

**EAST JORDAN PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required and additional information)**

**JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

October 7, 2011

Board of Education  
East Jordan Public Schools  
East Jordan, Michigan

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

In our opinion, the basic 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 East Jordan Public Schools as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1 and 11 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2011 on our consideration of East Jordan Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Jordan Public School's financial statements as a whole. The combining and individual nonmajor fund financial statements and additional information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "HARRIS GROUP". The letters are in all caps and have a cursive, slightly slanted appearance.

Certified Public Accountants

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

During 2010 – 2011 fiscal year, the District continued to present Governmental Accounting Standards Board Statement 34 (GASB 34), Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments. This section of the East Jordan Public Schools annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011.

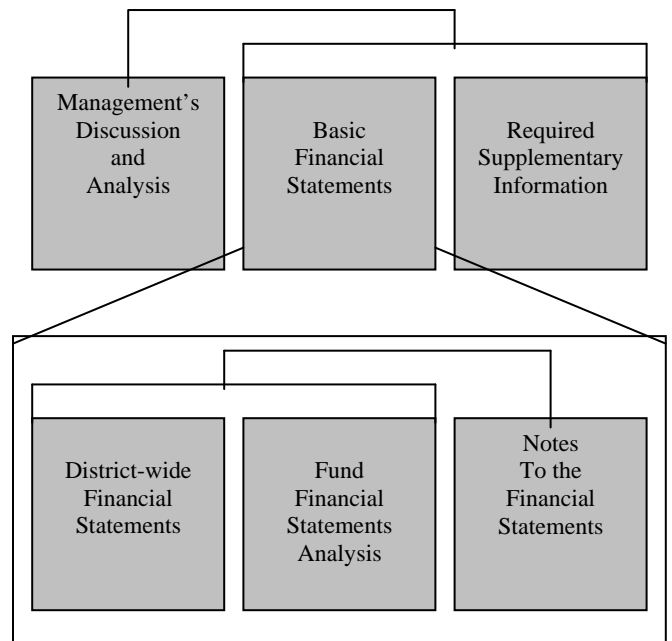
**Financial Highlights**

- Looking at the District as a whole (including General, Food Service, Debt Retirement, Capital Project and Sinking Funds), the District's financial status improved this year. Total net assets increased by 6.02% to approximately \$8.5 million compared to approximately \$8.0 million last year. This is mainly due to the 1995 bond issue being paid off this year and the resulting reduction of this long-term debt.
- In the current fiscal year, the fund balance in the General Fund decreased by \$160,758. At the end of the current fiscal year, the fund balance was \$846,821 or 8.6% of the total expenditures.
- As discussed in Note 11, due to accounting changes required by GASB Statement 54, athletic activities are now accounted for in the General Fund and the Athletic Fund was closed.
- The taxable value of all properties in the District decreased this year by 3.6%
- Student enrollment based on a blended count, decreased by 2.3% to approximately 1,057 students.
- The District's voters approved a \$1,580,000 bond issue to fund technology and transportation needs.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district.

**Figure A-1  
Required Components of  
The District's Annual Financial Report**



- The first two statements are district-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
  - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

<b>Figure A-2</b>			
<b>Major Features of the District-Wide and Fund Financial Statements</b>			
	District-Wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
<b>Scope</b>	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district is the trustee or agent for someone else's resources such as student activities monies
Required Financial Information	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year regardless of when cash is received or paid.

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**District-wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

The government-wide financial statements of the District are:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds: not the district as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this report includes reconciliation schedules that explain the relationship (or differences) between the District-wide Statements and the Fund financial Statements.
- Fiduciary funds – The District is trustee, or fiduciary, for assets that belong to others, such as student activities and scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Financial Analysis of the District as a Whole**

Net Assets. The District's combined net assets were higher on June 30, 2011 than they were the year before, increasing by 6.02% to approximately \$8,540,000. Figure A-3 illustrates the valuation of net assets on June 30, 2011 and 2010.

**Figure A-3**

*Condensed Statement of Net Assets*

	2011	2010
<b>Assets</b>		
Current	\$ 4,462,028	\$ 2,833,039
Non-current	12,574,356	12,950,146
Total assets	\$ 17,036,384	\$ 15,783,185
<b>Liabilities</b>		
Current	\$ 2,309,351	\$ 2,071,218
Non-Current	6,184,977	5,654,879
Total liabilities	8,494,328	7,726,097
<b>Net Assets</b>		
Invested in capital assets, net of related debt	5,382,543	6,468,209
Nonspendable	28,186	24,342
Restricted	2,465,768	759,512
Unassigned	665,559	805,025
Total net assets	8,542,056	8,057,088
Total liabilities and net assets	\$ 17,036,384	\$ 15,783,185

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Figure A-4**

*Results of Operations:*

	2011	2010
<b>Revenues:</b>		
Property taxes	\$ 4,856,770	\$ 5,001,767
Unrestricted state aid	4,035,057	4,180,496
Other general revenues	66,658	116,225
Charges for services	319,085	285,641
Operating grants and contributions	2,261,093	2,299,867
Total revenues	11,538,663	11,883,996
<b>Expenditures:</b>		
Instruction	6,644,631	6,084,249
Pupil and instructional services	457,554	500,771
Administration and business	1,040,723	1,348,153
Operation and maintenance	757,400	720,488
Pupil transportation	545,223	448,415
Community services	191,944	192,881
Food service activities	444,249	408,000
Athletic activities	182,737	211,497
Interest on long-term debt	273,305	325,414
Depreciation (unallocated)	515,929	511,981
Total expenditures	11,053,695	10,751,849
CHANGE IN NET ASSETS	\$ 484,968	\$ 1,132,147

The District's financial position is the product of many factors:

- Property tax revenues decreased \$144,997 mainly due to decreased taxable values.
- The 2011 per pupil Foundation Grant (made up of non-homestead property tax revenue and state aid) was reduced by \$170 per pupil.
- Enrollment in the District decreased by 24 (blended count) compared to a decrease of 46 students in the prior year.
- Other general revenues were lower by \$49,567 reflecting decreased current year interest income and timber harvest revenue received in 2009-2010.
- Charges for services decreased \$33,444 mainly due to a decreased number of full price students paying for meals in the food service program.
- Instruction expenditures increased \$560,382 due to the return of three teachers from voluntary leave, the addition of a full-time automotive technology teacher and increased employee benefit costs.
- Administration and business expenditures decreased \$307,430 due to reduced property tax appeal refunds.
- Pupil transportation expenditures increased \$96,808 mainly due to the purchase of a bus.
- Food service activities increased \$36,249 due to increased food costs and equipment purchases.
- Athletic expenditures decreased \$28,760 mainly due to decreased coaching and officiating expense.

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Financial Analysis of the District's Funds**

As the District completed the year its governmental funds reported combined fund balances of \$3,316,577, which is higher than the previous year's ending fund balance of \$1,772,269.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget two times. The budget amendments were for changes made at the end of the second quarter to account for final enrollment counts and changes made in assumptions since the original budget was adopted. Significant items causing budget adjustments are:

- The District received federal Edu Jobs grant funding in the amount of \$239,486 and a Title I School Improvement federal grant in the amount of \$30,000.
- State At-Risk funding increased 7.0% to \$229,929.
- The District obtained financing in the amount of \$78,672 to purchase a bus.
- Elementary teaching expenses in the amount of \$239,486 were reclassified from general operating expense to Edu Jobs grant expense.
- The District purchased a new bus for \$78,672 and a used mini-van for \$8,010.
- Athletic revenues and expenses were recorded in the general fund due to the elimination of the athletic fund in accordance with accounting standards.

At the end, actual expenditures were \$9,849,031 compared to \$9,997,699 budgeted, which represents a favorable budget variance of \$148,668.

Actual revenues were \$9,590,601 compared to \$9,670,409 budgeted, which represents an unfavorable budget variance of \$79,808.

**Capital Asset and Debt Administration**

**Capital Assets:**

As of June 30, 2011, the District had invested \$20,729,612 in a broad range of capital assets, including school buildings, athletic facility improvements, software, buses, technology and electronic surveillance equipment.

	Beginning of year	Additions	Disposals	End of year
Land	\$ 70,868	\$ -	\$ -	\$ 70,868
Buildings and improvements	18,246,596	53,457	-	18,300,053
Land Improvements	366,251	-	-	366,251
Furniture and Equipment	1,359,199	-	-	1,359,199
Vehicles	629,806	86,682	83,247	633,241
 Total historical cost	 20,672,720	 140,139	 83,247	 20,729,612
Less accumulated depreciation:	7,722,574	515,929	83,247	8,155,256
 Net capital assets	 \$ 12,950,146	 \$ (375,790)	 \$ -	 \$ 12,574,356

Current additions include replacement of the middle school carpeting, a new pool boiler and pool shower tile flooring, heating system improvements in the high school, an electronic sign at the middle school, a new school bus and a used mini-van.

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Long Term Debt:**

Total long-term debt at June 30, 2011 was \$7,302,632. Below is the debt activity for the year:

	Beginning of year	Additions	Decreases	End of year
Bonds and installment agreements	\$ 6,491,937	\$ 1,658,672	\$ 958,796	\$ 7,191,813
Other liabilities				
Compensated absences	121,738	-	10,919	110,819
Total long-term liabilities	<u>\$ 6,613,675</u>	<u>\$ 1,658,672</u>	<u>\$ 969,715</u>	<u>\$ 7,302,632</u>

**Factors Bearing on the District's Future**

The following factors have been considered in preparing the budget for the 2011-2012 fiscal year:

- For 2011-2012, the District's enrollment was expected to decrease while the Student Foundation Grant provided by the State of Michigan has been reduced to \$6,846 per pupil.
- The District continues to face significant increases in rates for health insurance and the cost of retirement benefits for school employees.
- Given the ongoing declining enrollment ramifications and the uncertainty of State support, expenditure reductions prior to the 2011-2012 fiscal year are likely.
- The contract with the teaching staff expired August 31, 2010 and negotiations continue.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact East Jordan Public Schools Business Office.

**EAST JORDAN PUBLIC SCHOOLS  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 3,238,002
Other Receivables	22,340
Due from other governmental units	1,173,500
Inventory and prepaid items	<u>28,186</u>
Total current assets	<u>4,462,028</u>
Noncurrent assets:	
Capital assets	20,729,612
Less: accumulated depreciation	<u>8,155,256</u>
Total noncurrent assets	<u>12,574,356</u>
	<u>17,036,384</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable and other current liabilities	406,552
Due to other governmental units	46,709
Deferred revenue	64,721
Salaries payable	673,714
Current portion of long term debt	<u>1,117,655</u>
Total current liabilities	2,309,351
Noncurrent liabilities:	
Noncurrent portion of long-term debt and liabilities	<u>6,184,977</u>
Total liabilities	<u>8,494,328</u>
Net Assets:	
Invested in capital assets, net of related debt	5,382,543
Nonspendable	28,186
Restricted	2,465,768
Unassigned	<u>665,559</u>
Total Net Assets	<u>\$ 8,542,056</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Functions/Programs</b>	Expenses	Program Revenues		Capital Grants and Contributions	Net (expenses) And changes in Net assets
		Charges for Services	Operating Grants and Contributions	Contributions	Total
Governmental activities:					
Instruction	\$ 6,644,631	\$ 27,194	\$ 1,600,921	\$ -	\$ (5,016,516)
Supporting services:					
Pupil	315,274	-	157,838	-	(157,436)
Instructional staff	142,280	-	46,032	-	(96,248)
General administration	394,205	-	17,122	-	(377,083)
School administration	568,369	-	5,687	-	(562,682)
Business	78,149	-	-	-	(78,149)
Operation and maintenance	757,400	9,834	6,347	-	(741,219)
Pupil transportation services	545,223	6,131	3,000	-	(536,092)
Community services	191,944	93,933	72,135	-	(25,876)
Food service	444,249	128,697	333,475	-	17,923
Athletic activities	182,737	53,296	14,172	-	(115,269)
Interest on long term debt	273,305	-	4,364	-	(268,941)
Depreciation (unallocated)	515,929	-	-	-	(515,929)
<b>Total governmental activities</b>	<b>\$ 11,053,695</b>	<b>\$ 319,085</b>	<b>\$ 2,261,093</b>	<b>\$ -</b>	<b>(8,473,517)</b>
<b>General revenues:</b>					
					3,382,867
Property taxes, levied for general purposes					1,327,858
Property taxes, levied for debt services					146,045
Property taxes, levied for capital expenditures					4,035,057
Unrestricted state aid					16,033
Interest and investment earnings					50,625
Other revenues					8,958,485
<b>Total General revenues</b>					<b>8,958,485</b>
<b>CHANGES IN NET ASSETS</b>					
					484,968
Net assets – beginning of year					8,057,088
Net assets – end of year					\$ 8,542,056

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

<b>ASSETS</b>	<u>General</u>	<u>2002 Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 755,654	\$ 733,565	\$ 1,576,468	\$ 172,315	\$ 3,238,002
Receivables:					
Accounts	21,940	-	-	400	22,340
Interest	-	-	-	-	-
Due from other funds	20,371	-	-	-	20,371
Due from other governmental units	1,166,102	-	-	7,398	1,173,500
Inventory	-	-	-	1,588	1,588
Prepaid Expenses	24,198	-	-	2,400	26,598
	<u>\$ 1,988,265</u>	<u>\$ 733,565</u>	<u>\$ 1,576,468</u>	<u>\$ 184,101</u>	<u>\$ 4,482,399</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 40,623	\$ -	\$ -	\$ 1,341	\$ 41,964
Due to other funds	-	-	-	20,371	20,371
Due to other governmental units	46,675	-	-	34	46,709
Accrued expenditures	316,855	-	-	1,488	318,343
Deferred revenue	64,721	-	-	-	64,721
Salaries payable	672,570	-	-	1,144	673,714
Total liabilities	<u>1,141,444</u>	<u>-</u>	<u>-</u>	<u>24,378</u>	<u>1,165,822</u>
Fund balances:					
Nonspendable	24,198	-	-	3,988	28,186
Restricted	-	733,565	1,576,468	155,735	2,465,768
Unassigned	822,623	-	-	-	822,623
Total fund balances	<u>846,821</u>	<u>733,565</u>	<u>1,576,468</u>	<u>159,723</u>	<u>3,316,577</u>
	<u>\$ 1,988,265</u>	<u>\$ 733,565</u>	<u>\$ 1,576,468</u>	<u>\$ 184,101</u>	<u>\$ 4,482,399</u>

See notes to financial statements

**EAST JORDAN PUBLIC SCHOOLS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
WITH THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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

**Total Fund Balance - Governmental Funds** **\$ 3,316,577**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

	The cost of capital assets is	20,729,612	
	Accumulated depreciation is	<u>(8,155,256)</u>	12,574,356

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

	Bonds Payable	7,191,813	
	Accrued interest payable	46,245	
	Compensated absences	<u>110,819</u>	<u>(7,348,877)</u>

**Total net assets - governmental activities** **\$ 8,542,056**

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General	2002 Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 3,382,867	\$ 911,061	\$ -	\$ 562,842	\$ 4,856,770
Other local sources	296,437	4,797	13	131,895	433,142
State sources	4,414,933	-	-	23,792	4,438,725
Federal sources	1,156,438	-	-	313,662	1,470,100
Interdistrict and other sources	339,926	-	-	-	339,926
<b>Total revenues</b>	<b>9,590,601</b>	<b>915,858</b>	<b>13</b>	<b>1,032,191</b>	<b>11,538,663</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Basic instruction	5,233,738	-	-	-	5,233,738
Added needs	1,393,958	-	-	-	1,393,958
Compensatory education	27,854	-	-	-	27,854
<b>Total Instruction</b>	<b>6,655,550</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,655,550</b>
<b>Support Services:</b>					
Pupil services	315,274	-	-	-	315,274
Instructional staff	142,280	-	-	-	142,280
General Administration	394,205	-	-	-	394,205
School Administration	568,369	-	-	-	568,369
Business	78,149	-	-	-	78,149
Operations and Maintenance	775,300	-	-	-	775,300
Transportation	545,223	-	-	-	545,223
Support services	191,944	-	-	-	191,944
Food service	-	-	-	444,249	444,249
Athletic activities	182,737	-	-	-	182,737
Capital outlay	-	-	45	122,194	122,239
Debt principal payments	-	440,000	-	518,796	958,796
Debt interest and other charges	-	250,352	3,500	24,860	278,712
<b>Total support services</b>	<b>3,193,481</b>	<b>690,352</b>	<b>3,545</b>	<b>1,110,099</b>	<b>4,997,477</b>
<b>Total expenditures</b>	<b>9,849,031</b>	<b>690,352</b>	<b>3,545</b>	<b>1,110,099</b>	<b>11,653,027</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(258,430)</b>	<b>225,506</b>	<b>(3,532)</b>	<b>(77,908)</b>	<b>(114,364)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from note/bonds	78,672	-	1,580,000	-	1,658,672
Operating transfers in	19,000	135,955	-	-	154,955
Operating transfers out	-	-	-	(154,955)	(154,955)
<b>Total other financing sources (uses)</b>	<b>97,672</b>	<b>135,955</b>	<b>1,580,000</b>	<b>(154,955)</b>	<b>1,658,672</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(160,758)</b>	<b>361,461</b>	<b>1,576,468</b>	<b>(232,863)</b>	<b>1,544,308</b>
<b>FUND BALANCE - beginning of year</b>	<b>1,007,579</b>	<b>372,104</b>	<b>-</b>	<b>392,586</b>	<b>1,772,269</b>
<b>FUND BALANCE - End of year</b>	<b>\$ 846,821</b>	<b>\$ 733,565</b>	<b>\$ 1,576,468</b>	<b>\$ 159,723</b>	<b>\$ 3,316,577</b>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

**Total net change in fund balances - governmental funds** **\$ 1,544,308**

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense	(515,929)	
Capital Outlay	<u>140,139</u>	(375,790)

The issuance of long-term debt provides current financial resources to governmental funds, but does not have any effect on the net assets. The adjustment to the statement of activities is as follows:

Amount of debt issued	(1,658,672)
-----------------------	-------------

Interest on long-term debt in the statement of activities differs from the amount recorded in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

5,407

In the statement of activities, certain compensated absences and special termination benefits are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The amounts included in the statement of activities are:

Compensated absences	10,919
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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

Repayment of principal	<u>958,796</u>
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**Change in net assets of governmental activities.** **\$ 484,968**

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY NET ASSETS  
TRUST AND AGENCY FUNDS  
JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash	<u>\$ 79,707</u>	<u>\$ 55,591</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	<u>\$ 79,707</u>	<u>\$ 55,591</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

The general purpose financial statements of East Jordan Public Schools (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the general purpose financial statements of East Jordan Public Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the school district. For the most part, the effect of the 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. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the 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 and other items not properly included among program revenues are reported instead as *general revenues*.

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.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 are recorded only when a payment is due.

The district reports the following major governmental funds:

The *general fund* is the District’s primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The *2002 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital project fund* includes capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the East Jordan Public Schools capital projects fund from the inception of the fund through the current fiscal year.

	<u>Tech and Bus Bond</u>
Revenue and other financing sources	<u>\$ 1,580,013</u>
Expenditures and other financing uses	<u>\$ 3,545</u>

For this capital project fund, the school district has complied with the applicable provisions of Sec.1351a of the Revised School Code.

Additionally, the district reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)**

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

Amounts reported as *program revenues* 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 revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Property taxes, state foundation revenue, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. State and federal revenues are recognized as follows:

**State Foundation Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2011 the foundation allowance was based on the pupil membership counts taken in February and September 2010.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2011. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 C-3– Accounting for Property Taxes.

**Categorical**

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

**Federal Revenue**

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities and Equity**

**1. Cash and investments**

The District reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**2. Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**3. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected

For the year ended June 30, 2011, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund	
Non-Principle Residence Exemption (PRE)	18.0000
Commercial personal property	6.0000
Debt service funds (homestead & non-homestead)	
PRE, Non-PRE, Commercial Personal Property	3.5500
Sinking Fund	
PRE, Non-PRE, Commercial Personal Property	0.3943

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities and Equity (continued)**

**4. Inventories and Prepaid Items**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized and are not included as a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**5. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. 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 donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 yrs
Building and site improvements	20 yrs
General equipment	10-15 yrs
Vehicles	8 yrs
Office furniture and fixtures	7 yrs
Computer equipment	5 yrs

**6. Compensated Absences**

Accumulated vacation and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the general fund while the remainder of the liability is recorded in the general long-term debt group of accounts.

Employees of East Jordan Public Schools earn sick leave days to be used for personal illness and/or disability. Teachers employed less than five years earn ten days per year. Teachers employed for five years or more earn twelve days per year. Secretaries, custodians and administrators earn one sick leave day per month worked. Each teacher, secretary, custodian and administrator can accumulate a maximum of 120 sick days to be available in future years. Bus drivers earn one sick leave day per month worked and can accumulate a maximum of 100 days for future use. Teacher assistants and kitchen staff, earn one sick leave day per month worked and can accumulate a maximum of 90 days to be available in future years. The superintendent, executive secretary, director of business and director of technology earn 2 to 4 weeks of paid vacation annually. Custodians earn 2 to 4 weeks of paid vacation annually depending on years of service.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7. Unemployment Insurance**

The District reimburses the State of Michigan for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings received for amounts paid by the State through June 30 are accrued.

**8. 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.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**9. Fund Balance**

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. This Statement provided more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent.

Fund balances are now reported in the following classifications: *Nonspendable*, includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted*, includes amounts that are restricted to specific purposes, or imposed by law through constitutional provisions or enabling legislation. *Committed*, are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. *Assigned*, amounts that are constrained by the Superintendent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund. It represents amounts that have not been restricted, committed or assigned to a specific purpose. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

**10. Use of Estimates**

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

A. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general, special revenue, sinking, and debt service funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditure and changes in fund balances – budget and actual – GAAP basis – general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Budgeting Act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balance – budget and actual – GAAP basis – general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30<sup>th</sup>.

B. Expenditures that exceeded appropriations are as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund:			
Pupil Services	\$ 304,057	\$ 315,274	\$ 11,217
Business	77,298	78,149	851

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – DEPOSITS, INVESTMENTS AND CREDIT RISK**

Cash and cash equivalents are held separately in the name of the District by each of the District’s funds.

**Deposits**

At year-end, the carrying amount of the District’s deposits were \$3,316,966 and the bank balance was \$3,431,672 of which \$500,000 was covered by federal depository insurance and \$2,931,672 was uninsured and uncollateralized. The District has \$130 in petty cash on hand.

**Investments**

The District had the following investments in external investment pools as of June 30, 2011:

MILAF (mutual fund, cost = market)	\$	613
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*Interest Rate Risk* – The district will monitor interest rate risk by using and analyzing, segmented time distribution, specific identification and time duration of investments.

*Credit Risk* - State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers’ acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The district has no investment policy that would further limit its investment choices. As of June 30, 2011, the district’s investment in the MILAF pool was rated AAAm by Standard and Poor’s.

*Concentration of Credit Risk* – The district may invest 100% of available reserves with U.S. Treasury securities completely guaranteed by the Treasury.

A reconciliation of cash as shown on the combined balance sheet follows:

Cash on hand	\$	130
Carrying amount of deposits		3,316,966
Investments		613
Total	\$	3,317,709
Cash and cash equivalents:		
Governmental activities	\$	3,238,002
Fiduciary funds		79,707
Total	\$	3,317,709

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2011 consist of the following:

Governmental units	\$ 1,173,500
Other	<u>22,340</u>
	<u><u>\$ 1,195,840</u></u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs. Because of the District’s favorable collection experience, no allowance for doubtful accounts has been recorded.

**NOTE 5 – LONG-TERM DEBT**

At June 30, 2011, General obligation debts and other long-term obligations currently outstanding are as follows:

\$1,580,000 2011 serial bonds payable in annual installments of \$270,000 to \$255,000 through May 1, 2017; interest at 2.70%	\$ 1,580,000
\$7,920,000 2002 serial bonds payable in annual installments of \$840,000 to \$995,000 through May 1, 2017; interest at 3.95% to 4.40%	5,525,000
Limited obligation Durant bonds payable in annual installments of \$3,976 to \$4,165 through May 2013, interest at 4.76%	<u>8,141</u>
Total bonded debt	7,113,141
\$78,672 bus note payable in annual installments of \$18,679 to \$20,680 through July 2012, interest at 3.45%.	<u>78,672</u>
Total bonds and notes payable	7,191,813
Compensated absences	<u>110,819</u>
	<u><u>\$ 7,302,632</u></u>

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – LONG-TERM DEBT (concluded)**

The annual requirements to amortize long-term obligations outstanding as of June 30, 2011 including interest of \$999,168 are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 1,117,655	\$ 270,504	\$ 1,388,159
2013	1,158,488	236,480	1,394,968
2014	1,184,990	193,155	1,378,145
2015	1,225,680	147,889	1,373,569
2016	1,240,000	100,070	1,340,070
2017	1,265,000	51,070	1,316,070
	7,191,813	999,168	8,190,981
Compensated absences	110,819	-	110,819
	<u>\$ 7,302,632</u>	<u>\$ 999,168</u>	<u>\$ 8,301,800</u>

At June 30, 2011, net assets of \$733,565 are available in the debt service funds to service the general obligation debt.

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending balance	Due within one year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 6,480,000	\$ 1,580,000	\$ 955,000	\$ 7,105,000	\$ 1,095,000
Durant resolution debt	11,937	-	3,796	8,141	3,976
Bus note	-	78,672	-	78,672	18,679
	<u>6,491,937</u>	<u>1,658,672</u>	<u>958,796</u>	<u>7,191,813</u>	<u>1,117,655</u>
Other liabilities:					
Compensated absences	121,738	-	10,919	110,819	-
	<u>121,738</u>	<u>-</u>	<u>10,919</u>	<u>110,819</u>	<u>-</u>
Total long-term liabilities	<u>\$ 6,613,675</u>	<u>\$ 1,658,672</u>	<u>\$ 969,715</u>	<u>\$ 7,302,632</u>	<u>\$ 1,117,655</u>

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>End of year</u>
Governmental activities: Capital assets not being depreciated:				
Land	\$ 70,868	\$ -	\$ -	\$ 70,868
Capital assets, being depreciated				
Buildings and improvements	\$ 18,246,596	\$ 53,457	\$ -	\$ 18,300,053
Land Improvements	366,251	-	-	366,251
Furniture and Equipment	1,359,199	-	-	1,359,199
Vehicles	629,806	86,682	83,247	633,241
Total historical cost	<u>\$ 20,601,852</u>	<u>\$ 140,139</u>	<u>\$ 83,247</u>	<u>\$ 20,658,744</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 6,328,153	\$ 381,930	\$ -	\$ 6,710,083
Land Improvements	152,791	20,308	-	173,099
Equipment and technology	701,808	72,552	-	774,360
Vehicles	539,822	41,139	83,247	497,714
Total accumulated depreciation	<u>\$ 7,722,574</u>	<u>\$ 515,929</u>	<u>\$ 83,247</u>	<u>\$ 8,155,256</u>
Governmental activities capital assets, net	<u>\$ 12,950,146</u>			<u>\$ 12,574,356</u>

Depreciation for the fiscal year ended June 30, 2011 amounted to \$515,929. The School determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – GOVERNMENTAL FUND TYPE INTERFUND TRANSACTIONS**

Amounts due to and from other funds for the Districts governmental fund types at June 30, 2011 are as follows:

Receivable fund	Payable fund	Amount
General fund	Food Service fund	\$ 20,371

The outstanding balances between funds result mainly from a timing difference of accounting transactions between the funds.

Interfund transfers for the year ended June 30, 2011 were as follows:

Fund Transferred Out	Fund Transferred In	Amount
Food Service fund	General fund	\$ 19,000

The transfer from the Food Service fund to the General fund was to cover administrative expenses of the Food Service fund.

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN**

Plan Description – The District contributes to the statewide Michigan Public School Employees’ Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2010 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN - continued**

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to the pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2011 was 20.66%. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2011, 2010 and 2009 were \$1,083,168, \$913,481 and \$963,828 respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Postemployment Benefits – Under the MPSERS' Act, all retirees have the option of continuing health, dental and vision coverage.

**NOTE 9 – RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered Public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for one policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**NOTE 10 – SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2011, the most recent statement of financial position presented herein, through October 7, 2011, the issuance date of the accompanying financial statements. No significant such events or transactions were identified.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – FUND BALANCE RECLASSIFICATION**

Beginning July 1, 2010, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, the athletic activities are now included in the general fund rather than a separate fund. The reclassification of the beginning fund balance is as follows:

	<u>General Fund</u>
Fund balance, as previously stated	\$ 999,465
Adoption of GASB 54 (athletic fund balance)	<u>8,114</u>
Fund balance, as restated	<u><u>\$ 1,007,579</u></u>

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NONMAJOR GOVERNMENTAL FUNDS**

Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Food Service fund – This fund accounts for the District’s school lunch program.

Debt service funds account for the receipt of tax revenues to repay the principal and interest of outstanding debt issues.

The *1995 and Durant debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital project funds are used to purchase equipment and other long-term fixed assets within the district.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EAST JORDAN PUBLIC SCHOOLS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS  
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
Local sources	\$ 3,669,501	\$ 3,660,020	\$ 3,679,304	\$ 19,284
State sources	4,420,807	4,436,551	4,414,933	(21,618)
Federal sources	746,875	1,206,569	1,156,438	(50,131)
Interdistrict and other sources	352,518	367,269	339,926	(27,343)
<b>Total revenues</b>	<b>9,189,701</b>	<b>9,670,409</b>	<b>9,590,601</b>	<b>(79,808)</b>
<b>EXPENDITURES:</b>				
Instruction:				
Basic instruction	4,966,588	5,245,035	5,233,738	11,297
Added needs	1,321,889	1,462,604	1,393,958	68,646
Enrichment programs	33,113	28,272	27,854	418
<b>Total Instruction</b>	<b>6,321,590</b>	<b>6,735,911</b>	<b>6,655,550</b>	<b>80,361</b>
Support Services:				
Pupil services	308,813	304,057	315,274	(11,217)
Instructional staff	150,105	180,964	142,280	38,684
General Administration	359,836	395,537	394,205	1,332
School Administration	583,664	578,378	568,369	10,009
Business	78,598	77,298	78,149	(851)
Operations and Maintenance	785,084	792,791	775,300	17,491
Transportation	433,912	549,961	545,223	4,738
Central support services	69,212	61,632	60,605	1,027
Athletic activities	-	185,391	182,737	2,654
Community services	132,835	135,779	131,339	4,440
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total support services</b>	<b>2,902,059</b>	<b>3,261,788</b>	<b>3,193,481</b>	<b>68,307</b>
<b>Total expenditures</b>	<b>9,223,649</b>	<b>9,997,699</b>	<b>9,849,031</b>	<b>148,668</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(33,948)</b>	<b>(327,290)</b>	<b>(258,430)</b>	<b>68,860</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from note	-	78,672	78,672	-
Operating transfers in	20,000	20,000	19,000	(1,000)
Operating transfers out	(142,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(122,000)</b>	<b>98,672</b>	<b>97,672</b>	<b>(1,000)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ (155,948)</b>	<b>\$ (228,618)</b>	<b>(160,758)</b>	<b>\$ 67,860</b>
FUND BALANCE - Beginning of year			1,007,579	
FUND BALANCE - End of year			<u>\$ 846,821</u>	

**EAST JORDAN PUBLIC SCHOOLS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 1 – BUDGETARY COMPARISON SCHEDULES**

East Jordan Public Schools is not legally required to present budgetary information for capital project funds and debt service funds. Accordingly, the budgetary comparison schedules for the Capital Projects fund and the 2002 Debt Service fund are not required.

## **ADDITIONAL INFORMATION**

**EAST JORDAN PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	Special Revenue Fund	Debt Service Funds			Sinking Fund	Nonmajor Governmental Funds
	Cafeteria	1995 Debt Service	Durant Debt Service	Total		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 101,335	\$ -	\$ -	\$ -	\$ 70,980	\$ 172,315
Receivables:						
Accounts	400	-	-	-	-	400
Due from other funds	-	-	-	-	-	-
Due from other governmental units	7,398	-	-	-	-	7,398
Inventory	1,588	-	-	-	-	1,588
Prepaid expenses	2,400	-	-	-	-	2,400
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 113,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,980</u>	<u>\$ 184,101</u>
Liabilities:						
Accounts payable	\$ 1,341	\$ -	\$ -	\$ -	\$ -	\$ 1,341
Accrued expenses	1,488	-	-	-	-	1,488
Due to other funds	20,371	-	-	-	-	20,371
Due to other governmental units	34	-	-	-	-	34
Deferred revenue	-	-	-	-	-	-
Salaries payable	1,144	-	-	-	-	1,144
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>24,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,378</u>
Fund balances:						
Nonspendable	3,988	-	-	-	-	3,988
Restricted	84,755	-	-	-	70,980	155,735
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>88,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,980</u>	<u>159,723</u>
	<u>\$ 113,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,980</u>	<u>\$ 184,101</u>

**EAST JORDAN PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Special Revenue Fund	Debt Service Funds			Sinking Fund	Nonmajor Governmental Funds
	Cafeteria	1995 Debt Service	Durant Debt Service	Total		
<b>REVENUES:</b>						
Local sources:						
Property taxes	\$ -	\$ 416,797	\$ -	\$ 416,797	\$ 146,045	\$ 562,842
Lunch and milk sales	129,082	-	-	-	-	129,082
Interest	41	2,412	-	2,412	360	2,813
State sources	19,428	-	4,364	4,364	-	23,792
Federal sources	313,662	-	-	-	-	313,662
<b>Total revenues</b>	<b>462,213</b>	<b>419,209</b>	<b>4,364</b>	<b>423,573</b>	<b>146,405</b>	<b>1,032,191</b>
<b>EXPENDITURES:</b>						
Food service	444,249	-	-	-	-	444,249
Capital outlay	-	-	-	-	122,194	122,194
Debt service:						
Principle	-	515,000	3,796	518,796	-	518,796
Interest and other	-	24,292	568	24,860	-	24,860
<b>Total expenditures</b>	<b>444,249</b>	<b>539,292</b>	<b>4,364</b>	<b>543,656</b>	<b>122,194</b>	<b>1,110,099</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>17,964</b>	<b>(120,083)</b>	<b>-</b>	<b>(120,083)</b>	<b>24,211</b>	<b>(77,908)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(19,000)	(135,955)	-	(135,955)	-	(154,955)
<b>Total other financing sources (uses)</b>	<b>(19,000)</b>	<b>(135,955)</b>	<b>-</b>	<b>(135,955)</b>	<b>-</b>	<b>(154,955)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>(1,036)</b>	<b>(256,038)</b>	<b>-</b>	<b>(256,038)</b>	<b>24,211</b>	<b>(232,863)</b>
<b>FUND BALANCES, beginning of year</b>	<b>89,779</b>	<b>256,038</b>	<b>-</b>	<b>256,038</b>	<b>46,769</b>	<b>392,586</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 88,743</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 70,980</b>	<b>\$ 159,723</b>

**EAST JORDAN PUBLIC SCHOOLS  
TRUST & AGENCY  
STATEMENT OF CHANGES IN ASSETS & LIABILITIES  
YEAR ENDED JUNE 30, 2011**

	<u>Balances, beginning of year</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balances, End of year</u>
<b>ASSETS</b>				
Cash and equivalents	\$ 55,591	\$ 273,056	\$ 248,940	\$ 79,707
<b>LIABILITIES</b>				
Due to organizations and class funds	\$ 55,591	\$ 273,056	\$ 248,940	\$ 79,707

**EAST JORDAN PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – Bus Note**  
**JUNE 30, 2011**

	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2012	3.45%	\$ 18,679	\$ 2,714	\$ 21,393
2013	3.45%	19,323	2,070	21,393
2014	3.45%	19,990	1,403	21,393
2015	3.45%	<u>20,680</u>	<u>713</u>	<u>21,393</u>
		<u>\$ 78,672</u>	<u>\$ 6,900</u>	<u>\$ 85,572</u>

Principal payments due on nineteenth day of August

Interest payments due on the nineteenth day of August

Original issue – August 19, 2010 \$78,672

**EAST JORDAN PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – DURANT DEBT**  
**JUNE 30, 2011**

	Interest rate	Principal amount	Interest amount	Total
Year ending June 30:				
2012	4.76%	\$ 3,976	\$ 388	\$ 4,364
2013	4.76%	4,165	198	4,363
		\$ 8,141	\$ 586	\$ 8,727

Principal payments due on fifteenth day of May

Interest payments due on the fifteenth day of May

Original issue – November 24, 1998 \$62,145

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the “State Aid Payments”). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority’s Depository.



**EAST JORDAN PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2011 DEBT**  
**JUNE 30, 2011**

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest Amount</u>	<u>Total</u>
Year ending June 30:				
2012	2.70%	\$ 255,000	\$ 35,786	\$ 290,786
2013	2.70%	260,000	35,776	295,776
2014	2.70%	260,000	28,754	288,754
2015	2.70%	265,000	21,736	286,736
2016	2.70%	270,000	14,580	284,580
2017	2.70%	270,000	7,290	277,290
		<u>\$ 1,580,000</u>	<u>\$ 143,922</u>	<u>\$ 1,723,922</u>

Principal payments due on first day of                      May

Interest payments due on the first day of                      May & November

Original issue – June 29, 2011                                      \$1,580,000

**EAST JORDAN PUBLIC SCHOOLS**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2011**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

October 7, 2011

To the Board of Education  
East Jordan Public Schools  
East Jordan, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jordan Public Schools as of and for the year ended June 30, 2011, which collectively comprise the East Jordan Public School's basic financial statements and have issued our report thereon dated October 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

We noted certain matters that we reported to management of East Jordan Public Schools in a separate letter dated October 7, 2011.

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

*HARRIS GROUP*

Certified Public Accountants



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

October 7, 2011

To the Board of Education  
East Jordan Public Schools  
East Jordan, Michigan

Compliance

We have audited the compliance of East Jordan Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. East Jordan Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of East Jordan Public Schools' management. Our responsibility is to express an opinion on East Jordan Public Schools' compliance based on our audit.

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

In our opinion, East Jordan Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

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

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

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

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jordan Public Schools as of and for the year ended June 30, 2011, and have issued our report thereon dated October 7, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise East Jordan Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

*HARRIS GROUP*

Certified Public Accountants

**EAST JORDAN PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award Amount	Prior year Expenditures	Accrued (Deferred) Revenue 6/30/10	Adjust- ments	Current Year Receipts	Current year Expenditures	Accrued (Deferred) Revenue 6/30/11
<u>U.S. Department of Agriculture</u>									
Passed through Michigan Department of Education: Child Nutrition Cluster:									
Cash Assistance:									
National School Lunch Program – Section 4	10.555	101950	\$ 26,541	\$ 23,870	\$ -	\$ -	\$ 2,671	\$ 2,671	\$ -
National School Lunch Program – Section 4		111950	24,890	-	-	-	24,890	24,890	-
National School Lunch Program – Section 11		101960	171,448	154,310	-	-	17,138	17,138	-
National School Lunch Program – Section 11		111960	174,920	-	-	-	174,920	174,920	-
National School Lunch Program – Snacks		101980	22,399	20,610	-	-	1,789	1,789	-
			<u>420,198</u>	<u>198,790</u>	<u>-</u>	<u>-</u>	<u>221,408</u>	<u>221,408</u>	<u>-</u>
National School Lunch Program – Breakfast	10.553	101970	54,964	50,726	-	-	4,238	4,238	-
National School Lunch Program – Breakfast		111970	49,128	-	-	-	49,128	49,128	-
			<u>104,092</u>	<u>50,726</u>	<u>-</u>	<u>-</u>	<u>53,366</u>	<u>53,366</u>	<u>-</u>
Summer Food Service-Meals	10.559	90900	10,849	10,849	3,335	-	3,335	-	-
Summer Food Service-Admin		91900	1,129	1,129	346	-	346	-	-
Summer Food Service-Meals		100900	10,593	-	-	-	7,483	10,593	3,110
Summer Food Service-Admin		101900	1,100	-	-	-	777	1,100	323
			<u>23,671</u>	<u>11,978</u>	<u>3,681</u>	<u>-</u>	<u>11,941</u>	<u>11,693</u>	<u>3,433</u>
Non-Cash Assistance (donated foods):									
National School Program-non bonus	10.555		22,400	-	-	-	22,400	22,400	-
National School Program-bonus			4,795	-	-	-	4,795	4,795	-
			<u>27,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,195</u>	<u>27,195</u>	<u>-</u>
Total Department of Agriculture and total Child Nutrition Cluster			<u>575,156</u>	<u>261,494</u>	<u>3,681</u>	<u>-</u>	<u>313,910</u>	<u>313,662</u>	<u>3,433</u>
<u>U.S. Department of Education</u>									
Direct Programs:									
Indian Education/Title VII	84.060A	S060A090564	46,437	25,508	-	-	-	20,929	20,929

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award Amount	Prior year Expenditures	Accrued (Deferred) Revenue 6/30/10	Adjust- ments	Current year receipts	Current year Expenditures	Accrued (Deferred) Revenue 6/30/11
<u>Passed through Michigan Department of Education:</u>									
Title I	84.010	101530-0910	148,691	148,691	66,717	-	66,717	-	-
		111530-1011	212,508	-	-	-	80,280	169,358	89,078
			30,000	-	-	-	25,143	30,000	4,857
			<u>391,199</u>	<u>148,691</u>	<u>66,717</u>	<u>-</u>	<u>172,140</u>	<u>199,358</u>	<u>93,935</u>
ARRA Title I, Part A	84.389A	101535-0910	82,142	29,354	12,460	-	12,460	-	-
		111535-1011	52,788	-	-	-	34,126	52,788	18,662
			<u>134,930</u>	<u>29,354</u>	<u>12,460</u>	<u>-</u>	<u>46,586</u>	<u>52,788</u>	<u>18,662</u>
Total Title I Cluster			<u>526,129</u>	<u>178,045</u>	<u>79,177</u>	<u>-</u>	<u>218,726</u>	<u>252,146</u>	<u>112,597</u>
Title II,Part D- Enhancing Education Through Technology	84.318	102490-0910	3,021	3,021	3,021	-	3,021	-	-
Title IIA	84.367A	100520-0910	61,300	55,686	33,008	-	33,008	-	-
		110520-1011	69,246	-	-	-	12,399	58,589	46,190
			<u>130,546</u>	<u>55,686</u>	<u>33,008</u>	<u>-</u>	<u>45,407</u>	<u>58,589</u>	<u>46,190</u>
Edu Jobs	84.410	112545-1011	239,486	-	-	-	149,353	239,486	90,133
ARRA Stabilization	84.394	0910	316,042	316,042	174,144	-	174,144	-	-
		1011	125,515	-	-	-	125,515	125,515	-
			<u>441,557</u>	<u>316,042</u>	<u>174,144</u>	<u>-</u>	<u>299,659</u>	<u>125,515</u>	<u>-</u>
Total Passed through MDE			<u>1,340,739</u>	<u>552,794</u>	<u>289,350</u>	<u>-</u>	<u>716,166</u>	<u>675,736</u>	<u>248,920</u>

The accompanying notes are an integral part of this schedule.

**EAST JORDAN PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award Amount	Prior year Expenditures	Accrued (Deferred) Revenue 6/30/10	Adjust- ments	Current year receipts	Current year Expenditures	Accrued (Deferred) Revenue 6/30/11
<u>Passed through Char-Em ISD</u>									
ARRA Special Education	84.391A	100455-0910	337,007	99,642	99,642	-	99,642	-	-
			<u>337,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,771</u>	<u>337,007</u>	<u>71,236</u>
			<u>674,014</u>	<u>99,642</u>	<u>99,642</u>	<u>-</u>	<u>365,413</u>	<u>337,007</u>	<u>71,236</u>
Handicapped Persons-Transition Serv.	84.027A	060490/TS 110490-TS	3,685	567	(2,137)	-	-	660	(1,477)
			<u>42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42</u>	<u>42</u>	<u>-</u>
			<u>3,727</u>	<u>567</u>	<u>(2,137)</u>	<u>-</u>	<u>42</u>	<u>702</u>	<u>(1,407)</u>
MIBLSI	84.027A	20102011	144	-	-	-	144	144	-
Total Special Education Cluster			<u>677,885</u>	<u>100,209</u>	<u>97,505</u>	<u>-</u>	<u>365,599</u>	<u>337,853</u>	<u>69,829</u>
CTE Perkins Title II	84.048A	113520	1,527	-	-	-	1,527	1,527	-
Title I Regional Assistance Grant	84.010A	1115701011	200	-	-	-	200	200	-
21 <sup>st</sup> Century	84.287C	102110E08024 112110E08024	117,040	117,040	22,366	-	22,366	-	-
			<u>117,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,337</u>	<u>117,040</u>	<u>10,703</u>
			<u>234,080</u>	<u>117,040</u>	<u>22,366</u>	<u>-</u>	<u>128,703</u>	<u>117,040</u>	<u>10,703</u>
Total Char-Em ISD			<u>913,692</u>	<u>217,249</u>	<u>119,871</u>	<u>-</u>	<u>496,029</u>	<u>456,620</u>	<u>80,532</u>
Total U.S. Department of Education			<u>2,300,868</u>	<u>795,551</u>	<u>409,221</u>	<u>-</u>	<u>1,212,195</u>	<u>1,153,285</u>	<u>350,381</u>
<u>U.S. Department of Health &amp; Human Services:</u>									
<u>Passed through Char-Em ISD</u>									
Medicaid Outreach	93.778		3,153	-	-	-	3,153	3,153	-
TOTAL FEDERAL AWARDS			<u>\$2,879,177</u>	<u>\$ 1,057,045</u>	<u>\$ 412,902</u>	<u>\$ -</u>	<u>\$ 1,529,258</u>	<u>\$ 1,470,100</u>	<u>\$ 353,814</u>

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

NOTES:

1. Basis of presentation – The accompanying schedule of expenditures of federal awards includes the grant activity of East Jordan Public Schools and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the general purpose financial statements.
2. Special Education Cluster CFDA# 84.027A & 84.391A , and Child Nutrition Cluster CFDA# 10.553, 10.555, & 10.559, were audited as major programs, representing 44.3% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Auditors Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the general purpose financial statements:

General fund	\$ 1,156,438
Special revenue funds	<u>313,662</u>
Total Federal Awards	<u><u>\$ 1,470,100</u></u>

6. East Jordan Public Schools was determined to be a low-risk auditee.

**EAST JORDAN PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**Section I – Summary of Auditors’ Results**

***Financial statements***

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal control over major programs:

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

Type of auditors’ report issued on compliance for major programs: *Unqualified*

Any audit finding disclosed that are required to be reported with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
84.027A & 84.391A	Special Education Cluster
10.553,10.555, & 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

**Section II – Financial Statement Findings**

None.

**EAST JORDAN PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011  
(Continued)**

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

None.

**EAST JORDAN PUBLIC SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS**

**Financial Statement Audit**

None



October 7, 2011

To the Board of Education  
East Jordan Public Schools  
East Jordan, MI

In planning and performing our audit of the financial statements of East Jordan Public Schools as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered East Jordan Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 7, 2011 on the financial statements of East Jordan Public Schools. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operator efficiencies. Our comments are summarized as follows.

### **Segregation of Duties**

Segregation of Duties in a small district is a difficult task. It challenges management to come up with new ways to insure that a check and balance is in place. With the change in the Superintendent position and changes in the business office, an opportunity exists to implement certain tasks related to segregation of duties and should be considered to improve the check and balance system. Certain functions such as review of journal entries, examination of unopened bank statements and review of monthly financial results can prove to be an effective means to place a control over the business office function. The District needs to reexamine its control procedures to insure a proper check and balance system is in place.

This report is intended solely for the information and use of East Jordan Public Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*HARRIS GROUP*

Certified Public Accountants



October 7, 2011

To the Board of Education  
East Jordan Public Schools  
East Jordan, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Jordan Public Schools for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 16, 2011. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

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

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by East Jordan Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011, except of the adoption of GASB 54 (*Fund Balance Reporting and Governmental Fund Type Definitions*). We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting East Jordan Public School's financial statements were:

Management's estimate of the liability of the payout of employee compensated absences is based on expected payout. Depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the amount of depreciation charged in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statements disclosures may be particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

##### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 7, 2011.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

This information is intended solely for the use of Board of Education and management of East Jordan Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "HARRIS GROUP". The letters are in all caps and have a cursive, slightly slanted appearance.

Certified Public Accountants