

Calhoun Intermediate School District

**Financial Report
with Supplementary Information
June 30, 2007**

Calhoun Intermediate School District

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14-15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
Statement of Revenue, Expenditures, and Changes in Fund Balances	17-18
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Fiduciary Fund:	
Statement of Fiduciary Net Assets - Burgy Trust Fund	20
Statement of Changes in Fiduciary Net Assets - Burgy Trust Fund	21
Notes to Financial Statements	22-36
Required Supplementary Information	37
Budgetary Comparison Schedule - General Fund	38
Budgetary Comparison Schedule - Major Special Revenue Funds:	
Special Education Fund	39
Vocational Education Fund	40
Workforce Development Fund	41
Other Supplementary Information	42
Nonmajor Governmental Funds:	
Combining Balance	43
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	44
Schedule of Bonded Indebtedness	45
Federal Awards Supplementary Information	Issued Under Separate Cover

Independent Auditor's Report

To the Board of Education
Calhoun Intermediate School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun Intermediate School District as of and for the year ended June 30, 2007, which collectively comprise Calhoun Intermediate School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Calhoun Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun Intermediate School District as of June 30, 2007 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.

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

To the Board of Education
Calhoun Intermediate School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun Intermediate School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 11, 2007 on our consideration of Calhoun Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 11, 2007

Calhoun Intermediate School District

Management's Discussion and Analysis

This section of the annual financial report presents our discussion and analysis of Calhoun Intermediate School District's (the "Intermediate School District") financial performance during the year ended June 30, 2007. Please read it in conjunction with the Intermediate School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Calhoun Intermediate School District financially as a whole. The government-wide financial statements provide information about the activities of the whole Intermediate School District, presenting both an aggregate view of the Intermediate School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Intermediate School District's operations in more detail than the government-wide financial statements by providing information about the Intermediate School District's most significant funds - the General Fund, the Special Education Fund, the Vocational Education Fund, and the Workforce Development Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net assets and statement of changes in fiduciary net assets, present financial information about activities for which the Intermediate School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)
Budgetary Information for Major Funds

Other Supplementary Information

Reporting the District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the Intermediate School District is, "As a whole, what is the Intermediate School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Intermediate School District's financial statements, report information on the Intermediate School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

The statement of net assets reports the difference between assets and liabilities as net assets. Net assets are one way to measure the Intermediate School District's financial health or financial position. The statement of activities reports the increases or decreases in the Intermediate School District's net assets over time. This is one indicator of whether the Intermediate School District's financial health is improving or deteriorating. In the statement of activities, the difference between revenues and expenses is the Intermediate School District's operating results, showing whether the Intermediate School District had a profit or a loss at year end. However, the Intermediate School District's mission is to strengthen communities by providing educational leadership and services and does not focus on generating profits as commercial entities do. The Intermediate School District accomplishes its mission through innovative partnerships, collaboration, technology, training, professional development, and research. It is the Intermediate School District's vision to provide leadership and educational services to constituent school districts and their residents.

The statement of net assets and statement of activities report the governmental activities for the Intermediate School District, which encompass all of the Intermediate School District's services, including instruction, support services, and community services. Property taxes, unrestricted state aid, and state and federal grants finance most of these activities.

The Intermediate School District offers a wide range of services focused on leadership and service. The Intermediate School District serves the schools and communities of its 13 public school districts along with nonpublic schools and public school academies. That means serving nearly 70 school buildings, 26,500 students, and 4,000 educators and staff, with programs and services that would be too costly to maintain at a district level. The mission of the Intermediate School District is to develop, coordinate, and provide quality educational services and experiences for its constituencies in an innovative and responsive manner which will enable people to function effectively in a changing world.

Created by state legislation in 1962 to serve local schools and act as a liaison between them and the Michigan Department of Education, the Intermediate School District is one of 57 intermediate school districts across the state and it is known for its regional cooperation and strength of its programs. The Intermediate School District is a shared-community resource, providing an extensive network of supportive service that helps families and local schools enable children to become successful lifelong learners.

The Intermediate School District owns and operates the Doris Klaussen Developmental Center (DKDC), located in Battle Creek. DKDC is an educational facility for students with physical and mental disabilities. The Intermediate School District also owns the Calhoun Area Career Center (CACC) which is also located in Battle Creek. CACC is operated by Battle Creek Public Schools. This vocational center is helping to teach and inspire the young minds of the future throughout Calhoun County. CACC provides instruction in the area of technical education for students in grades 10-12. As an educational advocate, the Intermediate School District helps make the needs of children and their schools known to community leaders, legislators, service agencies, and media.

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

The Intermediate School District is one of 22 REMCs (Regional Education Media Center). The REMC provides, maintains, and distributes thousands of videos to school districts in Branch and Calhoun counties. Local and Intermediate School District staff are able to reserve books and videos through an online registration system, which are then delivered through the Intermediate School District's REMC mail service. The Intermediate School District helps coordinate and operate the REMC Cooperative Acquisitions Projects, which are designed to establish statewide bid prices for AV equipment and supplies, office supplies, computer equipment, software, computer accessories, and library supplies. The result of this cooperative buying power is that statewide, local, and intermediate school districts have been able to save thousands of tax dollars; the program saved the schools of Calhoun and Branch over \$1.1 million in 2006 on educational pricing. This is one of many cooperative services that the Intermediate School District provides to support local educators.

Our Gifford/Schultz Educational Service Center hosts thousands of guests each year for training and professional meetings.

The Calhoun Intermediate School District's Department of Technology (CDOT) has been providing technology services to local school districts since 1972. CDOT strives to be a leader in making technology transparent. This means that CDOT's goal is to computerize educational operations, so that everyone can focus on their daily tasks without worrying about technology. The Intermediate School District, in partnership with Wayne Regional Education Service Agency (RESA), provides administrative services to its constituent districts in the areas of student services, human resources, payroll, and finance. CDOT also provides technology assistance in audio and visual repair, computer repair, network servers, network engineering, internet access, video conferencing, and technology-focused professional development.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The Intermediate School District's fund financial statements provide detailed information about the most significant funds - not the Intermediate School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the Intermediate School District establishes other funds to help it control and manage money for particular purposes (the CDOT Technology Consortium and Food Service are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Intermediate School District use the following accounting approach:

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

Governmental Funds - All of the Intermediate School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Intermediate School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Intermediate School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

The District as Trustee - Reporting the District's Fiduciary Responsibilities

The Intermediate School District is the trustee, or fiduciary, for funds it holds for other groups. All of the Intermediate School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Intermediate School District's other financial statements because the Intermediate School District cannot use these assets to finance its operations. The Intermediate School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2007 compared to June 30, 2006:

TABLE I	Governmental Activities	
	2007	2006
	(in millions)	
Assets		
Current and other assets	\$ 30.5	\$ 27.3
Capital assets	<u>6.0</u>	<u>5.8</u>
Total assets	36.5	33.1
Liabilities		
Current liabilities	9.9	9.1
Long-term liabilities	<u>1.1</u>	<u>1.0</u>
Total liabilities	<u>11.0</u>	<u>10.1</u>
Net Assets		
Invested in property and equipment - Net of related debt	5.4	5.3
Restricted	16.7	14.5
Unrestricted	<u>3.4</u>	<u>3.2</u>
Total net assets	<u>\$ 25.5</u>	<u>\$ 23.0</u>

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the Intermediate School District's governmental activities is discussed below. The Intermediate School District's net assets were \$25.5 million at June 30, 2007. Capital assets, net of related debt totaling \$5.4 million, compares the original cost, less depreciation of the Intermediate School District's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints associated with special education and vocational education expenditures and enabling legislation that limit the Intermediate School District's ability to use those net assets for day-to-day operations. The Intermediate School District has restricted net assets in the amount of \$16.7 million relating to the Special Education and Vocational Education Funds. The remaining amount of net assets (\$3.4 million) was unrestricted.

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

The \$3.4 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills as of June 30, 2007, including all of our noncapital liabilities (compensated absences, for example), we would have \$3.4 million remaining. The unrestricted net assets balance enables the Intermediate School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the Intermediate School District will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Intermediate School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

TABLE 2

	Governmental Activities	
	2007	2006
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.3	\$ 1.4
Federal grants and entitlements	15.6	13.4
State categoricals	9.4	10.8
Operating grants	0.6	0.8
General revenue:		
Property taxes	20.2	19.4
State foundation allowance	3.9	3.7
Other	5.2	3.1
Total revenue	56.2	52.6
Functions/Program Expenses		
Instruction	6.9	6.6
Support services	21.7	20.3
Interdistrict payments	16.2	16.5
Workforce development	8.1	6.6
Food services	0.1	0.1
Depreciation (unallocated)	0.7	0.8
Total expenses	53.7	50.9
Increase in Net Assets	\$ 2.5	\$ 1.7

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$53.7 million. Certain activities were partially funded from those who benefited from the programs (\$1.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$25.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$20.2 million in taxes, \$3.9 million in state foundation allowance, and \$5.2 million with other revenues, i.e., interest and general entitlements.

Since property taxes for operations and unrestricted state aid constitute the vast majority of discretionary Intermediate School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the Intermediate School District and balance those needs with state-prescribed available unrestricted resources.

The Intermediate School District experienced an increase in net assets of \$2.5 million. The key reasons for the change in net assets were due to an increase in state aid and interest along with cost containment measures implemented in special education.

As discussed above, the net cost shows the financial burden that was placed on the State and the Intermediate School District's taxpayers by each of these functions.

The School District's Funds

As we noted earlier, the Intermediate School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Intermediate School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Intermediate School District's overall financial health. As the Intermediate School District completed this year, the governmental funds reported a combined fund balance of \$20.7 million, which is an increase of \$2.3 million from last year. The primary reasons for the increase are:

- A continued attempt at containing costs in all areas while continuing the same level of services
- A rise in interest rates, increasing interest revenue

In the General Fund, our principal operating fund, the fund balance increased approximately \$34,000, leaving a balance of \$2.8 million. The General Fund's fund balance is available to fund costs related to the Intermediate School District's operating purposes.

The Special Revenue Funds increased \$2.1 million to \$16.7 million. As stated above, this was mainly due to containing costs and increased revenues.

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Intermediate School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the Intermediate School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were no significant revisions made to the 2006-2007 General Fund original budget that affected the net change in fund balance.

Both revenue and expense budgets increased by \$1.1 million for grants secured after the original budget was submitted. Budgeted revenues were increased due to an increase in interest income received during the year and unanticipated revenues received.

Budgeted expenditures for operations decreased primarily as the result of cost containment and expenses being less than originally expected

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2007, the Intermediate School District had \$19.6 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$0.8 million or 4.1 percent from last year.

	<u>2007</u>	<u>2006</u>
Land	\$ 41,790	\$ 41,790
Buildings and building improvements	10,767,336	10,434,097
Vehicles	71,888	66,893
Furniture and equipment	<u>8,729,840</u>	<u>8,290,542</u>
Total capital assets	<u>\$ 19,610,854</u>	<u>\$ 18,833,322</u>

This year's additions included new equipment and renovations at the Calhoun Area Career Center, along with new technology and other miscellaneous furniture and equipment. We anticipate capital expenditures for fiscal year 2008 to be consistent with fiscal year 2007 with no major construction anticipated.

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the Intermediate School District had \$430,155 in Durant Non-Plaintiff Bonds.

The third year of an installment note for a modular unit in special education was paid in the fiscal year and \$71,440 remains to be paid in two annual installments.

Other obligations include accrued vacation pay, sick leave, and self-insurance. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the Intermediate School District's 2007-2008 fiscal year budget. The 2007-2008 budget was adopted in June 2007.

Since the Intermediate School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State has proposed level funding general operating revenues in 2007-2008. Without an increase in state revenue, the Intermediate School District will continue to explore cost containment measures, especially in escalating health insurance and utility costs.

The Intermediate School District has contracted for the operations of Calhoun Area Career Center since its inception. As of July 1, 2007, the Intermediate School District will take over the operations of the Center. This will add staff and produce change in the finance/human resource areas.

The Intermediate School District will have a new superintendent in 2007-2008 after the resignation of its previous leader as of June 30, 2007. Although there will be a new leader for the organization, the current administration has confidence and experience to keep the excellent leadership and services it provides to its constituencies.

Calhoun Intermediate School District

Statement of Net Assets June 30, 2007

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 21,207,475
Receivables - Net (Note 4)	6,641,558
Inventories	32,634
Prepaid costs	2,568,426
Capital assets - Net (Note 5)	<u>5,962,977</u>
Total assets	36,413,070
Liabilities	
Accounts payable	5,699,217
Accrued payroll and other liabilities	2,057,722
Deferred revenue (Note 4)	2,065,653
Long-term liabilities (Note 7):	
Due within one year	36,681
Due in more than one year	<u>1,051,804</u>
Total liabilities	<u>10,911,077</u>
Net Assets	
Investment in capital assets - Net of related debt	5,436,192
Restricted:	
Special education	8,375,446
Vocational education	8,322,728
Unrestricted	<u>3,367,627</u>
Total net assets	<u><u>\$ 25,501,993</u></u>

Calhoun Intermediate School District

Statement of Activities Year Ended June 30, 2007

	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 6,872,762	\$ -	\$ 6,278,752	\$ (594,010)
Support services	37,934,325	1,284,702	11,246,054	(25,403,569)
Food services	81,673	7,590	43,559	(30,524)
Workforce development	8,139,947	-	8,139,947	-
Interest on long-term debt	19,400	-	-	(19,400)
Depreciation (unallocated)	725,159	-	-	(725,159)
Total governmental activities	\$ 53,773,266	\$ 1,292,292	\$ 25,708,312	(26,772,662)
General revenues:				
Taxes - Property taxes, levied for general purposes				20,195,874
State aid not restricted to specific purposes				3,856,875
Interest and investment earnings				1,100,502
Other				4,088,441
Total general revenues				29,241,692
Change in Net Assets				2,469,030
Net Assets - Beginning of year				23,032,963
Net Assets - End of year				\$ 25,501,993

Calhoun Intermediate School District

	Special Revenue Funds			
	General	Special Education	Vocational Education	Workforce Development
Assets				
Cash and investments (Note 3)	\$ 1,784,409	\$ 12,470,800	\$ 5,759,455	\$ 18,686
Receivables - Net (Note 4)	1,498,277	3,745,507	449,115	938,984
Due from other funds (Note 6)	262,609	40,283	-	-
Inventories	22,145	3,029	-	-
Prepaid costs	5,100	-	2,558,638	-
Total assets	<u>\$ 3,572,540</u>	<u>\$ 16,259,619</u>	<u>\$ 8,767,208</u>	<u>\$ 957,670</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 29,615	\$ 4,470,962	\$ 310,446	\$ 879,408
Accrued payroll and other liabilities	78,356	1,926,859	25,659	170
Due to other funds (Note 6)	32,705	125,831	108,375	16,292
Deferred revenue (Note 4)	634,618	1,360,521	-	61,800
Total liabilities	775,294	7,884,173	444,480	957,670
Fund Balances				
Reserved:				
Inventories	22,145	3,029	-	-
Prepays	5,100	-	2,558,638	-
Unreserved:				
Designated for technology	600,000	-	-	-
Designated for capital expenditures	350,000	-	1,500,000	-
Designated for early childhood	100,000	-	-	-
Designated for special projects	100,000	-	-	-
Designated for compensated absences	144,331	322,691	315	-
Designated for local districts	-	5,304,648	-	-
Undesignated - Reported in:				
General Fund	1,475,670	-	-	-
Special Revenue Funds	-	2,745,078	4,263,775	-
Total fund balances	<u>2,797,246</u>	<u>8,375,446</u>	<u>8,322,728</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,572,540</u>	<u>\$ 16,259,619</u>	<u>\$ 8,767,208</u>	<u>\$ 957,670</u>

**Governmental Funds
Balance Sheet
June 30, 2007**

Nonmajor Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 1,174,125	\$ 21,207,475
9,675	6,641,558
-	302,892
7,460	32,634
4,688	2,568,426
<u>\$ 1,195,948</u>	<u>\$ 30,752,985</u>
\$ 8,786	\$ 5,699,217
1,488	2,032,532
19,689	302,892
8,714	2,065,653
38,677	10,100,294
7,460	32,634
4,688	2,568,426
554,302	1,154,302
100,000	1,950,000
-	100,000
-	100,000
41,433	508,770
-	5,304,648
-	1,475,670
449,388	7,458,241
1,157,271	20,652,691
<u>\$ 1,195,948</u>	<u>\$ 30,752,985</u>

Calhoun Intermediate School District

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2007

Fund Balance - Total Governmental Funds	\$	20,652,691
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:		
Cost of the capital assets	\$	19,610,854
Accumulated depreciation	<u>(13,647,877)</u>	5,962,977
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds payable		(430,155)
Installment note		(71,440)
Dental and vision self-insurance		(14,000)
Compensated absences, including sick pay		(572,890)
Accrued interest payable is not included as a liability in governmental funds		<u>(25,190)</u>
Net Assets - Governmental Activities	\$	<u>25,501,993</u>

Calhoun Intermediate School District

	General	Special Education	Vocational Education
Revenue			
Local sources	\$ 1,747,031	\$ 18,396,051	\$ 5,246,933
State sources	2,288,066	8,359,803	1,557,315
Federal sources	1,808,979	6,078,615	578,869
Interdistrict sources	236,050	132,249	-
Revolving programs	341,735	-	-
Total revenue	6,421,861	32,966,718	7,383,117
Expenditures			
Current:			
Instruction	-	6,882,930	-
Support services	5,388,633	14,350,445	347,180
Food service	-	-	-
Workforce	-	-	-
Debt service:			
Principal	-	35,720	-
Interest	-	3,522	-
Capital outlay	107,978	95,833	644,910
Intergovernmental transfers	488,777	9,792,031	5,961,005
Total expenditures	5,985,388	31,160,481	6,953,095
Excess (Deficiency) of Revenue Over Expenditures	436,473	1,806,237	430,022
Other Financing Sources (Uses)			
Transfers in (Note 6)	514,068	454,836	-
Transfers out (Note 6)	(916,363)	(481,035)	(63,411)
Total other financing sources (uses)	(402,295)	(26,199)	(63,411)
Net Change in Fund Balances	34,178	1,780,038	366,611
Fund Balances - Beginning of year	2,763,068	6,595,408	7,956,117
Fund Balances - End of year	<u>\$ 2,797,246</u>	<u>\$ 8,375,446</u>	<u>\$ 8,322,728</u>

**Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2007**

Workforce Development	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,292,438	\$ 26,682,453
1,022,137	728	13,228,049
7,117,810	42,831	15,627,104
-	-	368,299
-	-	341,735
<u>8,139,947</u>	<u>1,335,997</u>	<u>56,247,640</u>
-	-	6,882,930
-	1,607,090	21,693,348
-	81,673	81,673
<u>8,139,947</u>	<u>-</u>	<u>8,139,947</u>
-	-	35,720
-	-	3,522
-	24,355	873,076
-	-	16,241,813
<u>8,139,947</u>	<u>1,713,118</u>	<u>53,952,029</u>
-	(377,121)	2,295,611
-	491,905	1,460,809
-	-	(1,460,809)
<u>-</u>	<u>491,905</u>	<u>-</u>
-	114,784	2,295,611
-	1,042,487	18,357,080
<u>\$ -</u>	<u>\$ 1,157,271</u>	<u>\$ 20,652,691</u>

Calhoun Intermediate School District

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 2,295,611
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	\$ (725,159)
Capitalized capital outlay	<u>873,076</u> 147,917
Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of the carrying value of the disposed assets	(5,344)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(19,400)
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities	35,720
Compensated absences, as well as estimated self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than earned	<u>14,526</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,469,030</u>

Calhoun Intermediate School District

Statement of Fiduciary Net Assets Burgy Trust Fund June 30, 2007

Assets	
Investments	\$ 1,960,480
Accounts receivable	<u>500</u>
Total assets	1,960,980
Liabilities - Accounts payable	<u>90,135</u>
Net Assets	<u><u>\$ 1,870,845</u></u>

Calhoun Intermediate School District

Statement of Changes in Fiduciary Net Assets Burgy Trust Fund Year Ended June 30, 2007

Additions	
Interest	\$ 65,950
Dividends	86,686
Gain on investments	<u>177,097</u>
Total revenue	329,733
Deductions - Scholarships and other	<u>107,526</u>
Change in Net Assets	222,207
Net Assets - Beginning of year	<u>1,648,638</u>
Net Assets - End of year	<u><u>\$ 1,870,845</u></u>

Calhoun Intermediate School District

**Notes to Financial Statements
June 30, 2007**

Note I - Summary of Significant Accounting Policies

The accounting policies of Calhoun Intermediate School District (the "Intermediate School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Intermediate School District:

Reporting Entity

The Intermediate School District is governed by an elected five-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 Intermediate School District's reporting entity and which organizations are legally separate, component units of the Intermediate School District. Based on the application of the criteria, the Intermediate School District does not contain any component units.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Intermediate School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

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 thereafter to pay liabilities of the current period. For this purpose, the Intermediate 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 Intermediate School District.

Calhoun Intermediate School District

**Notes to Financial Statements
June 30, 2007**

Note I - Summary of Significant Accounting Policies (Continued)

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

The Intermediate School District reports the following major governmental funds:

General Fund - The General Fund is the Intermediate School District's primary operating fund. It accounts for all financial resources of the Intermediate School District, except those required to be accounted for in another fund.

Special Revenue Funds - Major

Special Education Fund - The Special Education Fund is used to record all transactions associated with special education programs administered by the Intermediate School District as well as payments to local districts within the Intermediate School District to fund special education activities.

Vocational Education Fund - The Vocational Education Fund is used to account for resources that provide vocational education programs within the Intermediate School District. The Intermediate School District has entered into an agreement with the School District of the City of Battle Creek for operation of the Calhoun Area Career Center. The results of operations of the Calhoun Area Career Center are included in the financial statements of the School District of the City of Battle Creek.

Workforce Development Fund - The Workforce Development Fund is used to account for resources that provide programs under the Workforce Investment Act of 1998, in the counties of Barry, Branch, and Calhoun, Michigan.

Additionally, the Intermediate School District reports the following fund types:

Special Revenue Funds (Nonmajor) - Special Revenue Funds are used to account for the proceeds of specific sources that are restricted to expenditure for specified purposes. The Intermediate School District's nonmajor Special Revenue Funds include CDOT and Food Service.

Durant Bond Fund - The Durant Bond Fund is used to record revenue for payment of principal and interest on the Durant bond issue.

Burgy Trust Fund - The Burgy Trust Fund is used to account for resources legally held in trust, used for vocational education expenses.

Calhoun Intermediate School District

Notes to Financial Statements
June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The Intermediate School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31, and the related property taxes are levied and become a lien on July 1 and are due September 15 for approximately 50 percent of the taxes. The local school districts also levy at July 1, and the remainder of the property taxes become a lien on December 1 and are due on February 14. The final collection date is February 28, after which they are added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs in the Vocational Education Fund represent advances made to the Calhoun Area Career Center as of June 30, 2007.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Intermediate School District as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Intermediate School District does not have infrastructure-type assets.

Calhoun Intermediate School District

Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Compensated Absences (Vacation and Sick Leave) - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for employees who are currently eligible to receive termination payments at normal retirement age, and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

Long-term Obligations - In the government-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 Intermediate School District's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2007

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Intermediate School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Intermediate School District increased/decreased budgeted amounts during the year in response to changes in funding and related expenditures.

Capital outlay expenditures are included within the function level at the budget level, but are reported separately on the governmental funds statement of revenue, expenditures, and changes in fund balance.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Intermediate School District did not have significant expenditure variances.

Note 3 - Deposits and Investments

State statutes and the Intermediate School District's investment policy authorize the Intermediate School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Intermediate 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. The Intermediate School District's deposits are in accordance with statutory authority.

The Intermediate School District has designated two banks for the deposit of its funds.

Calhoun Intermediate School District

**Notes to Financial Statements
June 30, 2007**

Note 3 - Deposits and Investments (Continued)

The Intermediate School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk of bank deposits is the risk that in the event of a bank failure, the Intermediate School District's deposits may not be returned to it. The Intermediate School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Intermediate School District's deposits for custodial credit risk. At year end, the Intermediate School District's deposit balance of \$2,878,359 had \$2,705,921 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Intermediate School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk of Investments

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the Intermediate School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Intermediate School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Intermediate School District will do business using the criteria established in the investment policy. The Intermediate School District does not have investments with custodial credit risk of investments.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Intermediate School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The Intermediate School District's policy minimizes interest rate risk by requiring the structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; 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 Intermediate School District's cash requirements.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Intermediate School District's investment policy does not further limit its investment choices. The Intermediate School District's trust fund holds one corporate bond that matured in October 2003. While the principal has not been paid, interest payments are being paid after a period of nonpayment.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 10,797	N/A	AAAm	S&P
Michigan Liquid Asset Fund - MAX	8,379,495	N/A	AAAm	S&P
Michigan Liquid Asset Fund - Term A	<u>10,000,000</u>	N/A	AAAm	S&P
 Total governmental fund investments	 \$ <u>18,390,292</u>			
 Bank investment pool	 \$ 75,117	 N/A	 Not rated	 Not rated
Mutual fund	317,187	N/A	Not rated	Not rated
U.S. agency notes	267	6/15/07 - 10/15/09 7/31/07 -	Not required	Not required
ABN Amro corporate bond	45,440	3/31/08	Not rated	Not rated
AMB Amro corporate bond	8,810	8/31/2007	Not rated	Not rated
Bank One Corp corporate bond	11,144	8/15/10 7/26/07 -	A	S&P
Barclays Bank corporate bond	59,621	10/17/07	Not rated	Not rated
Fortis corporate bond	10,000	12/31/2007	Not rated	Not rated
RBC corporate bond	9,792	10/30/07	Not rated	Not rated
UMED, Inc. corporate bond	<u>12,500</u>	10/1/03	Not rated	Not rated
 Total trust fund investments	 \$ <u>549,878</u>			

Concentration of Credit Risk

The Intermediate School District places no limit on the amount the Intermediate School District may invest in any one issuer. The Intermediate School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and the Intermediate School District's policy prohibit investment in foreign currency.

Note 4 - Receivables

Receivables as of year end for the Intermediate School District's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Education Fund	Vocational Education Fund	Workforce Development Fund	Nonmajor and Other Funds	Total
Receivables:						
Taxes	\$ -	\$ 91,382	\$ 29,522	\$ -	\$ -	\$ 120,904
Accounts	91,364	664,333	61,269	-	9,675	826,641
Intergovernmental	<u>1,406,913</u>	<u>2,989,792</u>	<u>358,324</u>	<u>938,984</u>	<u>-</u>	<u>5,694,013</u>
Net receivables	<u>\$ 1,498,277</u>	<u>\$ 3,745,507</u>	<u>\$ 449,115</u>	<u>\$ 938,984</u>	<u>\$ 9,675</u>	<u>\$ 6,641,558</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Grant and categorical aid payment received prior to meeting all eligibility requirements	\$ -	\$ 2,065,653

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets

Capital asset activity of the Intermediate School District's governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets not being depreciated - Land	\$ 41,790	\$ -	\$ -	\$ 41,790
Capital assets being depreciated:				
Building and building improvements	10,434,097	333,239	-	10,767,336
Vehicles	66,893	4,995	-	71,888
Furniture and equipment	<u>8,290,542</u>	<u>534,842</u>	<u>95,544</u>	<u>8,729,840</u>
Subtotal	18,791,532	873,076	95,544	19,569,064
Accumulated depreciation:				
Building and building improvements	6,457,217	237,969	-	6,695,186
Vehicles	55,789	2,533	-	58,322
Furniture and equipment	<u>6,499,912</u>	<u>484,657</u>	<u>90,200</u>	<u>6,894,369</u>
Subtotal	<u>13,012,918</u>	<u>725,159</u>	<u>90,200</u>	<u>13,647,877</u>
Net capital assets being depreciated	<u>5,778,614</u>	<u>147,917</u>	<u>5,344</u>	<u>5,921,187</u>
Net governmental capital assets	<u>\$ 5,820,404</u>	<u>\$ 147,917</u>	<u>\$ 5,344</u>	<u>\$ 5,962,977</u>

Depreciation expense was not charged to activities as the Intermediate School District considers its assets to impact multiple activities and allocation is not practical.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2007

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From					Total
	General Fund	Special Education Fund	Vocational Education Fund	Workforce Development Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 125,831	\$ 108,375	\$ 16,292	\$ 12,111	\$ 262,609
Special Education Fund	32,705	-	-	-	7,578	40,283
Total	<u>\$ 32,705</u>	<u>\$ 125,831</u>	<u>\$ 108,375</u>	<u>\$ 16,292</u>	<u>\$ 19,689</u>	<u>\$ 302,892</u>

Interfund balances represent routine and temporary cash assistance from the General Fund and the allocation of FICA and retirement between funds.

Interfund Transfers

	Transfers Out			Total
	General Fund	Special Education Fund	Vocational Education Fund	
Transfers in:				
General Fund	\$ -	\$ 450,657	\$ 63,411	\$ 514,068
Special Education Fund	454,836	-	-	454,836
Other nonmajor governmental funds	461,527	30,378	-	491,905
Total	<u>\$ 916,363</u>	<u>\$ 481,035</u>	<u>\$ 63,411</u>	<u>\$ 1,460,809</u>

Transfers are provided for operational support for the Intermediate School District's various funds.

Note 7 - Long-term Debt

The Intermediate School District issues bonds and notes 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 Intermediate School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 430,155	\$ -	\$ -	\$ 430,155	\$ -
Installment note	107,160	-	35,720	71,440	35,720
Other obligations	601,415	205,741	220,266	586,890	961
Total governmental activities	<u>\$ 1,138,730</u>	<u>\$ 205,741</u>	<u>\$ 255,986</u>	<u>\$ 1,088,485</u>	<u>\$ 36,681</u>

Annual debt service requirements to maturity for the above bond obligations and installment note are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 35,720	\$ 2,350	\$ 38,070
2009	94,129	16,468	110,597
2010	170,148	50,941	221,089
2011	64,102	9,599	73,701
2012	67,150	6,547	73,697
2013	70,346	3,349	73,695
Total	<u>\$ 501,595</u>	<u>\$ 89,254</u>	<u>\$ 590,849</u>

Governmental Activities

Durant Non-Plaintiff Bond - Included in governmental activities general obligation bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any Intermediate School District debt levy or utilization of any other Intermediate School District financial resources. During the year ended June 30, 2007, the State of Michigan revised the payment schedule of the obligation. The total obligation was not changed and the revised payment schedule is reflected above. The Durant Non-Plaintiff Bond is comprised of the following issue:

\$1,049,516 School Improvement Bond, Series 1998, due in periodic payments ranging from \$58,409 to \$170,148 beginning in 2009 through May 15, 2013; interest at 4.76%

\$ 430,155

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

The installment note is for the purchase of a portable classroom. The note is due in annual installments of \$35,720 plus interest at 3.29 percent through July 31, 2008.

Other governmental activities long-term obligations include the following:

Estimated liability for vision and dental claims	\$ 14,000
Vacation and sick pay	<u>572,890</u>
Total	<u>\$ 586,890</u>

Note 8 - Risk Management

The Intermediate School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Intermediate School District has purchased commercial insurance for general liability, health and dental (teachers), and life and long-term disability claims and participates in the MASB-SEG risk pool for claims relating to workers' compensation and property/casualty; the Intermediate School District is self-insured for vision and dental (nonteachers) claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the Intermediate School District participates operates as a common risk-sharing management program for intermediate school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2007

Note 8 - Risk Management (Continued)

The Intermediate School District estimates the liability for vision and dental (nonteachers) claims that have been incurred through the end of the fiscal year, including both those claims that have been reported, as well as those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2007	2006
Estimated liability - Beginning of year	\$ 13,000	\$ 10,000
Estimated claims incurred - Including changes in estimates	136,083	145,393
Claim payments	<u>135,083</u>	<u>142,393</u>
Estimated liability - End of year	<u>\$ 14,000</u>	<u>\$ 13,000</u>

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The Intermediate School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Intermediate School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each intermediate school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

Calhoun Intermediate School District

Notes to Financial Statements
June 30, 2007

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

The pension benefit rate totals 16.34 percent for the period from July 1, 2006 through September 30, 2006 and 17.74 percent from October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The Intermediate School District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 were approximately \$2,730,000, \$2,490,000, and \$2,085,000, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the Intermediate School District's total contribution to the MPSERS plan discussed above.

Required Supplementary Information

Calhoun Intermediate School District

Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 1,575,822	\$ 1,758,337	\$ 1,747,031	\$ (11,306)
State sources	2,423,210	2,298,895	2,288,066	(10,829)
Federal sources	1,011,006	2,122,013	1,808,979	(313,034)
Interdistrict sources	125,470	242,361	236,050	(6,311)
Revolving programs	428,261	348,138	341,735	(6,403)
Total revenue	5,563,769	6,769,744	6,421,861	(347,883)
Expenditures				
Support services:				
Instruction	3,160,387	3,099,044	3,008,284	(90,760)
School administration	332,848	347,494	341,084	(6,410)
Business services	547,991	556,454	548,512	(7,942)
Transportation and maintenance	208,255	179,271	169,399	(9,872)
Technology	519,720	957,546	816,655	(140,891)
Human resources	108,090	376,639	294,478	(82,161)
General services	308,332	325,944	318,199	(7,745)
Intergovernmental transfers	237,791	564,417	488,777	(75,640)
Total expenditures	5,423,414	6,406,809	5,985,388	(421,421)
Other Financing Sources (Uses)				
Transfers in	512,305	514,068	514,068	-
Transfers out	(942,415)	(916,363)	(916,363)	-
Total other financing sources (uses)	(430,110)	(402,295)	(402,295)	-
Net Change in Fund Balance	(289,755)	(39,360)	34,178	73,538
Fund Balance - July 1, 2006	2,763,068	2,763,068	2,763,068	-
Fund Balance - June 30, 2007	\$ 2,473,313	\$ 2,723,708	\$ 2,797,246	\$ 73,538

Calhoun Intermediate School District

Required Supplementary Information Budgetary Comparison Schedule - Special Education Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 16,046,485	\$ 18,104,790	\$ 18,396,051	\$ 291,261
State sources	9,348,595	8,348,295	8,359,803	11,508
Federal sources	6,038,316	6,073,483	6,078,615	5,132
Interdistrict sources	133,925	132,249	132,249	-
Total revenue	31,567,321	32,658,817	32,966,718	307,901
Expenditures - Current				
Instruction - Added needs	7,106,750	6,961,499	6,882,930	(78,569)
Support services:				
Pupil	10,374,117	10,653,832	10,536,266	(117,566)
Instructional staff	1,988,208	1,912,820	1,892,469	(20,351)
General administration	598,661	569,798	550,129	(19,669)
School administration	396,239	383,394	380,785	(2,609)
Business services	226,428	152,673	114,913	(37,760)
Transportation and maintenance	774,314	810,768	781,295	(29,473)
Central services	189,234	231,392	229,663	(1,729)
Intergovernmental transfers	10,162,544	9,795,302	9,792,031	(3,271)
Total expenditures	31,816,495	31,471,478	31,160,481	(310,997)
Other Financing Sources (Uses)				
Transfers in	449,983	454,836	454,836	-
Transfers out	(496,059)	(510,172)	(481,035)	(29,137)
Total other financing uses	(46,076)	(55,336)	(26,199)	(29,137)
Net Change in Fund Balance	(295,250)	1,132,003	1,780,038	648,035
Fund Balance - July 1, 2006	6,595,408	6,595,408	6,595,408	-
Fund Balance - June 30, 2007	<u>\$ 6,300,158</u>	<u>\$ 7,727,411</u>	<u>\$ 8,375,446</u>	<u>\$ 648,035</u>

Calhoun Intermediate School District

Required Supplementary Information Budgetary Comparison Schedule - Vocational Education Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 4,439,636	\$ 4,855,624	\$ 5,246,933	\$ 391,309
State sources	1,644,051	1,904,735	1,557,315	(347,420)
Federal sources	580,142	578,869	578,869	-
Interdistrict sources	128,070	159,796	-	(159,796)
Total revenue	6,791,899	7,499,024	7,383,117	(115,907)
Expenditures				
Support services:				
Business services	62,500	65,446	69,481	4,035
Other pupil services	271,524	273,600	277,699	4,099
Intergovernmental transfers and capital outlays	7,041,595	7,128,897	6,605,915	(522,982)
Total expenditures	7,375,619	7,467,943	6,953,095	(514,848)
Other Financing Uses - Transfers out	(61,648)	(63,411)	(63,411)	-
Net Change in Fund Balance	(645,368)	(32,330)	366,611	398,941
Fund Balance - July 1, 2006	7,956,117	7,956,117	7,956,117	-
Fund Balance - June 30, 2007	<u>\$ 7,310,749</u>	<u>\$ 7,923,787</u>	<u>\$ 8,322,728</u>	<u>\$ 398,941</u>

Calhoun Intermediate School District

Required Supplementary Information Budgetary Comparison Schedule - Workforce Development Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
State sources	\$ 642,289	\$ 1,140,879	\$ 1,022,137	\$ (118,742)
Federal sources	<u>6,694,070</u>	<u>7,498,917</u>	<u>7,117,810</u>	<u>(381,107)</u>
Total revenue	7,336,359	8,639,796	8,139,947	(499,849)
Expenditures				
State	642,289	1,140,879	1,022,137	(118,742)
Federal	<u>6,694,070</u>	<u>7,498,917</u>	<u>7,117,810</u>	<u>(381,107)</u>
Total expenditures	<u>7,336,359</u>	<u>8,639,796</u>	<u>8,139,947</u>	<u>(499,849)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplementary Information

Calhoun Intermediate School District

Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Fund			
	CDOT	Food Service	Durant Bond	Total
Assets				
Cash and investments	\$ 1,174,125	\$ -	\$ -	\$ 1,174,125
Accounts receivable - Net	3,453	6,222	-	9,675
Inventories	4,304	3,156	-	7,460
Prepays	4,688	-	-	4,688
	<u>4,688</u>	<u>-</u>	<u>-</u>	<u>4,688</u>
Total assets	<u>\$ 1,186,570</u>	<u>\$ 9,378</u>	<u>\$ -</u>	<u>\$ 1,195,948</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 8,677	\$ 109	\$ -	\$ 8,786
Salaries and other accrued liabilities	207	1,281	-	1,488
Due to other funds	11,701	7,988	-	19,689
Deferred revenue	8,714	-	-	8,714
	<u>8,714</u>	<u>-</u>	<u>-</u>	<u>8,714</u>
Total liabilities	29,299	9,378	-	38,677
Fund Balances				
Reserved - Inventories	4,304	3,156	-	7,460
Prepays	4,688	-	-	4,688
Unreserved:				
Designated for technology	554,302	-	-	554,302
Designated for capital expenditures	100,000	-	-	100,000
Designated for compensated absences	41,433	-	-	41,433
Undesignated	452,544	(3,156)	-	449,388
	<u>452,544</u>	<u>(3,156)</u>	<u>-</u>	<u>449,388</u>
Total fund balances	<u>1,157,271</u>	<u>-</u>	<u>-</u>	<u>1,157,271</u>
Total liabilities and fund balances	<u>\$ 1,186,570</u>	<u>\$ 9,378</u>	<u>\$ -</u>	<u>\$ 1,195,948</u>

Calhoun Intermediate School District

Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2007

	<u>Special Revenue Fund</u>			
	<u>CDOT</u>	<u>Food Service</u>	<u>Durant Bond</u>	<u>Total</u>
Revenue				
Local	\$ 1,284,702	\$ 7,736	\$ -	\$ 1,292,438
State	-	728	-	728
Federal	-	42,831	-	42,831
Total revenue	1,284,702	51,295	-	1,335,997
Expenditures				
Current:				
Support services	1,607,090	-	-	1,607,090
Food services	-	81,673	-	81,673
Capital outlay	24,355	-	-	24,355
Total expenditures	1,631,445	81,673	-	1,713,118
Excess of Expenditures Over Revenue	(346,743)	(30,378)	-	(377,121)
Other Financing Sources - Transfers in	461,527	30,378	-	491,905
Net Change in Fund Balances	114,784	-	-	114,784
Fund Balances - Beginning of year	1,042,487	-	-	1,042,487
Fund Balances - End of year	<u>\$ 1,157,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,271</u>

Calhoun Intermediate School District

Other Supplementary Information Schedule of Bonded Indebtedness Year Ended June 30, 2007

<u>June 30</u>	<u>Durant</u> <u>Principal</u>
2008	\$ -
2009	58,409
2010	170,148
2011	64,102
2012	67,150
2013	<u>70,346</u>
Total	<u>\$ 430,155</u>
Principal payments due	May 15
Interest payments due	May 15
Interest rate	4.76%
Original issue	<u>\$ 1,049,516</u>