boys Basketball Club	(8)	8,991	8,520	463
Boys Swim Club	(16)	800	783	1
Boys Track Club	(236)	3,425	1,070	2,119
Business Department	4	-	4	-
Cheerleaders	(332)	2,602	2,147	123
Choir	81	-	-	81
Cross Country Club	73	3,043	1,272	1,844
Disk Frisbee	-	355	-	355
Drama Club	6,051	-	1,519	4,532
English Club	625	-	-	625
Football Club	18	2,385	2,249	154
Forensics Club	29	-	-	29
German Student Council	698	1,875	2,060	513
Girls Basketball Club	1	-	-	1
Girls/Boys Golf Club	240	-	153	87
Girls Swim Club	25	2,236	2,261	-
Girls Track Club	1,482	2,680	4,124	38
Journalism Club	814	2,564	2,950	428
Language Club	657	500	-	1,157
Library Fund	177	733	785	125
National Honors Society	222	596	642	176
PALS	-	92	-	92
Photography	1,211	1,261	541	1,931
Physical Education	-	2,510	2,469	41
Power Mechanics	625	4,716	2,383	2,958
SADD	2,380	-	-	2,380
Scienauts	326	3,390	3,339	377

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2009**

	Due to (From) Student Groups July 1, 2008	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2009
Science Club	1,985	-	-	1,985
Ski Club	654	-	-	654
Soccer Club	183	152	130	205
Softball Club	428	8,960	9,315	73
Special Education	-	4	-	4
Store	28	4,135	3,796	367
Student Service Co.	3,943	1,870	3,231	2,582
Sunshine	695	380	290	785
TV Production	1	-	1	-
Volleyball Club	2,077	4,633	5,606	1,104
Wrestling Club	1,563	-	1,530	33
Writing Club	58	-	-	58
Yearbook - Eatonian	682	12,036	3,555	9,163
Youth in Government	166	-	-	166
King Street - Child Care	15,102	8,700	6,605	17,197
Special Education - Gift of Reading	(9)	-	-	(9)
<b>Middle School:</b>				
Athletic Fund	967	-	967	-
Benevolence Fund	125	-	-	125
Book Fair	491	1,832	1,889	434
Drama	1,810	3,519	3,565	1,764
Equations Club	-	131	107	24
Foreign Exchange	(197)	-	-	(197)
National History Day	38	-	-	38
Outdoor Education	60	36,638	36,679	19
Passta	300	-	200	100
Ski Club	81	45	-	126
Space Camp	1,389	15,017	13,424	2,982

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2009**

	Due to (From) Student Groups July 1, 2008	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2009
Tech Ed.	2,329	2,220	2,283	2,266
Teachers Lounge Pop Fund	164	511	261	414
Wellness Club	227	437	340	324
<b>Northwestern:</b>				
Chess Club	1,441	-	-	1,441
Accelerated reader	620	-	-	620
Library	1,375	3,050	3,915	510
School Store	3,671	3,346	-	7,017
Music/Bells	220	-	-	220
Nature Center	310	-	-	310
Board Pop Grants	4,317	5,401	10,107	(389)
Transportation Pop Fund	114	192	242	64
Union Book Donations	1,647	-	-	1,647
Union Mentoring	804	-	-	804
<b>Principal's Accounts:</b>				
High School	16,412	6,766	13,559	9,619
Café'	9,166	1,028	1,901	8,293
In Lieu of Subs	3,025	140	171	2,994
King Street	12,685	13,197	14,234	11,648
Lockwood	13,717	4,645	8,215	10,147
In Lieu of Subs	489	-	-	489
Middle School	66	22,613	20,361	2,318
In Lieu of Subs	(323)	323	-	-
Northwestern	1,449	7,229	7,846	832
In Lieu of Subs	189	-	-	189
Union Street	3,038	-	-	3,038
In Lieu of Subs	864	-	-	864
Greyhound Intermediate	30,932	71,184	84,560	17,556

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2009**

	Due to (From) Student Groups July 1, 2008	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2009
In Lieu of Subs	280	-	-	280
Youth Grant	(53)	-	-	(53)
<b>Student Council:</b>				
Middle School	17	-	-	17
High School	6,531	3,797	1,651	8,677
<b>Minigrants:</b>				
Shimnoski	336	-	-	336
Smith	16	-	-	16
Paquet	7	-	-	7
Platts Minigrant	31	-	-	31
McDonnel Minigrant <sup>2</sup>	-	600	-	600
Beretta Minigrant <sup>3</sup>	320	-	-	320
Sharpe Minigrant <sup>3</sup>	33	-	-	33
Brantley Minigrant <sup>4</sup>	54	-	-	54
Graving Minigrant <sup>4</sup>	36	-	-	36
Matthews Minigrant <sup>4</sup>	68	-	-	68
McKenzie Minigrant <sup>4</sup>	80	-	-	80
	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>
 Total	 <u>\$ 197,694</u>	 <u>\$ 338,794</u>	 <u>\$ 353,889</u>	 <u>\$ 182,599</u>

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2009**

Year Ending June 30,	1999 Bond Issue		
	Interest	Principal	Total
2010	\$ 138,700	\$ -	\$ 138,700
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>\$ 2,079,787</u>	<u>\$ 2,920,000</u>	<u>\$ 4,999,787</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, 2009**

Year Ending June 30,	2004 Bond Issue		
	Interest	Principal	Total
2010	\$ 1,292,550	\$ 550,000	\$ 1,842,550
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>\$ 15,593,612</u>	<u>\$ 25,795,000</u>	<u>\$ 41,388,612</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

\$ 33,520,000

**Eaton Rapids Public Schools**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2009**

Year Ending June 30,	2006 Advanced Refunding Issue		
	Interest	Principal	Total
2010	\$ 248,704	\$ -	\$ 248,704
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>\$ 4,824,522</u>	<u>\$ 5,895,000</u>	<u>\$ 10,719,522</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, 2009**

Year Ending June 30,	2009 Advanced Refunding Issue		
	Interest	Principal	Total
2010	\$ 528,770	\$ 1,085,000	\$ 1,613,770
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>\$ 3,499,482</u>	<u>\$ 13,635,000</u>	<u>\$ 17,134,482</u>

Principal payments  
due the first day of

May

Interest payments  
due the first day of

May and  
November

Interest rate

3.00% - 4.25%

Original issue

\$ 13,635,000

**Eaton Rapids Public Schools**

**Eaton Rapids, Michigan**

**Single Audit Report**

**June 30, 2009**

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

**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 Education  
Eaton Rapids Public Schools  
Eaton Rapids, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Eaton Rapids Public Schools as of and for the year ended June 30, 2009, which collectively comprise Eaton Rapids Public Schools' basic financial statements and have issued our report thereon dated November 9, 2009. 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 the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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*.

We noted certain matters that we reported to management of the District in a separate letter dated November 9, 2009.

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

*Yeo & Yeo, P.C.*

Lansing, Michigan  
November 9, 2009



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

## **Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

### Compliance

We have audited the compliance of Eaton Rapids Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2009. Eaton Rapids Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 on Eaton Rapids Public Schools' compliance with those requirements.

In our opinion, Eaton Rapids Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

### Internal Control over Compliance

The 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 for Eaton Rapids Public Schools, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 9, 2009. 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 the management, the Board of Education, others within the School District, the Michigan Department of Education and the 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 9, 2009

**Eaton Rapids Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2009**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued Revenue July 1, 2008	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued Revenue June 30, 2009
U. S. Department of Agriculture								
Passed through Michigan Department of Education								
Nutrition Cluster								
081970 National School Breakfast	10.553	\$ 49,469	\$ -	\$ 45,923	\$ 3,546	\$ 3,546	\$ -	\$ -
091970 National School Breakfast		54,331	-	-	54,331	54,331	-	-
			-	45,923	57,877	57,877	-	-
National School Lunch								
081950 Sec. 4 - Total Servings	10.555	44,833	-	39,711	5,122	5,122	-	-
091950 Sec. 4 - Total Servings		44,654	-	-	44,654	44,654	-	-
081960 Sec. 11 - Free and Reduced		186,860	-	166,132	20,728	20,728	-	-
091960 Sec. 11 - Free and Reduced		205,257	-	-	205,257	205,257	-	-
			-	205,843	275,761	275,761	-	-
			-	251,766	333,638	333,638	-	-
Food Distribution								
Entitlement - 07/08	10.555	45,610	-	-	45,610	45,610	-	-
Entitlement - 08/09		114	-	-	114	114	-	-
			-	-	45,724	45,724	-	-
Total Nutrition Cluster			-	251,766	379,362	379,362	-	-
Child Care Food Program								
081920 Meals Reimbursement	10.558	8,057	324	6,595	1,462	1,762	(24)	-
091920 Meals Reimbursement		7,654	-	-	7,654	7,372	-	282
082010 - Cash in Lieu		906	-	768	138	162	24	-
092010 - Cash in Lieu		1,019	-	-	1,019	1,019	-	-
			324	7,363	10,273	10,315	-	282
Total U.S. Department of Agriculture			324	259,129	389,635	389,677	-	282

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, 2009**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued Revenue July 1, 2008	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued Revenue June 30, 2009
U.S. Department of Education								
Passed through Michigan Department of Education								
0815300708 - Title I	84.010	323,532	323,532	323,532	-	323,532	-	-
0915300809 - Title I		349,384	-	-	312,536	226,880	-	85,656
			<u>323,532</u>	<u>323,532</u>	<u>312,536</u>	<u>550,412</u>	<u>-</u>	<u>85,656</u>
0802500708 Title V LEA Allocation	84.298	805	683	683	-	683	-	-
0902500809 Title V LEA Allocation		122	-	-	122	-	-	122
			<u>683</u>	<u>683</u>	<u>122</u>	<u>683</u>	<u>-</u>	<u>122</u>
0842900708 Technology Literacy Challenge Fund	84.318	2,356	2,356	2,356	-	2,356	-	-
0942900809 Technology Literacy Challenge Fund		2,526	-	-	2,526	2,526	-	-
			<u>2,356</u>	<u>2,356</u>	<u>2,526</u>	<u>4,882</u>	<u>-</u>	<u>-</u>
0805200708 Title IIA - Improving Teacher Quality	84.367	218,486	114,979	114,979	-	114,979	-	-
0905200809 Title IIA - Improving Teacher Quality		220,897	-	-	126,027	99,566	-	26,461
			<u>114,979</u>	<u>114,979</u>	<u>126,027</u>	<u>214,545</u>	<u>-</u>	<u>26,461</u>
ARRA State Fiscal Stabilization Fund	84.394	1,088,546	-	-	1,088,546	-	-	1,088,546
Passed through Eaton Intermediate School District								
0804500708 IDEA Flow-Through	84.027	75,000	75,000	75,000	-	75,000	-	-
0904500809 IDEA Flow-Through		75,000	-	-	75,000	-	-	75,000
0804500708 IDEA - Least Restrictive Environment		4,425	4,425	4,425	-	4,425	-	-
0904500809 IDEA - Least Restrictive Environment		4,425	-	-	4,425	-	-	4,425
			<u>79,425</u>	<u>79,425</u>	<u>79,425</u>	<u>79,425</u>	<u>-</u>	<u>79,425</u>
Total U.S. Department of Education			<u>520,975</u>	<u>520,975</u>	<u>1,609,182</u>	<u>849,947</u>	<u>-</u>	<u>1,280,210</u>
Total Federal Programs			<u>\$ 521,299</u>	<u>\$ 780,104</u>	<u>\$ 1,998,817</u>	<u>\$ 1,239,624</u>	<u>\$ -</u>	<u>\$ 1,280,492</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Eaton Rapids Public Schools**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

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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, 2009.
3. The federal amounts reported on the Form R-7120 "Grant Sections Auditors Report" and on the "Grant Auditors Report" are in agreement with the Schedule of Expenditures of Federal Awards.
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 \$ 24 owed to the Child Care Cash in Lieu Program as well as Child Care Meal Reimbursement. Total amounts within the Child Care Food Program did not change.
6. The following schedule is a reconciliation between the District's financial statements and the Schedule of Expenditures of Federal Awards.

Federal revenue per the financial statements	\$ 2,012,853
Revenues received after 60 days of year end for the prior year	
Title IIA - Improving Teacher Quality	(14,036)
Expenditures per the Schedule of Federal Awards	\$ 1,998,817

**Eaton Rapids Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

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**Section I - Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

**Eaton Rapids Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

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Identification of major programs:

*CFDA Number(s)*

*Name of Federal Program or Cluster*

84.010  
84.394

Title I  
ARRA State Fiscal Stabilization Fund

Dollar threshold used to distinguish between  
type A and type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

Yes     No

**Eaton Rapids Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

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**Section II – Financial Statement Findings**

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CURRENT YEAR

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2009.

PRIOR YEAR

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2008.

**Eaton Rapids Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

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**Section III – Federal Awards Findings and Questioned Costs**

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CURRENT YEAR

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

PRIOR YEAR

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2008.



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

November 9, 2009

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

Dear Management and Board of Education:

We have completed our audit of the financial statements of Eaton Rapids Public School (School District) as of and for the year ended June 30, 2009 and have issued our report dated November 9, 2009. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

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

II Management Comments

We discussed these matters with various personnel and management of the School District during the audit. 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 Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*

Lansing, Michigan

## Appendix I

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

#### **Responsibilities Under Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 28, 2009, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

#### **Planned Scope and Timing of the Audit**

We performed the audit as outlined in our discussion with you related to planning matters on July 28, 2009.

#### **Significant Audit Findings**

##### **Qualitative Aspects of Accounting Practices**

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in Note 1 of the financial statements. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

##### **Difficulties Encountered During the Audit**

We encountered no significant difficulties during the performance of 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

The yearbook operated at a deficit for several years causing the fund to have difficulty paying the bill to the yearbook publisher in full each year. Balances are currently outstanding from prior school years, totaling \$ 10,900. This amount is not recorded in the

School District's payables as it would be offset by a corresponding receivable from the yearbook fund.

### **Disagreements with Management**

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate 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**

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

### **Significant Issues Discussed or Subject to Correspondence with Management**

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during 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 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, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

## Appendix II Management Comments

In planning and performing our audit of the financial statements of Eaton Rapids Public Schools as of and for the year ended June 30, 2009, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated November 9, 2009, on the financial statements of Eaton Rapids Public Schools. Our comments and recommendations regarding those matters are:

### Investigate Old Outstanding Checks

During our audit, we noted some checks on the outstanding check list were more than one year old. To aid in the preparation of bank reconciliations and to reflect an accurate cash balance in the financial statements, we recommend that management establish a formal, written policy concerning uncashed checks based on current State escheat laws. Such a policy should specify aging milestones with required actions.

### Consider Investing Sweep Account Cash in a Higher Interest Bearing Account

During our audit, we noted that the sweep accounts at National City Bank have ending balances totaling of over \$ 4,500,000 and are earning less than 0.2% interest at fiscal year end (an total average balance of \$ 3,922,466 for the month of June earned \$ 449). We recommend that the School District review other investment alternatives and consider transferring some of the funds into higher interest bearing accounts (e.g. CDs at varying maturities) in order to earn additional interest.

### Obtain Documented Response from All Nonpublic Schools Regarding Federal Programs

During our audit we noted that responses were not received from nonpublic schools regarding the acceptance or denial of available federal funds. Without receiving a documented response from the nonpublic schools, Eaton Rapids Public Schools cannot prove that such funds were offered and declined. This could result in the School District being required to return some or even all of the related federal funds due to non-compliance. We recommend that the School District follow-up with nonpublic schools to obtain documented acceptance or denial of available federal funds as required. If written responses to the letters sent to the nonpublic schools are not received, the Superintendent should contact the school and document a response via phone conversation, including the date of the conversation, individual contacted and acceptance or denial of funds offered.