

Calhoun Intermediate School District

**Financial Report
with Supplemental Information
June 30, 2011**

Calhoun Intermediate School District

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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 (the "Intermediate School District") as of and for the year ended June 30, 2011, which collectively comprise the 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, 2011 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During the year, the Intermediate School District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental 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 supplemental 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 supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental 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 November 2, 2011 on our consideration of the 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

November 2, 2011

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, 2011. 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 Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

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 revenue and expenses are taken into account regardless of when cash is received or paid. 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 revenue 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 87 school buildings, 24,600 students, and 5,380 educators and staff, with programs and services that would be too costly to maintain at a district level. It also collaborates and services other intermediate school districts, state agencies, business, and community partners. 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.

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

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 and operates the Calhoun Area Career Center (CACC), which is also located in Battle Creek. This career technical education 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.

The Intermediate School District is one of 28 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 delivery 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 millions of tax dollars; the program saved the schools of Calhoun and Branch over \$1.27 million in 2010 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 computer repair, network servers, network engineering, Internet access, video conferencing, and technology-focused professional development. CDOT is the primary technology support for three of the Intermediate School District's local districts.

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

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 Services 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:

- **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 Intermediate School District as Trustee - Reporting the Intermediate School 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 Intermediate School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2011 compared to June 30, 2010:

Table 1	Governmental Activities	
	June 30	
	2011	2010
	(in millions)	
Assets		
Current and other assets	\$ 33.3	\$ 35.3
Capital assets	10.3	7.1
Total assets	43.6	42.4
Liabilities		
Current liabilities	11.8	12.7
Long-term liabilities	0.8	1.0
Total liabilities	12.6	13.7
Net Assets		
Invested in capital assets - Net of related debt	10.1	6.9
Restricted	17.9	18.6
Unrestricted	3.0	3.2
Total net assets	<u>\$ 31.0</u>	<u>\$ 28.7</u>

The above analysis focuses on the net assets (see Table 1). 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 \$31.0 million at June 30, 2011. Capital assets, net of related debt totaling \$10.1 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 \$17.9 million relating to the Special Education and Vocational Education Funds and other special revenue funds. The remaining amount of net assets (\$3.0 million) was unrestricted.

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

The \$3.0 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, 2011, including all of our noncapital liabilities (compensated absences, for example), we would have \$3.0 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 2011 compared to fiscal year 2010.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2011	2010
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.3	\$ 1.3
Federal grants and entitlements	23.2	24.3
State categoricals	5.0	5.3
Operating grants	3.3	3.5
General revenue:		
Property taxes	24.2	24.3
State aid not restricted to specific purposes	6.2	7.2
Other	3.6	2.0
Total revenue	66.8	67.9
Functions/Program Expenses		
Instruction	7.8	10.5
Support services	29.8	29.6
Payments to other public schools (ISDs, LEAs)	12.5	13.5
Community services	10.2	10.7
Food services	0.1	0.1
Depreciation (unallocated)	0.6	0.6
Other	3.5	2.0
Total functions/program expenses	64.5	67.0
Increase in Net Assets	\$ 2.3	\$ 0.9

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 \$64.5 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 (\$31.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$24.2 million in taxes, \$6.2 million in state foundation allowance, and \$3.6 million with other revenue, 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 approximately \$2.3 million. The key reason for the change in net assets was due to an increase in Medicaid revenue along with cost containment measures.

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 Intermediate 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 \$21.7 million, which is a decrease of \$1.0 million from last year. The primary reasons for the decrease are as follows:

- Investment into upgrading the Calhoun Area Career Center Facility
- Decrease in state categorical funding
- Increased healthcare costs
- Increased retirement costs

In the General Fund, our principal operating fund, the fund balance increased approximately \$258,000, leaving a balance of \$2.90 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 decreased \$1.2 million to \$18.8 million. As stated above, this was mainly due to construction, less funding, and increased healthcare and retirement costs.

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 revenue 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 supplemental information of these financial statements.

There were revisions made to the 2010-2011 General Fund original budget that affected the net positive change in fund balance. Conservative budgeting and cost containment offset a 3.5 percent cut in state revenue to end the year with an increase in fund balance of \$258,000.

Revenue and expense budgets increased by \$1.6 million and \$1.4 million, respectively, for grants secured after the original budget was submitted. 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, 2011, the Intermediate School District had \$24.7 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 \$3.4 million or 15.8 percent from last year.

	2011	2010
Land	\$ 41,790	\$ 41,790
Construction in progress	5,199,656	1,874,622
Buildings and building improvements	11,073,741	10,837,106
Buses and other vehicles	92,839	92,839
Furniture and equipment	8,243,153	8,441,554
Total capital assets	24,651,179	21,287,911
Less accumulated depreciation	14,374,955	14,196,452
Net capital assets	<u>\$ 10,276,224</u>	<u>\$ 7,091,459</u>

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

This year's additions included new computers for students in the graphics program and technology and instructional equipment at the Calhoun Area Career Center and other miscellaneous technology, furniture, and equipment for all areas of the Intermediate School District. The largest addition is for a renovation project at the Calhoun Area Career Center, of which an additional \$3.3 million was in construction for a total of \$5.2 million in progress of an approximate \$6 million. Obsolete and disposed equipment was also removed from the Intermediate School District's fixed asset records. We anticipate capital expenditures for fiscal year 2012 to increase due to the timing of a renovation project at the Calhoun Area Career Center.

Debt

At the end of this year, the Intermediate School District had \$137,496 in Durant Non-Plaintiff Bonds.

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 2011-2012 fiscal year budget. The 2011-2012 budget was adopted in June 2011.

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 revenue to fund its appropriation to school districts. The State is proposing a 4.6 percent decrease in general operating revenue for 2011-2012. Retirement costs are anticipated to increase 18.39 percent in 2011-2012 in addition to the 21.96 percent increase in 2010-2011. Deficits are expected in all funds of the Intermediate School District. The Intermediate School District is hoping that federal stimulus money will soften the cuts but it appears there will be major cuts which will need to be addressed. Most will be absorbed from fund balance or implemented cost containment measures. With the economy of the state and the nation struggling, without additional revenue, expenditure cuts will need to be made and it is uncertain what this means to education funding at all levels. Taxable values are experiencing decreases in the state and investment rates are very low, thus decreasing interest income. The Intermediate School District will continue to explore cost containment measures in all areas in anticipation of future revenue cuts.

These will be challenges to overcome, but the Intermediate School District feels it will be able to maintain the excellent services provided to its constituencies.

Calhoun Intermediate School District

Management's Discussion and Analysis (Continued)

The Intermediate School District completed an accreditation process (AdvancEd) in the 2010-2011 fiscal year. We are one of only four Intermediate School Districts in the nation to have achieved the accreditation. In 2011-2012, we will continue to work on school improvement recommendations from AdvancEd in order to maintain our accreditation.

Calhoun Intermediate School District

Statement of Net Assets June 30, 2011

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 24,310,900
Receivables (Note 4)	8,941,321
Inventories	19,752
Prepaid costs and other assets	26,068
Capital assets - Net (Note 5)	<u>10,276,224</u>
Total assets	43,574,265
Liabilities	
Accounts payable	6,142,170
Accrued payroll-related liabilities	2,741,477
Other accrued liabilities	818
Due to other governmental units	83,021
Deferred revenue (Note 4)	2,637,792
Noncurrent liabilities (Note 7):	
Due within one year	126,334
Due in more than one year	<u>811,129</u>
Total liabilities	<u>12,542,741</u>
Net Assets	
Invested in capital assets - Net of related debt	10,138,729
Restricted:	
Special education	11,405,911
Vocational education	6,005,772
Food service	(1,841)
CDOT	490,444
Unrestricted	<u>2,992,509</u>
Total net assets	<u>\$ 31,031,524</u>

Calhoun Intermediate School District

Statement of Activities Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 7,838,153	\$ 22,760	\$ 7,710,770	\$ (104,623)
Support services	29,761,791	1,296,388	13,730,497	(14,734,906)
Food services	73,021	22,585	54,374	3,938
Community services	10,154,509	-	9,921,368	(233,141)
Other	3,513,525	-	73,700	(3,439,825)
Payments to other public schools (ISDs, LEAs)	12,544,699	-	-	(12,544,699)
Interest on long-term debt	9,216	-	-	(9,216)
Depreciation expense (unallocated)	639,240	-	-	(639,240)
Total primary government	<u>\$ 64,534,154</u>	<u>\$ 1,341,733</u>	<u>\$ 31,490,709</u>	(31,701,712)
General revenue:				
Taxes - Property taxes - Levied for general purposes				24,157,707
State aid not restricted to specific purposes				6,185,303
Federal sources - Unrestricted				122,197
Interest and investment earnings				55,562
Loss on sale of capital assets				(15,944)
Other				3,508,304
Total general revenue				<u>34,013,129</u>
Change in Net Assets				2,311,417
Net Assets - Beginning of year				<u>28,720,107</u>
Net Assets - End of year				<u>\$ 31,031,524</u>

Calhoun Intermediate School District

Governmental Funds Balance Sheet June 30, 2011

	General Fund	Special Education Fund	Vocational Education Fund	Workforce Development Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 3,052,453	\$ 13,016,702	\$ 6,753,739	\$ 85,160	\$ 1,402,846	\$ 24,310,900
Receivables (Note 4)	1,109,913	5,677,416	525,277	1,615,023	13,692	8,941,321
Due from other funds (Note 6)	672,937	-	-	-	-	672,937
Inventories	17,911	-	-	-	1,841	19,752
Prepaid costs and other assets	10,000	-	11,380	-	4,688	26,068
Total assets	\$ 4,863,214	\$ 18,694,118	\$ 7,290,396	\$ 1,700,183	\$ 1,423,067	\$ 33,970,978
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 202,572	\$ 3,747,125	\$ 666,223	\$ 1,515,718	\$ 10,532	\$ 6,142,170
Accrued payroll-related liabilities	180,713	2,175,633	380,806	2,834	1,491	2,741,477
Due to other governmental units	1,393	62,735	10,179	-	8,714	83,021
Due to other funds (Note 6)	-	461,179	178,106	11,714	21,938	672,937
Deferred revenue (Note 4)	1,577,030	841,535	49,310	169,917	-	2,637,792
Total liabilities	1,961,708	7,288,207	1,284,624	1,700,183	42,675	12,277,397
Fund Balances						
Nonspendable:						
Inventory	17,911	-	-	-	1,841	19,752
Prepaid costs and other assets	10,000	-	11,380	-	4,688	26,068
Restricted:						
Special education	-	8,061,154	-	-	-	8,061,154
Food service	-	-	-	-	(1,841)	(1,841)
Vocational education	-	-	4,239,378	-	485,756	4,725,134
Assigned:						
Budgeted use of fund balance in subsequent year	527,090	2,998,860	1,681,180	-	263,508	5,470,638
Compensated absences	234,267	345,897	73,834	-	70,308	724,306
Technology	-	-	-	-	556,132	556,132
Unassigned	2,112,238	-	-	-	-	2,112,238
Total fund balances	2,901,506	11,405,911	6,005,772	-	1,380,392	21,693,581
Total liabilities and fund balances	\$ 4,863,214	\$ 18,694,118	\$ 7,290,396	\$ 1,700,183	\$ 1,423,067	\$ 33,970,978

Calhoun Intermediate School District

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2011

Fund Balance Reported in Governmental Funds	\$ 21,693,581
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 funds:	
Cost of capital assets	\$ 24,651,179
Accumulated depreciation	<u>(14,374,955)</u> 10,276,224
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Bonds payable	(137,495)
Compensated absences, including sick pay	(785,868)
Dental and vision self-insurance	<u>(14,100)</u> (937,463)
Accrued interest payable is not included as a liability in governmental funds	<u>(818)</u>
Net Assets of Governmental Activities	<u>\$ 31,031,524</u>

Calhoun Intermediate School District

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2011

	General Fund	Special Education Fund	Vocational Education Fund	Workforce Development Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Local sources	\$ 1,707,001	\$ 20,258,098	\$ 5,754,253	\$ 3,999	\$ 1,339,955	\$ 29,063,306
State sources	1,999,426	9,879,452	1,936,112	1,544,430	76,607	15,436,027
Federal sources	2,488,267	9,231,812	601,167	8,904,814	51,467	21,277,527
Interdistrict sources	984,387	97,530	2,738	-	-	1,084,655
Total revenue	7,179,081	39,466,892	8,294,270	10,453,243	1,468,029	66,861,515
Expenditures						
Current:						
Instruction - Basic program	-	7,946,848	3,265,811	204,077	-	11,416,736
Support services:						
Pupil	65,550	11,741,417	566,015	-	-	12,372,982
Instructional staff	2,387,421	5,041,397	324,868	-	-	7,753,686
General administration	396,447	387,309	495,668	-	31,562	1,310,986
Business	676,015	124,232	201,310	-	381	1,001,938
Operations and maintenance	107,062	709,529	720,220	-	9,789	1,546,600
Pupil transportation services	-	85,274	322,325	-	-	407,599
Central	1,736,459	943,388	-	264,591	1,751,471	4,695,909
Other	200,000	-	211,909	-	-	411,909
Food services	-	-	-	-	73,021	73,021
Community services	291,912	-	-	9,862,597	-	10,154,509
Debt service:						
Principal	-	-	-	-	64,102	64,102
Interest	-	-	-	-	9,598	9,598
Capital outlay	74,258	121,681	3,847,996	-	29,496	4,073,431
Intergovernmental transfers	1,047,677	11,300,036	196,986	-	-	12,544,699
Total expenditures	6,982,801	38,401,111	10,153,108	10,331,265	1,969,420	67,837,705
Excess of Revenue Over (Under)						
Expenditures	196,280	1,065,781	(1,858,838)	121,978	(501,391)	(976,190)
Other Financing Sources (Uses)						
Transfers in (Note 6)	872,910	371,182	-	-	453,412	1,697,504
Transfers out (Note 6)	(811,324)	(407,849)	(356,353)	(121,978)	-	(1,697,504)
Total other financing sources (uses)	61,586	(36,667)	(356,353)	(121,978)	453,412	-
Net Change in Fund Balances	257,866	1,029,114	(2,215,191)	-	(47,979)	(976,190)
Fund Balances - Beginning of year	2,643,640	10,376,797	8,220,963	-	1,428,371	22,669,771
Fund Balances - End of year	\$ 2,901,506	\$ 11,405,911	\$ 6,005,772	\$ -	\$ 1,380,392	\$ 21,693,581

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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (976,190)

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

Governmental funds report capital outlays as

expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (639,240)	
Capitalized capital outlay	<u>3,839,949</u>	3,200,709

Governmental funds report loss from sale of assets as expenditures; in the statement of activities, these are recorded net of carrying value of the disposed assets (15,944)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities 64,102

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 382

Compensated absences, as well as self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than earned 38,358

Change in Net Assets of Governmental Activities \$ 2,311,417

Calhoun Intermediate School District

Fiduciary Funds Statement of Net Assets June 30, 2011

	Private Purpose Trust Fund - Burgy Trust	Agency Fund - Student Activity
Assets		
Cash and investments	\$ 1,372,986	\$ 10,629
Receivables	1,599	14,957
Total assets	1,374,585	<u>\$ 25,586</u>
Liabilities - Accounts payable	<u>105,110</u>	\$ 531
Net Assets	<u>\$ 1,269,475</u>	<u>25,055</u>
Total liabilities and net assets		<u>\$ 25,586</u>

Calhoun Intermediate School District

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2011

	Burgy Trust Fund
Additions	
Interest	\$ 23,641
Dividends	83,490
Gain on investments	116,797
Total additions	223,928
Deductions	
Scholarships and other	76,704
Other	6,500
Total deductions	83,204
Change in Net Assets	140,724
Net Assets - Beginning of year	1,128,751
Net Assets - End of year	\$ 1,269,475

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

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.

Government-wide and Fund Financial Statements

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 revenue, 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 are offset by program revenue. 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 revenue are reported instead as general revenue.

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.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies (Continued)

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.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the Intermediate School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Intermediate School District's policy to spend funds in this order: committed fund balance assigned fund balance and then unassigned fund balance.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital 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 revenue to be available if it is 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, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Fiduciary fund statements are also reported using the economic resources measurement 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. These programs are funded primarily by taxes, state aid categoricals, Medicaid funding, and federal grants.

Vocational Education Fund - The Vocational Education Fund is used to account for resources that provide career technical education programs within the Intermediate School District. The Intermediate School District operates the Calhoun Area Career Center. These programs are funded primarily by taxes, state aid categoricals, and federal grants.

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. These programs are funded primarily by state and federal grants.

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 revenue sources that are restricted to expenditure for specified purposes. The Intermediate School District's nonmajor special revenue funds include CDOT and Food Services.

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

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

Student Activity Agency Fund - The Intermediate School District presently maintains Agency Funds to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include 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 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, 2011.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable 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 \$5,000. 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.

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

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

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies (Continued)

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 both 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 governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Balance - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The School District implemented GASB No. 54 during the year. 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.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

- Assigned: Intent to spend resources on specific purposes expressed by the superintendent or designee, who is authorized by formal board action to make assignments

The Board of Education has adopted a fund balance policy. The fund balance policy prescribes the minimum fund balance as 7 to 10 percent of previous years' expenditures in the General Fund. This is deemed to be the prudent amount to maintain the Intermediate School District's ability to meet obligations as they come due throughout the year.

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

Accounting Change - Effective July 1, 2010, the Intermediate School District implemented the provisions of Governmental Accounting Standards Board Statement No. 54. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB 54 as discussed above.

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.

The budget document presents information by fund or 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 budgeted amounts during the year in response to changes in funding and related expenditures.

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 budget variances.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

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.

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 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 \$2,205,100 had \$1,046,872 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 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.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments (Continued)

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 of 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; 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 Intermediate School District's cash requirements.

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 investments recorded in the trust fund are deemed allowable under P.A. 157 of 1976. 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	\$ 2,404	N/A	AAAm	S&P
Michigan Liquid Asset Fund - MAX	22,752,873	N/A	AAAm	S&P
Total governmental fund investments	<u>\$ 22,755,277</u>			
Bank investment	\$ 14,031	N/A	Not rated	Not rated
Mutual fund	235,200	N/A	Not rated	Not rated
Equity securities	1,110,593	N/A	Not rated	Not rated
NuVeen Investments corporate bond	13,162	9/15/15	CCC	S&P
Total trust fund investments	<u>\$ 1,372,986</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, 2011

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 and Deferred Revenue

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 Funds	Total
Receivables:						
Taxes receivable	\$ 681	\$ 12,167	\$ 3,931	\$ -	\$ -	\$ 16,779
Accounts receivable	113,702	1,555,972	108,485	-	10,864	1,789,023
Intergovernmental	995,530	4,109,277	412,861	1,615,023	2,828	7,135,519
Net receivables	<u>\$ 1,109,913</u>	<u>\$ 5,677,416</u>	<u>\$ 525,277</u>	<u>\$ 1,615,023</u>	<u>\$ 13,692</u>	<u>\$ 8,941,321</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	<u>\$ -</u>	<u>\$ 2,637,792</u>

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

Note 5 - Capital Assets

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

	Balance July 1, 2010	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2011
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 41,790	\$ -	\$ -	\$ -	\$ 41,790
Construction in progress	1,874,622	(68,313)	3,393,347	-	5,199,656
Subtotal	1,916,412	(68,313)	3,393,347	-	5,241,446
Capital assets being depreciated:					
Buildings and improvements	10,837,106	68,313	73,653	94,669	11,073,741
Furniture and equipment	8,441,554	-	372,949	(571,350)	8,243,153
Buses	92,839	-	-	-	92,839
Subtotal	19,371,499	68,313	446,602	(476,681)	19,409,733
Accumulated depreciation:					
Buildings and improvements	7,495,299	-	251,483	-	7,746,782
Furniture and equipment	6,631,448	-	380,660	(460,737)	6,551,371
Buses	69,705	-	7,097	-	76,802
Subtotal	14,196,452	-	639,240	(460,737)	14,374,955
Net capital assets being depreciated	5,175,047	68,313	(192,638)	(15,944)	5,034,778
Net capital assets	\$ 7,091,459	\$ -	\$ 3,200,709	\$ (15,944)	\$ 10,276,224

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

Construction Commitments - The Intermediate School District has active construction projects at year end. At year end, the Intermediate School District had outstanding commitments with contractors of \$1,105,664 in the Vocational Education Fund.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Special Education Fund	Vocational Education Fund	Workforce Development Fund	Nonmajor Governmental Funds	Total
General Fund	\$ 461,179	\$ 178,106	\$ 11,714	\$ 21,938	\$ 672,937

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

Transfers In	Transfers Out				Total
	General Fund	Special Education Fund	Vocational Education Fund	Workforce Development Fund	
General Fund	\$ -	\$ 394,579	\$ 356,353	\$ 121,978	\$ 872,910
Special Education Fund	371,182	-	-	-	371,182
Nonmajor governmental funds	440,142	13,270	-	-	453,412
Total	<u>\$ 811,324</u>	<u>\$ 407,849</u>	<u>\$ 356,353</u>	<u>\$ 121,978</u>	<u>\$ 1,697,504</u>

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

Note 7 - Long-term Debt

The Intermediate School District has outstanding bonds related to the Durant Bond issuance. Other long-term obligations include compensated absences and certain risk liabilities.

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 201,598	\$ -	\$ 64,102	\$ 137,496	\$ 67,150
Other obligations	838,325	352,591	390,949	799,967	59,184
Total bonds payable	<u>\$ 1,039,923</u>	<u>\$ 352,591</u>	<u>\$ 455,051</u>	<u>\$ 937,463</u>	<u>\$ 126,334</u>

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2012	\$ 67,150	\$ 6,547	\$ 73,697
2013	70,346	3,349	73,695
Total	<u>\$ 137,496</u>	<u>\$ 9,896</u>	<u>\$ 147,392</u>

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

Note 7 - Long-term Debt (Continued)

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. 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 \$67,150 to \$70,346, through May 15, 2013; interest at 4.76 percent	<u>\$ 137,496</u>
--	-------------------

Other governmental activities long-term obligations consist of the following:

Estimated liability for vision and dental claims	\$ 14,100
Vacation and sick pay	<u>785,868</u>
Total	<u>\$ 799,968</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 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, 2011

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:

	2011	2010
Estimated liability - Beginning of year	\$ 16,400	\$ 18,300
Estimated claims incurred - Including changes in estimates	167,461	195,360
Claim payments	<u>(169,761)</u>	<u>(197,260)</u>
Estimated liability - End of year	<u>\$ 14,100</u>	<u>\$ 16,400</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 system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 10.13 percent of covered payroll for the period from July 1, 2010 through September 30, 2010 and 12.16 percent for the period from October 1, 2010 through June 30, 2011. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 to 4.3 percent of gross wages. For member investment plan members hired after June 30, 2008, a graduated fixed contribution rate is used ranging from 3 percent to 6.4 percent of wages. The Intermediate School District's required and actual contributions to the plan for the years ended June 30, 2011, 2010, and 2009 were \$2,480,267, \$2,189,003, and \$2,007,155, respectively.

Calhoun Intermediate School District

Notes to Financial Statements June 30, 2011

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

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.81 percent of covered payroll for the period from July 1, 2010 through September 30, 2010 and 7.25 percent for the period from October 1, 2010 through October 31, 2010 and 8.50 percent for the period from November 1, 2010 through June 30, 2011. The Intermediate School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2011, 2010, and 2009 were \$1,692,496, \$1,484,599, and \$1,378,625, respectively.

Note 10 - Upcoming Accounting Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the Intermediate School District's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the district-wide level and also at the fund level.

Required Supplemental Information

Calhoun Intermediate School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Over (Under) <u>Final Budget</u>
Revenue				
Local sources	\$ 1,428,794	\$ 1,656,678	\$ 1,707,001	\$ 50,323
State sources	2,024,590	2,267,586	1,999,426	(268,160)
Federal sources	1,930,117	3,014,966	2,488,267	(526,699)
Interdistrict sources	<u>1,019,496</u>	<u>1,062,704</u>	<u>984,387</u>	<u>(78,317)</u>
Total revenue	6,402,997	8,001,934	7,179,081	(822,853)
Expenditures				
Current:				
Instruction	500	-	-	-
Support services:				
Pupil	53,673	65,550	65,550	-
Instruction	2,355,787	2,669,916	2,395,270	(274,646)
General administration	409,447	397,950	396,447	(1,503)
Business services	660,754	687,937	676,015	(11,922)
Operations and maintenance	162,877	215,895	143,715	(72,180)
Central support	1,908,716	1,961,397	1,766,215	(195,182)
Other support	-	200,000	200,000	-
Community services	61,204	316,826	291,912	(24,914)
Intergovernmental transfers	<u>944,801</u>	<u>1,450,685</u>	<u>1,047,677</u>	<u>(403,008)</u>
Total expenditures	6,557,759	7,966,156	6,982,801	(983,355)
Other Financing Sources (Uses)				
Transfers in	863,135	879,411	872,910	(6,501)
Transfers out	<u>(861,023)</u>	<u>(811,324)</u>	<u>(811,324)</u>	<u>-</u>
Total other financing sources	<u>2,112</u>	<u>68,087</u>	<u>61,586</u>	<u>(6,501)</u>
Net Change in Fund Balance	(152,650)	103,865	257,866	154,001
Fund Balance - Beginning of year	<u>2,643,640</u>	<u>2,643,640</u>	<u>2,643,640</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 2,490,990</u>	<u>\$ 2,747,505</u>	<u>\$ 2,901,506</u>	<u>\$ 154,001</u>

Calhoun Intermediate School District

Required Supplemental Information Budgetary Comparison Schedule - Special Education Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 18,617,197	\$ 20,290,241	\$ 20,258,098	\$ (32,143)
State sources	9,061,788	10,043,045	9,879,452	(163,593)
Federal sources	9,242,559	9,256,965	9,231,812	(25,153)
Interdistrict sources	175,022	84,144	97,530	13,386
Total revenue	37,096,566	39,674,395	39,466,892	(207,503)
Expenditures				
Current:				
Instruction - Added needs	8,459,125	7,986,056	7,951,028	(35,028)
Support services:				
Pupil	12,360,681	11,839,784	11,743,996	(95,788)
Instructional staff	5,597,747	5,335,610	5,072,028	(263,582)
General administration	459,782	412,961	394,830	(18,131)
Business services	127,546	122,553	124,232	1,679
Transportation and maintenance	927,882	830,443	786,299	(44,144)
Pupil transportation services	89,802	89,802	85,274	(4,528)
Central services	729,478	909,268	943,388	34,120
Intergovernmental transfers	12,303,628	11,725,901	11,300,036	(425,865)
Total expenditures	41,055,671	39,252,378	38,401,111	(851,267)
Other Financing Sources (Uses)				
Transfers in	371,182	371,182	371,182	-
Transfers out	(433,826)	(521,120)	(407,849)	113,271
Total other financing uses	(62,644)	(149,938)	(36,667)	113,271
Net Change in Fund Balance	(4,021,749)	272,079	1,029,114	757,035
Fund Balance - Beginning of year	10,376,797	10,376,797	10,376,797	-
Fund Balance - End of year	<u>\$ 6,355,048</u>	<u>\$ 10,648,876</u>	<u>\$ 11,405,911</u>	<u>\$ 757,035</u>

Calhoun Intermediate School District

Required Supplemental Information Budgetary Comparison Schedule - Vocational Education Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 5,492,988	\$ 5,722,756	\$ 5,754,253	\$ 31,497
State sources	1,817,785	1,929,591	1,936,112	6,521
Federal sources	585,847	598,669	601,167	2,498
Interdistrict sources	7,500	30,495	2,738	(27,757)
Total revenue	7,904,120	8,281,511	8,294,270	12,759
Expenditures				
Current:				
Instruction	4,157,891	3,230,081	3,265,811	35,730
Support services:				
Pupil	569,341	570,389	566,015	(4,374)
Instructional staff	432,605	332,158	324,868	(7,290)
General administration	537,510	513,744	495,668	(18,076)
Business	229,038	187,878	201,310	13,432
Operations and maintenance	861,772	755,228	720,220	(35,008)
Pupil transportation services	353,100	329,100	322,325	(6,775)
Central	227,530	215,399	211,909	(3,490)
Capital outlay	-	4,136,771	3,847,996	(288,775)
Intergovernmental transfers	3,302,084	196,986	196,986	-
Total expenditures	10,670,871	10,467,734	10,153,108	(314,626)
Other Financing Uses - Transfers out	(346,962)	(356,353)	(356,353)	-
Net Change in Fund Balance	(3,113,713)	(2,542,576)	(2,215,191)	327,385
Fund Balance - Beginning of year	8,220,963	8,220,963	8,220,963	-
Fund Balance - End of year	<u>\$ 5,107,250</u>	<u>\$ 5,678,387</u>	<u>\$ 6,005,772</u>	<u>\$ 327,385</u>

Calhoun Intermediate School District

Other Supplemental Information Budgetary Comparison Schedule - Workforce Development Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ -	\$ 4,000	\$ 3,999	\$ (1)
State sources	1,851,923	1,664,976	1,544,430	(120,546)
Federal sources	<u>8,212,747</u>	<u>9,110,981</u>	<u>8,904,814</u>	<u>(206,167)</u>
Total revenue	10,064,670	10,779,957	10,453,243	(326,714)
Expenditures - Current				
Local	-	4,000	3,999	(1)
State	1,851,923	1,664,976	1,544,430	(120,546)
Federal	<u>8,212,747</u>	<u>9,110,981</u>	<u>8,782,836</u>	<u>(328,145)</u>
Total expenditures	10,064,670	10,779,957	10,331,265	(448,692)
Transfers Out	<u>-</u>	<u>-</u>	<u>(121,978)</u>	<u>(121,978)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplemental Information

Calhoun Intermediate School District

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2011

	Special Revenue Funds		Debt Service	Total Nonmajor Governmental Funds
	CDOT Fund	Food Service Fund	Durant Bond Fund	
Assets				
Cash and investments	\$ 1,402,846	\$ -	\$ -	\$ 1,402,846
Accounts receivable - Net	10,864	2,828	-	13,692
Inventories	-	1,841	-	1,841
Prepaid costs and other assets	4,688	-	-	4,688
Total assets	\$ 1,418,398	\$ 4,669	\$ -	\$ 1,423,067
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 5,863	\$ 4,669	\$ -	\$ 10,532
Accrued payroll-related liabilities -				
Salaries payable	1,491	-	-	1,491
Due to other governmental units	8,714	-	-	8,714
Due to other funds	21,938	-	-	21,938
Total liabilities	38,006	4,669	-	42,675
Fund Balances				
Nonspendable:				
Inventory	-	1,841	-	1,841
Prepaid costs and other assets	4,688	-	-	4,688
Restricted:				
Food service	-	(1,841)	-	(1,841)
CDOT	485,756	-	-	485,756
Assigned:				
Budgeted use of fund balance in subsequent year	263,508	-	-	263,508
Compensated absences	70,308	-	-	70,308
Technology	556,132	-	-	556,132
Total fund balances	1,380,392	-	-	1,380,392
Total liabilities and fund balances	\$ 1,418,398	\$ 4,669	\$ -	\$ 1,423,067

Calhoun Intermediate School District

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2011

	Special Revenue Funds		Debt Service Funds	Total Nonmajor Governmental Funds
	CDOT Fund	Food Service Fund	Durant Bond Fund	
Revenue				
Local sources	\$ 1,334,578	\$ 5,377	\$ -	\$ 1,339,955
State sources	-	2,907	73,700	76,607
Federal sources	-	51,467	-	51,467
Total revenue	<u>1,334,578</u>	<u>59,751</u>	<u>73,700</u>	<u>1,468,029</u>
Expenditures				
Current:				
Support services	1,793,203	-	-	1,793,203
Food services	-	73,021	-	73,021
Debt service	-	-	73,700	73,700
Capital outlay	29,496	-	-	29,496
Total expenditures	<u>1,822,699</u>	<u>73,021</u>	<u>73,700</u>	<u>1,969,420</u>
Excess of Expenditures Over Revenue	(488,121)	(13,270)	-	(501,391)
Other Financing Sources - Transfers in	<u>440,142</u>	<u>13,270</u>	<u>-</u>	<u>453,412</u>
Net Change in Fund Balances	(47,979)	-	-	(47,979)
Fund Balances - Beginning of year	<u>1,428,371</u>	<u>-</u>	<u>-</u>	<u>1,428,371</u>
Fund Balances - End of year	<u><u>\$ 1,380,392</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,380,392</u></u>

Calhoun Intermediate School District

Other Supplemental Information Schedule of Bonded Indebtedness Nonmajor Governmental Funds Year Ended June 30, 2011

<u>June 30</u>	<u>Durant Bond Fund Principal</u>
2012	\$ 67,150
2013	<u>70,346</u>
Total	<u>\$ 137,496</u>
Principal payments due	May 15
Interest payments due	May 15
Interest rate	4.76%
Original issue	<u>\$ 1,049,516</u>