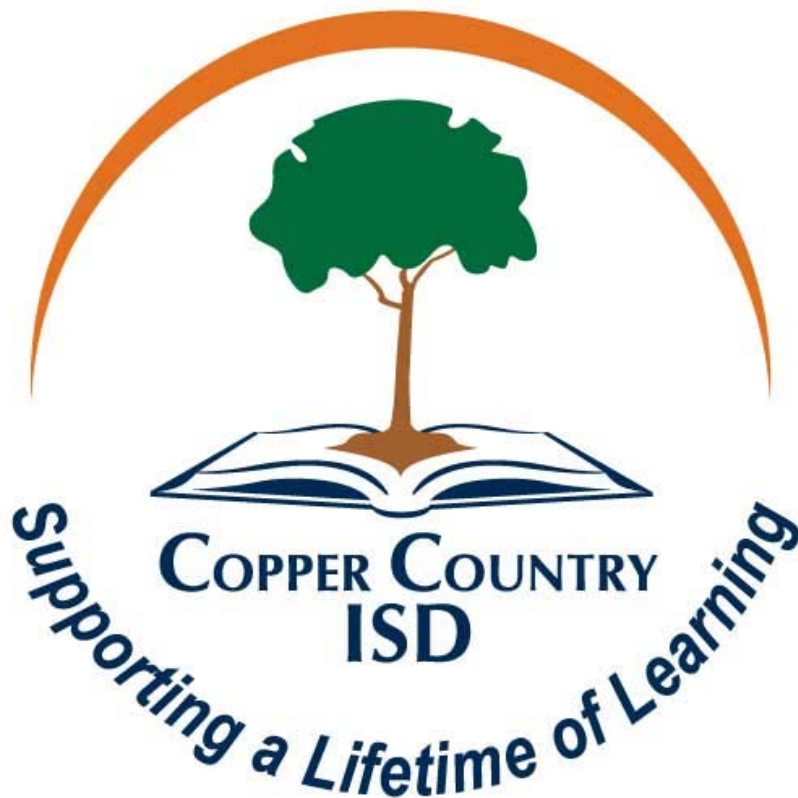


COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
HANCOCK, MICHIGAN

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL FINANCIAL INFORMATION

June 30, 2009





COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT

JUNE 30, 2009

ADMINISTRATION

Superintendent	Dennis Harbour
Director of Special Education	Christine Salo
Supervisor, Special Education - Learning Center	Lois Gemignani
Director, REMC Region I	Mike Richardson
Director, Western U.P. Science/Math Center	Shawn Oppliger
Business Manager	Kenneth A. Maki

BOARD OF EDUCATION

President	Albert A. Koskela
Vice President	Robert C. Tuomi
Treasurer	Robert L. Roy
Secretary	Nels S. Christopherson
Trustee	Gale W. Eilola
Trustee	Karen M. Johnson
Trustee	Lisa A. Tarvainen

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Copper Country Intermediate School District
Hancock, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Intermediate School District as of and for the year then ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Copper Country Intermediate School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Intermediate School District as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2009 on our consideration of the Copper Country Intermediate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

The management's discussion and analysis and budgetary comparison information on pages 7 through 14 and 30 through 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Copper Country Intermediate School District's basic financial statements. The additional information on pages 34 to 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule 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 also not a required part of the basic financial statements of the Copper Country Intermediate School District. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 11, 2009

**Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2009**

This section of the Copper Country Intermediate School District's annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Overview

During the 2008-09 fiscal year, the Copper Country Intermediate School District Board of Education and its administrative staff initiated the following significant financial ventures. The projects mentioned below are designed to upgrade and improve efficiency of the current infrastructure.

- Installation of carpeting and windows in the ancillary staff area.
- Purchased forklift truck for large deliveries.

Houghton County held an election to restore their allocated millage to 100% which yields the CCISD general fund 4/10 of mill.

During the 2008-09 fiscal year, the Special Education Department continued to operate classrooms in the local area schools along with Goodwill Industries, Inc.

In the 2008-09 fiscal year, the District continued to administer the Carol M. White Physical Education Grant (Pep Grant). The grant was designed to purchase and distribute physical education equipment and supplies, as well as provide professional development training for teachers in the Western U.P. school districts, including both the Copper Country ISD and Gogebic-Ontonagon ISD. Approximately \$212,000 in resources and support was distributed to districts during the 2008-09 fiscal year; the fourth year for this grant.

REMC #1 purchased software and equipment upgrades to continue to offer technology services throughout the Upper Peninsula.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

Overview of the Financial Statements (Continued)

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Education Fund, REMC, and School Food Service Fund.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund, Special Education Fund and REMC meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund.
- Other supplementary information provides detailed information about the General, Special Education, and School Food Service Funds.

Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2009

Summary of Net Assets

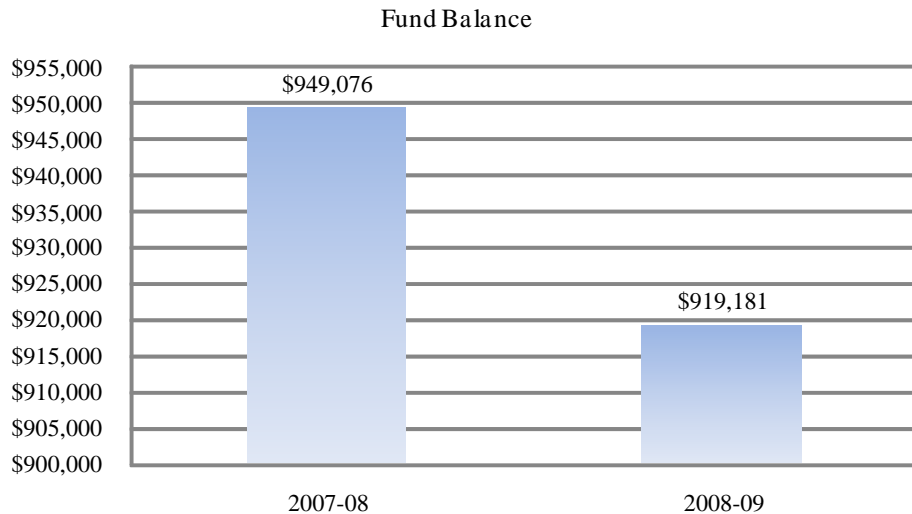
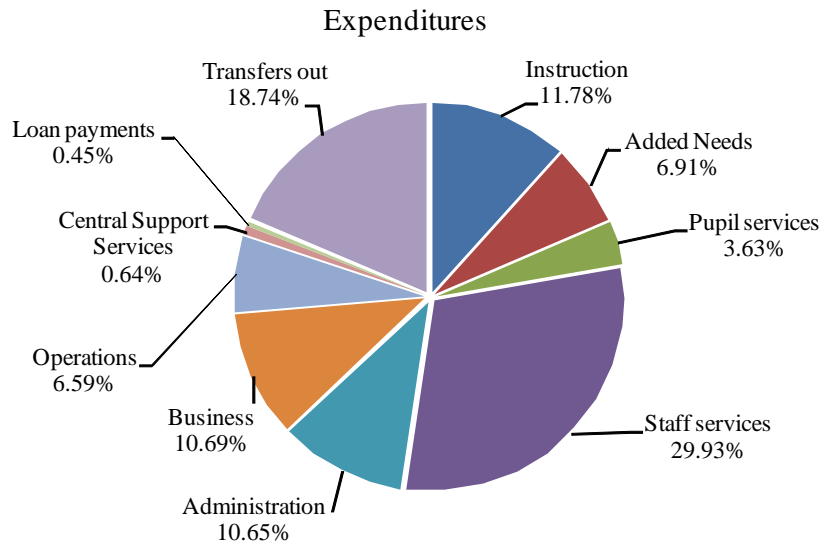
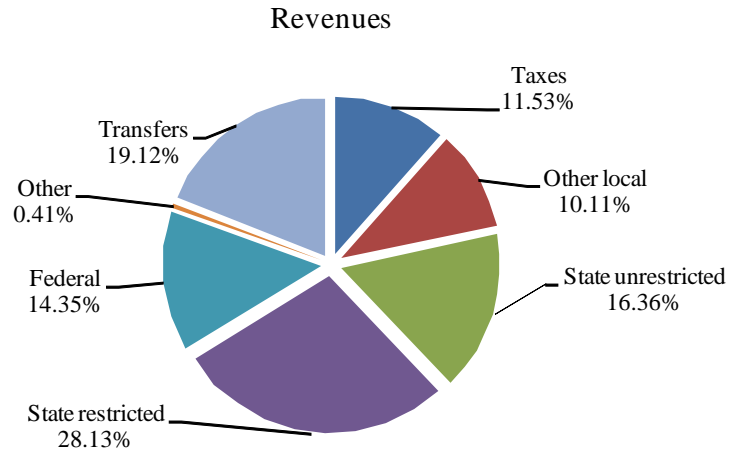
	<u>2009</u>	<u>2008</u>
Assets		
Current and other assets	\$ 3,056,737	\$ 3,439,277
Capital assets - Net of accumulated depreciation	1,937,030	2,120,806
Total Assets	<u>\$ 4,993,767</u>	<u>\$ 5,560,083</u>
Liabilities		
Current liabilities	\$ 1,019,724	\$ 1,626,707
Long-term liabilities	618,751	485,623
Total Liabilities	<u>1,638,475</u>	<u>2,112,330</u>
Net Assets		
Invested in property and equipment - net of related debt	1,822,340	1,789,277
Unrestricted	1,532,952	1,658,476
Total net assets	<u>3,355,292</u>	<u>3,447,753</u>
Total Liabilities and Net Assets	<u>\$ 4,993,767</u>	<u>\$ 5,560,083</u>

Results of Operations in Governmental Activities

	<u>2009</u>	<u>2008</u>
Program Revenue:		
Charges for services	\$ 1,031,873	\$ 1,090,061
Grants and contributions	4,525,216	4,146,264
General Revenue:		
Property taxes	2,277,037	2,209,412
State foundation allowance	618,046	612,757
Other	554,238	592,408
Total Revenue	<u>9,006,410</u>	<u>8,650,902</u>
Functions/Program Expenses		
Instruction	2,584,642	2,457,698
Support services	5,103,025	4,624,347
Food services	16,374	17,544
Regional Educational Media Center	1,337,227	911,414
Interest on long-term debt	57,603	0
Total Expenses	<u>9,098,871</u>	<u>8,011,003</u>
Change in Net Assets	(92,461)	639,899
Net Assets - Beginning	<u>3,447,753</u>	<u>2,807,854</u>
Net Assets - Ending	<u>\$ 3,355,292</u>	<u>\$ 3,447,753</u>

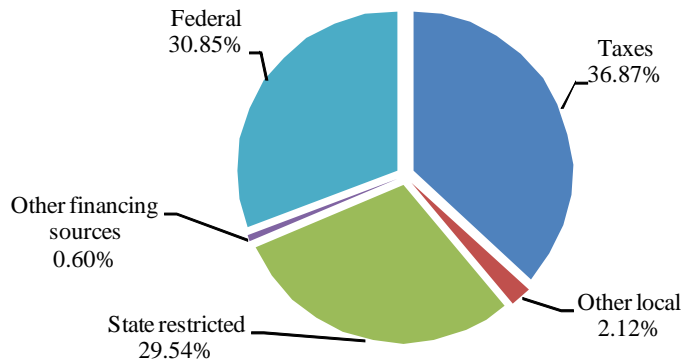
**Copper Country Intermediate School District
 Management's Discussion and Analysis
 June 30, 2009**

The following charts highlight the District's General Fund activities:

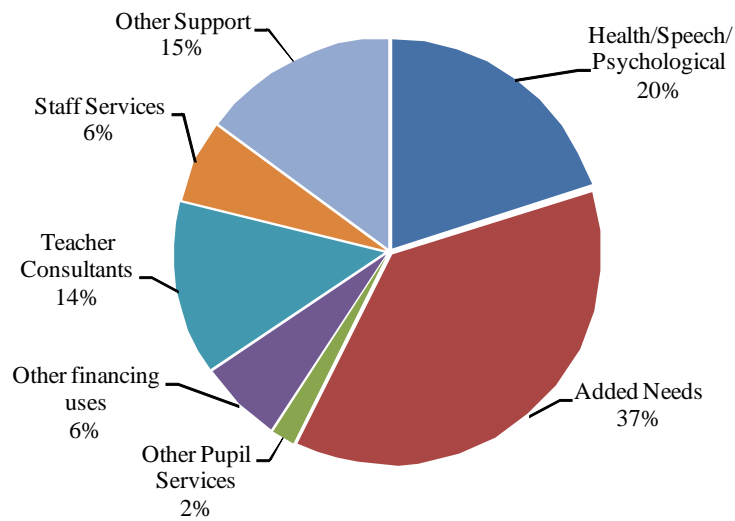


The following charts highlight the District's Special Education Fund activities:

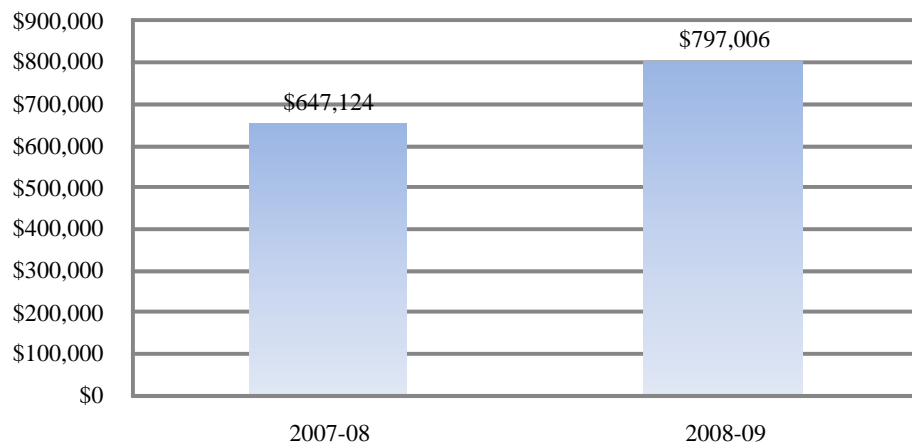
Revenues



Expenditures



Fund Balance



**Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2009**

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 3,332,985	\$ 3,314,761	\$ 18,224
Expenditures/Transfers	\$ 3,362,880	\$ 3,296,989	\$ 65,891
Fund Balance	\$ 919,181	\$ 949,076	\$ (29,895)
Special Education Fund:			
Revenues/Transfers	\$ 5,133,041	\$ 4,929,854	\$ 203,187
Expenditures/Transfers	\$ 4,983,159	\$ 4,791,984	\$ 191,175
Fund Balance	\$ 797,006	\$ 647,124	\$ 149,882
REMC Fund:			
Revenues/Transfers	\$ 1,208,495	\$ 1,245,301	\$ (36,806)
Expenditures/Transfers	\$ 1,296,724	\$ 1,075,382	\$ 221,342
Fund Balance	\$ 350,052	\$ 438,281	\$ (88,229)
School Food Service Fund:			
Revenues/Transfers	\$ 17,710	\$ 17,680	\$ 30
Expenditures/Transfers	\$ 16,374	\$ 17,544	\$ (1,170)
Fund Balance	\$ 1,477	\$ 141	\$ 1,336

General Fund - The decrease in fund balance was due to the enrollment drop in alternative education.

Special Education Fund - Special revenue and expenditures increased due to additional federal grant spending.

REMC - Expenditures increased do to anticipated software and equipment needs.

School Food Service Fund - The Food Service program for the District has required small operating transfers from the Special Education Fund in recent years.

Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2009, the original budget was adopted on June 18, 2008. Since the original budget is adopted two months before school is in session, there are often many unanticipated changes to the budget, as originally adopted. These unknowns can have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. Therefore, the District amended its budget twice during the fiscal year, for these unforeseen changes.

**Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2009**

Budgetary Highlights (Continued)

GENERAL FUND	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 3,202,845	\$ 3,162,977	\$ 2,682,071	\$ (480,906)	-17.9%
Expenditures					
Instruction	\$ 725,468	\$ 765,587	\$ 628,397	\$ 137,190	21.8%
Supporting services	2,491,125	2,495,686	2,089,266	406,420	19.5%
Total expenditures	\$ 3,216,593	\$ 3,261,273	\$ 2,717,663	\$ 543,610	20.0%
Other financing sources (uses)	\$ (36,252)	\$ (1,204)	\$ 5,697	\$ (6,901)	-121.1%

The variances between revenue and expenditures represent various grant revenues that were expected to be expended before the year end. The grants include the Math and Science, NMU Manufacturing, CTE, Federal Drug Free, and Physical Education. Some of these grants have been deferred at year end.

SPECIAL REVENUE	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 5,329,741	\$ 5,292,486	\$ 5,102,007	\$ (190,479)	-3.7%
Expenditures					
Instruction	\$ 1,954,602	\$ 2,080,425	\$ 1,855,172	\$ 225,253	12.1%
Supporting services	2,986,335	2,918,157	2,812,941	105,216	3.7%
Total expenditures	\$ 4,940,937	\$ 4,998,582	\$ 4,668,113	\$ 330,469	7.1%
Other financing sources (uses)	\$ (388,804)	\$ (293,904)	\$ (284,012)	\$ (9,892)	3.5%

The variances between revenue and expenditures represent various grant revenues from the IDEA Flow Through which were not expended.

REMC	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 284,455	\$ 578,823	\$ 565,943	\$ (12,880)	-2.3%
Expenditures					
Education media services	\$ 291,905	\$ 293,045	\$ 291,875	\$ 1,170	0.4%
Distance Learning Consortium	961,371	1,047,791	1,004,849	42,942	4.3%
Total expenditures	\$ 1,253,276	\$ 1,340,836	\$ 1,296,724	\$ 44,112	3.4%
Other financing sources (uses)	\$ 904,101	\$ 642,593	\$ 642,552	\$ 41	0.0%

The variances were small because the budget was followed closely.

Capital Assets and Debt Administration

Capital Assets: The District's net investment in capital assets decreased by \$183,776 during the fiscal year. Additions included fork lift truck, computer equipment, furniture panels, and bus radios. Disposals included computer equipment, a bus, and a van. No debt was issued for these additions.

Additional information on the District's capital assets can be found on page 24 of this report.

Long-term Debt: At the end of the current fiscal year, the District's total debt was \$109,477. This total amount is backed by the full faith and credit of the District. The District's total long-term debt was decreased by \$163,722 during the fiscal year.

Additional information on the District's long-term debt can be found on page 26 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

Durant Bond Payments

As part of the Durant settlement, non-plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The District participated in the bonding option and on November 24, 1998 issued \$437,233 in school improvement bonds for the purpose of technology expenses and construction/renovation for the Career Center building. The balance of the bond issue is \$109,477.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Copper Country Intermediate School District.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,403,951
Investments	573,895
Taxes receivable	6,000
Accounts receivable	321,946
Prepaid expense	7,980
Other assets	9,800
Due from other governmental units	<u>733,165</u>
TOTAL CURRENT ASSETS	<u>3,056,737</u>
NON-CURRENT ASSETS:	
Capital assets	5,229,757
Less: Accumulated depreciation	<u>(3,292,727)</u>
TOTAL NON-CURRENT ASSETS	<u>1,937,030</u>
TOTAL ASSETS	<u>\$ 4,993,767</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 349,415
Accrued expenses	26,293
Accrued interest	5,213
Deferred revenue	601,582
Other liabilities	11,731
Bonds payable within one year	<u>25,490</u>
TOTAL CURRENT LIABILITIES	<u>1,019,724</u>
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	83,987
Compensated absences	<u>534,764</u>
TOTAL NON-CURRENT LIABILITIES	<u>618,751</u>
TOTAL LIABILITIES	<u>1,638,475</u>
NET ASSETS:	
Invested in capital assets, net of related debt	1,822,340
Unreserved	<u>1,532,952</u>
TOTAL NET ASSETS	<u>3,355,292</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,993,767</u>

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 2,584,642	\$ 798,520	\$ 3,353,776	\$ 1,567,654
Support services	5,103,025	-	1,159,521	(3,943,504)
Community services	-	32,899	-	32,899
Food service	16,374	602	11,919	(3,853)
Regional Educational Media Center	1,337,227	199,852	-	(1,137,375)
Interest on long-term debt	4,486	-	-	(4,486)
Total Governmental Activities	\$ 9,045,754	\$ 1,031,873	\$ 4,525,216	(3,488,665)
General Revenues:				
Taxes				
Property taxes, levied for general operations				2,226,450
Other taxes				50,587
State school aid - unrestricted				618,046
Interest and investment earnings				53,146
Other				602,181
Sale of assets				1,216
Transfers				(155,422)
Total general revenues and transfers				3,396,204
Change in Net Assets				(92,461)
Net Assets - Beginning				3,447,753
Net Assets - Ending				\$ 3,355,292

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2009

	General	Special Education	REMC	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 492,787	\$ 657,386	\$ 252,649	\$ 1,129	\$ 1,403,951
Investments	217,702	356,193	-	-	573,895
Taxes receivable	1,022	4,978	-	-	6,000
Accounts receivable	224,710	200	97,036	-	321,946
Prepaid expense	-	7,980	-	-	7,980
Other assets	9,800	-	-	-	9,800
Due from other governmental units	279,379	453,438	-	348	733,165
Due from other funds	182,422	276	37,546	-	220,244
TOTAL ASSETS	\$ 1,407,822	\$ 1,480,451	\$ 387,231	\$ 1,477	\$ 3,276,981
LIABILITIES:					
Accounts payable	\$ 143,149	\$ 206,266	\$ -	\$ -	\$ 349,415
Accrued expenses	12,294	11,027	2,972	-	26,293
Due to other funds	19,298	166,739	34,207	-	220,244
Deferred revenue	302,169	299,413	-	-	601,582
Other liabilities	11,731	-	-	-	11,731
TOTAL LIABILITIES	488,641	683,445	37,179	-	1,209,265
FUND BALANCES:					
Unreserved	919,181	797,006	350,052	1,477	2,067,716
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,407,822	\$ 1,480,451	\$ 387,231	\$ 1,477	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,937,030
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(644,241)
Accrued interest is not included as a liability in governmental funds	(5,213)
Net assets of governmental activities	<u>\$ 3,355,292</u>

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2009

	General	Special Education	REMC	Other Non-major Governmental Funds	Totals
REVENUES:					
Local sources	\$ 721,092	\$ 2,001,810	\$ 500,460	\$ 791	\$ 3,224,153
State sources	1,482,710	1,516,447	65,483	207,784	3,272,424
Federal sources	478,269	1,583,750	-	10,431	2,072,450
Total revenues	<u>2,682,071</u>	<u>5,102,007</u>	<u>565,943</u>	<u>219,006</u>	<u>8,569,027</u>
EXPENDITURES:					
Instruction	628,397	1,855,172	-	-	2,483,569
Supporting services	2,089,266	2,812,941	-	-	4,902,207
Debt service	-	-	-	206,296	206,296
Food Service	-	-	-	16,374	16,374
REMC	-	-	1,296,724	-	1,296,724
Total expenditures	<u>2,717,663</u>	<u>4,668,113</u>	<u>1,296,724</u>	<u>222,670</u>	<u>8,905,170</u>
Excess (deficiency) of revenue over expenditures	<u>(35,592)</u>	<u>433,894</u>	<u>(730,781)</u>	<u>(3,664)</u>	<u>(336,143)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from the sale of assets	-	1,216	-	-	(1,216)
Operating transfers in (out)	(48,793)	(23,524)	67,317	5,000	-
Other incoming transfers	637,258	29,818	575,235	-	1,242,311
Other outgoing transfers	(581,395)	(291,522)	-	-	(872,917)
Other transactions	13,656	-	-	-	(13,656)
Loan payments	(15,029)	-	-	-	(15,029)
Total other financing sources (uses)	<u>(5,697)</u>	<u>284,012</u>	<u>642,552</u>	<u>5,000</u>	<u>(369,237)</u>
NET CHANGE IN FUND BALANCE	(29,895)	149,882	(88,229)	1,336	33,094
FUND BALANCES - BEGINNING OF YEAR	<u>949,076</u>	<u>647,124</u>	<u>438,281</u>	<u>141</u>	
FUND BALANCES - END OF YEAR	<u>\$ 919,181</u>	<u>\$ 797,006</u>	<u>\$ 350,052</u>	<u>\$ 1,477</u>	

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

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(183,776)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(105,501)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>163,722</u>
Changes in net assets of governmental activities	<u>\$ (92,461)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Copper Country Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District accounting policies are described below.

REPORTING ENTITY

Copper Country Intermediate School District (the “District”) is governed by the Copper Country Intermediate School Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the constituent’s districts and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term receivables as well as long-term debt obligations. The District’s net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unreserved net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District’s net assets resulting from the current year’s activities.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. The District does not have fiduciary funds.

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the Special Education, School Food Service, and Regional Educational Media Center (REMC).

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Accrual Method – The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 as revenues 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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method – 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue – The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide 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, 2009, the foundation allowance was based on pupil membership counts taken in February and September of 2008.

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 State revenue is recognized during the foundation period and is funded through payments from October 2008 to August 2009. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Property Taxes – Property taxes levied by the District are collected and are periodically remitted to the District by cities, townships and schools in the counties of Baraga, Houghton, Ontonagon, and Keweenaw. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and becomes 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.

For the year ended June 30, 2009, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	.3813
Special education	1.9469

Receivables and Payables – Activity between funds are reported as “due to/from other funds.” All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory – The District utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Capital Assets – Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Accrued Benefits – The liabilities for accrued benefits reported in the district wide statements in the amount of \$534,764, consisted of vacation and sick leave balances. The District, as part of the various employment contracts with its personnel, allows annual sick and vacation days. Each employment contract specifies an accumulation policy for unused sick and vacation days, as follows:

Sick Leave - All professional employees are allowed to accumulate sick days to a maximum of 180 days and non-professional 170 days. Sick days vest to the employee and are payable upon retirement at the lesser of 50% or \$8,000 (professional)/ \$6,000 (nonprofessional). Liability of the District for the employees' unused sick leave days at June 30, 2009 is \$454,801.

Vacation Days - Various employees of the District are allowed to accumulate vacation days in the year when they are earned. Certain school employees (administrative staff, secretaries, and other) are allowed to accumulate vacation days to a maximum of 30 days. Liability of the District for the employees' unused vacation days at June 30, 2009 is \$79,962.

Long-term Obligations – In the district wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
7. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual and budgeted expenditures have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009**

NOTE C - DEPOSITS AND INVESTMENTS

At year-end, the District’s cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and the breakdown between deposits and investments for the District is as follows:

	Governmental Activities
Unrestricted cash	\$ 1,403,951
Investments	573,895
Total deposits and investments	<u>\$ 1,977,846</u>

As of June 30, 2009 the District had the following investments:

Investment Type	Fair Value	Rating
MILAF - MIMAX	<u>\$ 573,895</u>	AAA

Investment and Deposit Risk

Interest Rate Risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements. The District’s investments held at year end do not have maturity dates.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments pools as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2009, \$1,217,333 of the District’s bank balance of \$2,079,010 was exposed to custodial credit risk because it was uninsured and collateralized.

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investment listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009**

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Michigan law authorizes the District to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the Federal Deposit Insurance Corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

NOTE D - CAPITAL ASSETS

Capital Asset activity of the District's governmental activities was as follows:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09
Land	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Building	1,999,796	0	9,329	1,990,467
Building improvements	922,103	0	0	922,103
Site improvements	115,660	4,185	0	119,845
Equipment, furniture and fixtures	1,738,094	102,074	75,183	1,764,985
Vehicles	99,758	0	19,903	79,855
School buses	341,669	0	39,167	302,502
Subtotal	<u>5,267,080</u>	<u>\$ 106,259</u>	<u>\$ 143,582</u>	<u>5,229,757</u>
Accumulated depreciation:				
Buildings	1,285,388	\$ 39,074	\$ 9,329	1,315,133
Building improvements	313,889	38,105	0	351,994
Site improvements	55,767	6,062	0	61,829
Equipment, furniture and fixtures	1,147,788	186,884	75,183	1,259,489
Vehicles	48,011	9,982	19,903	38,090
School buses	295,431	9,928	39,167	266,192
	<u>3,146,274</u>	<u>\$ 290,035</u>	<u>\$ 143,582</u>	<u>3,292,727</u>
Net capital assets	<u>\$ 2,120,806</u>			<u>\$ 1,937,030</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009**

NOTE D - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities of the District as follows:

General Fund	
Instructional	\$ 80,674
Supporting services	28,274
Special Education	
Instructional	20,399
Supporting Services	19,124
Transportation	10,976
REMC	<u>130,588</u>
Total	<u>\$ 290,035</u>

NOTE E - RECEIVABLES

Receivables and due from governmental units at June 30, 2009 that are expected to be collected within one year consist of the following:

	<u>General</u>	<u>Special Education</u>	<u>REMC</u>	<u>Food Service</u>	<u>Total</u>
Governmental units	\$ 279,379	\$ 453,438	\$ 0	\$ 348	\$ 733,165
Local	<u>224,710</u>	<u>200</u>	<u>97,036</u>	<u>0</u>	<u>321,946</u>
	<u>\$ 504,089</u>	<u>\$ 453,638</u>	<u>\$ 97,036</u>	<u>\$ 348</u>	<u>\$ 1,055,111</u>

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2009 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 182,422	General	\$ 19,298
Special Education	276	Special Education	166,739
REMC	37,546	REMC	34,207
TOTAL	<u>\$ 220,244</u>	TOTAL	<u>\$ 220,244</u>
<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Food Service	\$ 5,000	General	\$ 48,793
REMC	67,317	Special Education	23,524
TOTAL	<u>\$ 72,317</u>	TOTAL	<u>\$ 72,317</u>

NOTE G - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2009, for the District's individual major funds and non-major funds in the aggregate, are as follows:

	<u>General</u>	<u>Special Education</u>	<u>REMC</u>	<u>Total</u>
Accounts payable	\$ 143,149	\$ 206,266	\$ 0	\$ 349,415
Salaries payable	9,900	8,879	2,393	21,172
Accrued expenses	2,394	2,148	579	5,121
Total accounts payable and accrued liabilities	<u>\$ 155,443</u>	<u>\$ 217,293</u>	<u>\$ 2,972</u>	<u>\$ 375,708</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009**

NOTE H - LONG TERM DEBT

Durant Bond

As part of the Durant settlement, non plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The District participated in the bonding option and on November 24, 1998 issued \$437,233.50 in school improvement bonds for the purpose of technology expenses and construction/renovation for the Career Center building.

The bond issue matures as indicated below with interest not to exceed 8% per annum. Interest payments began on May 15, 2000 and are payable annually thereafter on May 15 as indicated. The annual payments will be appropriated by the State of Michigan and will be the only revenue source for making the annual debt service payment on the bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

The bond is not subject to redemption prior to maturity and the District will not issue any other bonds or obligations for the purpose of refunding this bond. Even though the State of Michigan will be appropriating funds to pay the principal and interest, the bond is the obligation of the District, not the State.

As part of the State of Michigan Executive Budget Recommendation for fiscal year 2008, the bonds were "refunded." The debt service payment schedules for the districts that chose to bond have changed. However, the refunding did not change the total payments for any of the borrowers.

Fiscal Year	May 15 Interest	May 15 Principal	Total
2009-2010	\$ 5,213	\$ 25,490	\$ 30,703
2010-2011	3,999	26,705	30,704
2011-2012	2,727	27,975	30,702
2012-2013	1,395	29,307	30,702
	<u>\$ 13,334</u>	<u>\$ 109,477</u>	<u>\$ 122,811</u>

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2009:

	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009	Current Portion
Durant Bond	\$ 258,170	\$ 0	\$ 148,693	\$ 109,477	\$ 25,490
Installment Loan	15,029	0	15,029	0	
	<u>273,199</u>	<u>0</u>	<u>163,722</u>	<u>109,477</u>	
Accrued Interest	58,330	0	53,117	5,213	
Accrued Benefits	376,146	158,618	0	534,764	
TOTAL	<u>\$ 707,675</u>	<u>\$ 158,618</u>	<u>\$ 216,839</u>	<u>\$ 649,454</u>	

As of June 30, 2009, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Interest	Principal	Total
2009-2010	\$ 5,213	\$ 25,490	\$ 30,703
2010-2011	3,999	26,705	30,704
2011-2012	2,727	27,975	30,702
2012-2013	1,395	29,307	30,702
TOTAL	<u>\$ 13,334</u>	<u>\$ 109,477</u>	<u>\$ 122,811</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009

NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description

The District contributes to the Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, PO Box 30171, Lansing, Michigan 48909, by calling (517) 322-5103 or online at the State of Michigan's web-site: <http://www.michigan.gov/orsschools>.

Funding Policy

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 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, 2008 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. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The District was required by the state statute to contribute 16.72% of covered compensation through September 30, 2009 and 16.54% of covered compensation to the Plan for the remainder of the year. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The total amounts contributed to MPERS for the years ended June 30, 2009, 2008, and 2007, were \$631,963, \$603,814, and \$583,345 respectively, equal to the required contributions for each year.

Other Post Employee Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

- Retirees not yet eligible for Medicare coverage pay an annual amount equal to Medicare Part B premiums.
- Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).
- Retirees with 10 years of service, reach the age of 60, and a MIP participant qualify for health benefits.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2009**

NOTE J - 403(b) RETIREMENT PLAN

In 2008-09 the District established a 403(b) plan, a qualified, tax sheltered annuity or custodial account plan for the exclusive benefit of eligible employees and their beneficiaries. The plan is self administered by the District with a plan year ending each December 31. Participants in the plan must be an employee receiving compensation for personal service in covered employment.

The plan is intended to be a qualified tax sheltered annuity or custodial account plan in which payments are taxable to the recipient only upon actual distribution of benefits under Section 72 and 403(b) of the Internal Revenue Code of 1986, as amended (the Code).

The Employer is not required to make contributions. Accounts are established by the employee's investment provider for each type of contribution.

NOTE K - SELF-FUNDED EMPLOYEE DENTAL PLAN

Beginning December 1, 1994 the Copper Country Intermediate School District decided to stop carrying commercial dental insurance for its employees because of its prohibitive cost and began covering all claim settlements out of its general fund resources. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses included an estimate of claims incurred but not reported. At June 30, 2009, the amount of these liabilities was \$11,731. This liability is the District's best estimate based on information available.

Changes in the reported liability since June 30, 2009, resulted from the following:

Liability at June 30, 2008	\$ 4,571
Current year claims and changes in estimates	67,007
Claim payments	(59,847)
Liability at June 30, 2009	<u>\$ 11,731</u>

NOTE L - CONTINGENT LIABILITIES (RISK POOL)

Copper Country Intermediate School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Copper Country Intermediate District joined together with other school districts currently operating a common risk management and insurance program. Copper Country Intermediate School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Copper Country Intermediate School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2009, which can be obtained through the District.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources	\$ 734,850	\$ 734,294	\$ 721,092	\$ (13,202)
State sources	1,703,529	1,719,352	1,482,710	(236,642)
Federal sources	764,466	709,331	478,269	(231,062)
TOTAL REVENUE	<u>3,202,845</u>	<u>3,162,977</u>	<u>2,682,071</u>	<u>(480,906)</u>
EXPENDITURES:				
Instruction	725,468	765,587	628,397	137,190
Supporting services	2,491,125	2,495,686	2,089,266	406,420
TOTAL EXPENDITURES	<u>3,216,593</u>	<u>3,261,273</u>	<u>2,717,663</u>	<u>543,610</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,748)	(98,296)	(35,592)	62,704
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	-	(48,793)	(48,793)	-
Transfers from other districts	700,316	707,864	637,258	(70,606)
Transfers to other districts	(736,568)	(663,245)	(581,395)	81,850
Other transactions and transfers	-	20,000	13,656	(6,344)
Facilities acquisition	-	(2,000)	-	2,000
Loan payments	-	(15,030)	(15,029)	1
Total other financing sources (uses)	<u>(36,252)</u>	<u>(1,204)</u>	<u>5,697</u>	<u>6,901</u>
NET CHANGE IN FUND BALANCE	<u>\$ (50,000)</u>	<u>\$ (99,500)</u>	(29,895)	<u>\$ (69,605)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>949,076</u>	
FUND BALANCE - END OF YEAR			<u>\$ 919,181</u>	

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance Final to Actual
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources	\$ 2,033,309	\$ 2,010,314	\$ 2,001,810	\$ 8,504
State sources	1,534,390	1,520,132	1,516,447	3,685
Federal sources	1,762,042	1,762,040	1,583,750	178,290
TOTAL REVENUE	5,329,741	5,292,486	5,102,007	190,479
EXPENDITURES:				
Instruction	1,954,602	2,080,425	1,855,172	225,253
Supporting services	2,986,335	2,918,157	2,812,941	105,216
TOTAL EXPENDITURES	4,940,937	4,998,582	4,668,113	330,469
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	388,804	293,904	433,894	520,948
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	-	(25,524)	(23,524)	(2,000)
Transfers from other districts	19,720	22,000	29,818	(7,818)
Transfers to other districts	(408,524)	(291,600)	(291,522)	(78)
Sale of fixed asset	-	1,220	1,216	4
Total other financing sources (uses)	(388,804)	(293,904)	(284,012)	9,892
NET CHANGE IN FUND BALANCE	\$ -	\$ -	149,882	\$ (149,882)
FUND BALANCE - BEGINNING OF YEAR			647,124	
FUND BALANCE - END OF YEAR			\$ 797,006	

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
REGIONAL EDUCATIONAL MEDIA CENTER FUND
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Local sources	\$ 215,832	\$ 513,340	\$ 500,460	\$ (12,880)
State sources	65,483	65,483	65,483	-
Federal sources	3,140	-	-	-
TOTAL REVENUE	284,455	578,823	565,943	(12,880)
EXPENDITURES:				
Education media services	291,905	293,045	291,875	1,170
Distance Learning Consortium	961,371	1,047,791	1,004,849	42,942
TOTAL EXPENDITURES	1,253,276	1,340,836	1,296,724	44,112
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(968,821)	(762,013)	(730,781)	(31,232)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	-	67,317	67,317	-
Transfers from other school districts	904,101	575,276	575,235	(41)
Proceeds for sale of assets	-	-	-	-
Total other financing sources (uses)	904,101	642,593	642,552	(41)
NET CHANGE IN FUND BALANCE	<u>\$ (64,720)</u>	<u>\$ (119,420)</u>	(88,229)	<u>\$ (31,191)</u>
FUND BALANCE - BEGINNING OF YEAR			438,281	
FUND BALANCE - END OF YEAR			<u>\$ 350,052</u>	

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budget	Actual	Variance	2008
REVENUES:				
Local sources:				
Property tax	\$ 364,636	\$ 364,636	\$ -	\$ 354,954
Other Taxes	20,000	19,610	390	15,747
Interest on delinquent taxes	1,300	1,757	(457)	1,445
Earnings from investments and deposits	16,000	16,081	(81)	31,814
Contributions	-	4,684	(4,684)	582
Rentals	84,500	86,493	(1,993)	78,132
Miscellaneous	247,858	227,831	20,027	221,787
Total local sources	734,294	721,092	13,202	704,461
State sources:				
State Aid - Unrestricted	545,122	545,122	-	522,224
Restricted grants	1,174,230	937,588	236,642	757,558
Total state sources	1,719,352	1,482,710	236,642	1,279,782
Federal sources:				
Pep Grant	250,080	212,196	37,884	227,256
Drug Free Schools	55,331	21,961	33,370	47,003
Technical Preparation	29,418	29,418	-	32,767
Building Bridges	220,408	76,522	143,886	40,955
Perkins	68,620	69,070	(450)	71,140
Other federal sources	85,474	69,102	16,372	58,781
Total federal sources	709,331	478,269	231,062	477,902
TOTAL REVENUES	3,162,977	2,682,071	480,906	2,462,145
EXPENDITURES:				
Instructional Services:				
Instruction:				
High School	338,425	334,971	3,454	309,951
Adult	29,875	22,593	7,282	20,473
Great Starts	45,571	38,581	6,990	56,639
Total Instruction	413,871	396,145	17,726	387,063
Added Needs:				
Career and Technical Education	351,716	232,252	119,464	284,910
Total Added Needs	351,716	232,252	119,464	284,910
Total Instructional Services	765,587	628,397	137,190	671,973

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2009

	Budget	Actual	Variance	2008
Supporting Services:				
Pupil Services:				
Truancy/Absenteeism Services	28,805	28,642	163	24,147
Social Work Services	47,304	47,304	-	45,792
Other Pupils Services	49,632	46,054	3,578	41,138
Total Pupil Services	125,741	122,000	3,741	111,077
Instructional Staff:				
Improvement of Instruction	660,131	498,260	161,871	527,240
Supervision & Direction	36,560	32,714	3,846	-
Other Instructional Staff Services	603,560	475,386	128,174	503,360
Total Staff Services	1,300,251	1,006,360	293,891	1,030,600
General Administration:				
Board of Education	69,250	61,876	7,374	43,129
Executive Administration	313,620	296,204	17,416	274,445
Total General Administration Services	382,870	358,080	24,790	317,574
Business Services:				
Fiscal Services	257,425	245,954	11,471	230,534
Internal Services	95,095	89,341	5,754	78,512
Other Business Services	27,195	24,254	2,941	25,798
Total Business Services	379,715	359,549	20,166	334,844
Operation and Maintenance	230,208	221,610	8,598	180,358
Central Support Services	76,901	21,667	55,234	11,508
Total Supporting Services	2,495,686	2,089,266	406,420	1,985,961
TOTAL EXPENDITURES	3,261,273	2,717,663	543,610	2,657,934
Excess (deficiency) of revenue over expenditures	(98,296)	(35,592)	(62,704)	(195,789)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(48,793)	(48,793)	-	(49,525)
Other incoming transfers	707,864	637,258	70,606	836,695
Other outgoing transfers	(663,245)	(581,395)	(81,850)	(492,978)
Other transactions	20,000	13,656	6,344	(15,921)
Facilities acquisition	(2,000)	-	(2,000)	(55,653)
Loan payments	(15,030)	(15,029)	(1)	(40,899)
Total other financing sources (uses)	(1,204)	5,697	(6,901)	213,561

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2008</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	<u>\$ (99,500)</u>	(29,895)	<u>\$ (69,605)</u>	17,772
FUND BALANCE, BEGINNING OF YEAR		<u>949,076</u>		<u>931,304</u>
FUND BALANCE, END OF YEAR		<u>\$ 919,181</u>		<u>\$ 949,076</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budget	Actual	Variance	2008
REVENUES:				
Local sources:				
Property tax	\$ 1,893,814	\$ 1,892,791	\$ 1,023	\$ 1,838,711
Interest on delinquent taxes	6,000	8,870	(2,870)	6,703
Earnings from investments and deposits	22,000	22,572	(572)	39,790
Other revenue	88,500	77,577	10,923	107,089
Total local sources	<u>2,010,314</u>	<u>2,001,810</u>	<u>8,504</u>	<u>1,992,293</u>
State sources:				
Restricted - State Aid	1,520,132	1,516,447	3,685	1,341,125
Total state sources	<u>1,520,132</u>	<u>1,516,447</u>	<u>3,685</u>	<u>1,341,125</u>
Federal sources:				
Medicaid Outreach	45,000	24,503	20,497	47,908
State Initiated Preschool Incentive	43,560	43,560	-	44,430
State Initiated EOSD	45,000	45,000	-	45,000
Autism Grant	1,000	1,000	-	2,157
Early On	69,924	69,924	-	71,094
Transition Grant	48,500	44,337	4,163	58,725
Flow Through	1,509,056	1,355,426	153,630	1,291,601
Other federal sources	-	-	-	4,000
Total federal sources	<u>1,762,040</u>	<u>1,583,750</u>	<u>178,290</u>	<u>1,564,915</u>
TOTAL REVENUES	<u>5,292,486</u>	<u>5,102,007</u>	<u>190,479</u>	<u>4,898,333</u>
EXPENDITURES:				
Instructional Services				
Added Needs:				
Special Education	2,080,425	1,855,172	225,253	1,687,604
Supporting Services:				
Pupil Services:				
Health Services	205,470	206,540	(1,070)	168,618
Psychological Services	265,720	267,834	(2,114)	252,791
Speech Pathology and Audiology Services	530,865	527,782	3,083	506,196
Teacher Consultants	546,865	667,359	(120,494)	608,331
Other Pupils Services	116,996	89,521	27,475	80,898
Total Pupil Services	<u>1,665,916</u>	<u>1,759,036</u>	<u>(93,120)</u>	<u>1,616,834</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2008</u>
Staff Services:				
Improvement of Instruction	1,000	1,000	-	17,929
Supervision & Direction	343,939	312,555	31,384	364,482
Total Staff Services	<u>344,939</u>	<u>313,555</u>	<u>31,384</u>	<u>382,411</u>
Office of the Principal	161,395	157,755	3,640	151,980
Other Business Services	72,300	58,671	13,629	35,536
Operation and Maintenance	127,602	108,648	18,954	117,523
Pupil Transportation	430,505	313,405	117,100	285,109
Central Support Services	<u>115,500</u>	<u>101,871</u>	<u>13,629</u>	<u>99,861</u>
Total Supporting Services	<u>2,918,157</u>	<u>2,812,941</u>	<u>105,216</u>	<u>2,689,254</u>
TOTAL EXPENDITURES	<u>4,998,582</u>	<u>4,668,113</u>	<u>330,469</u>	<u>4,376,858</u>
Excess (deficiency) of revenue over expenditures	293,904	433,894	(139,990)	521,475
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	22,000	29,818	(7,818)	31,521
Sale of fixed asset	1,220	1,216	4	-
Facilities acquisition	-	-	-	(156,438)
Other outgoing transfers	(291,600)	(291,522)	(78)	(233,641)
Operating transfer in (out)	<u>(25,524)</u>	<u>(23,524)</u>	<u>(2,000)</u>	<u>(25,047)</u>
Total other financing sources (uses)	<u>(293,904)</u>	<u>(284,012)</u>	<u>(9,892)</u>	<u>(383,605)</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	<u>\$ -</u>	149,882	<u>\$ (149,882)</u>	137,870
FUND BALANCE, BEGINNING OF YEAR		<u>647,124</u>		<u>509,254</u>
FUND BALANCE, END OF YEAR		<u>\$ 797,006</u>		<u>\$ 647,124</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
REGIONAL EDUCATIONAL MEDIA CENTER FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2009

REVENUES:	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2008</u>
Local sources:				
Consortium fees & merchandise sales	\$ 184,332	\$ 199,852	\$ 15,520	\$ 184,361
Earnings on investments and deposits	3,500	3,677	177	5,188
Miscellaneous	325,508	296,931	(28,577)	360,297
Total local sources	<u>513,340</u>	<u>500,460</u>	<u>12,880</u>	<u>549,846</u>
State sources	<u>65,483</u>	<u>65,483</u>	<u>-</u>	<u>82,335</u>
Federal sources:				
Title V	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,140</u>
Total federal sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,140</u>
TOTAL REVENUES	<u>578,823</u>	<u>565,943</u>	<u>(12,880)</u>	<u>635,321</u>
EXPENDITURES:				
Educational media services	293,045	291,875	1,170	236,586
Distance Learning Consortium	<u>1,047,791</u>	<u>1,004,849</u>	<u>42,942</u>	<u>838,796</u>
TOTAL EXPENDITURES	<u>1,340,836</u>	<u>1,296,724</u>	<u>44,112</u>	<u>1,075,382</u>
Excess (deficiency) of revenue over expenditures	(762,013)	(730,781)	(31,232)	(440,061)
OTHER FINANCING SOURCES (USES)				
Transfers from other school districts	575,276	575,235	(41)	542,708
Operating transfers in (out)	<u>67,317</u>	<u>67,317</u>	<u>-</u>	<u>67,272</u>
	<u>642,593</u>	<u>642,552</u>	<u>41</u>	<u>609,980</u>
Excess (deficiency) of revenues and others financing sources over expenditures and other financing uses	<u>\$ (119,420)</u>	<u>(88,229)</u>	<u>\$ (31,191)</u>	<u>169,919</u>
FUND BALANCE, BEGINNING OF YEAR		<u>438,281</u>		<u>268,362</u>
FUND BALANCE, END OF YEAR		<u>\$ 350,052</u>		<u>\$ 438,281</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHOOL FOOD SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budget	Actual	Variance	2008
REVENUES:				
Local sources:				
Adult lunches	\$ 300	\$ 195	\$ 105	\$ 554
Student lunches	400	407	(7)	586
Interest	-	189	(189)	-
Total local sources	<u>700</u>	<u>791</u>	<u>(91)</u>	<u>1,140</u>
State sources	<u>1,400</u>	<u>1,488</u>	<u>(88)</u>	<u>842</u>
Federal sources:				
School lunch program	<u>10,000</u>	<u>10,431</u>	<u>(431)</u>	<u>8,398</u>
Total federal sources	<u>10,000</u>	<u>10,431</u>	<u>(431)</u>	<u>8,398</u>
TOTAL REVENUES	<u>12,100</u>	<u>12,710</u>	<u>(610)</u>	<u>10,380</u>
EXPENDITURES:				
Purchase services	6,800	6,520	280	5,540
Supplies, materials, and other	11,300	9,854	1,446	12,004
TOTAL EXPENDITURES	<u>18,100</u>	<u>16,374</u>	<u>1,726</u>	<u>17,544</u>
Excess (deficiency) of revenue over expenditures	(6,000)	(3,664)	(2,336)	(7,164)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>6,000</u>	<u>5,000</u>	<u>1,000</u>	<u>7,300</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	<u>\$ -</u>	1,336	<u>\$ (1,336)</u>	136
FUND BALANCE, BEGINNING OF YEAR		<u>141</u>		<u>5</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,477</u>		<u>\$ 141</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT

FEDERAL AWARDS PROGRAMS

JUNE 30, 2009



Bruce A. Rukkila, CPA, PC

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

Board of Education
Copper Country Intermediate School District
Hancock, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Intermediate School District as of and for the year then ended June 30, 2009, which collectively comprise the Copper Country Intermediate School District's basic financial statements and have issued our report thereon dated November 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Copper Country Intermediate School District's 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 the Copper Country Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Copper Country Intermediate School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Copper Country Intermediate School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Copper Country Intermediate School District's financial statements is more than inconsequential and will not be prevented or detected by the Copper Country Intermediate School District's internal control.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the District's 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.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 11, 2009



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

Board of Education
Copper Country Intermediate School District
Hancock, Michigan

Compliance

We have audited the compliance of the Copper Country Intermediate School District 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, 2009. The Copper Country Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Copper Country Intermediate School District's management. Our responsibility is to express an opinion on the Copper Country Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Copper Country Intermediate School District's 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 the Copper Country Intermediate School District's compliance with those requirements.

In our opinion, the Copper Country Intermediate School District 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, 2009.

Internal Control Over Compliance

The management of the Copper Country Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Copper Country Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Copper Country Intermediate School District's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Copper Country Intermediate School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of 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.

This report is intended solely for the information and use of the District's 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.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 11, 2009

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Federal Grantor Pass Thru Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2008	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2009	Amount Provided to Sub Recipients
<i>U.S. Department of Education:</i>								
Carol M. White Physical Education Program Q215F050086	84.215F	\$ 592,578	\$ 0	\$ 0	\$ 212,196	\$ 212,196	\$ 0	\$ 125,548
Passed Thru Michigan Department of Education Handicapped Preschool & School Program								
090450 0809 PL 94-142 Flow Thru	84.027	1,248,866	0	0	900,000	1,095,236	195,236	0
080450 0708 PL 94-142 Flow Thru	84.027	1,242,212	62,022	982,022	322,212	260,190	0	0
091340 0190 Infant & Families	84.027	69,924	0	0	69,924	69,924	0	0
090480 EOSD State Initiated/Department	84.027	45,000	0	0	45,000	45,000	0	0
090490 TS Idea State Initiated/Department	84.027	43,000	0	0	43,000	43,000	0	0
		<u>2,649,002</u>	<u>62,022</u>	<u>982,022</u>	<u>1,380,136</u>	<u>1,513,350</u>	<u>195,236</u>	<u>0</u>
090460 0809 Pre-School	84.173	43,560	0	0	43,560	43,560	0	0
Federal Safe & Drug Free Schools								
082860 0708	84.186	50,904	5,777	46,477	10,204	4,427	0	0
092860 0809	84.186	38,760	0	0	9,000	17,534	8,534	0
		<u>89,664</u>	<u>5,777</u>	<u>46,477</u>	<u>19,204</u>	<u>21,961</u>	<u>8,534</u>	<u>0</u>
Title IIB 082410 MSPF2008	84.366B	125,000	0	0	50,000	73,468	23,468	0
Title IIA Teacher Quality Form	84.367	526	0	0	526	526	0	0
Total Michigan Department of Education		<u>2,907,752</u>	<u>67,799</u>	<u>1,028,499</u>	<u>1,493,426</u>	<u>1,652,865</u>	<u>227,238</u>	<u>0</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009
(Continued)

Federal Grantor Pass Thru Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2008	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2009	Amount Provided to Sub Recipients
Passed Thru Gogebic-Ontonagon ISD								
Tech Prep	84.243	29,418	0	0	29,418	29,418	0	0
Vocational Education - Perkins III	84.048	69,070	0	0	69,070	69,070	0	0
Total Gogebic-Ontonagon ISD		<u>98,488</u>	<u>0</u>	<u>0</u>	<u>98,488</u>	<u>98,488</u>	<u>0</u>	<u>0</u>
Passed Thru Marquette Alger RESA								
UP Cares Grant - Autism Project	84.027A	3,752	1,752	2,157	2,004	1,000	748	0
Science, Math & Environmental	84.323A	6,200	6,200	6,200	6,200	4,984	0	0
Classrooms that Click	84.318	26,262	13,347	23,618	13,347	0	0	0
		<u>36,214</u>	<u>21,299</u>	<u>31,975</u>	<u>21,551</u>	<u>5,984</u>	<u>748</u>	<u>0</u>
Passed Thru Dickinson-Iron ISD								
Building Bridges	84.215X	30,328	3,494	4,417	6,548	3,054	0	0
Passed Thru Michigan Rehabilitation								
TS Idea State Initiated/Department	84.027	1,337	0	0	1,337	1,337	0	0
Total U.S. Department of Education		<u>3,666,697</u>	<u>92,592</u>	<u>1,064,891</u>	<u>1,833,546</u>	<u>1,973,924</u>	<u>227,986</u>	<u>125,548</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009
(Continued)

Federal Grantor Pass Thru Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2008	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2009	Amount Provided to Sub Recipients
<i>U.S. Department of Agriculture:</i>								
Passed Thru Michigan Dept of Education								
National School Lunch Program								
81950 Section 4 - All Lunches	10.555	91	0	0	91	91	0	0
91950 Section 4 - All Lunches	10.555	598	0	0	598	598	0	0
81960 Section 11 - Free & Reduced	10.555	651	0	0	651	651	0	0
91960 Section 11 - Free & Reduced	10.555	5,132	0	0	4,930	5,132	202	0
		<u>6,472</u>	<u>0</u>	<u>0</u>	<u>6,270</u>	<u>6,472</u>	<u>202</u>	<u>0</u>
81970 Breakfast	10.553	402	0	0	402	402	0	0
91970 Breakfast	10.553	3,028	0	0	2,882	3,028	146	0
		<u>3,430</u>	<u>0</u>	<u>0</u>	<u>3,284</u>	<u>3,430</u>	<u>146</u>	<u>0</u>
Food Distributions- Entitlement Commodities	10.550	529	0	0	529	529	0	0
Total U.S. Department of Agriculture		<u>10,431</u>	<u>0</u>	<u>0</u>	<u>10,083</u>	<u>10,431</u>	<u>348</u>	<u>0</u>
<i>U.S. Department of the Interior:</i>								
Keweenaw National Historical Park	15.999	<u>15,700</u>	<u>(4,854)</u>	<u>0</u>	<u>0</u>	<u>803</u>	<u>(4,051)</u>	<u>0</u>
<i>U.S. Department of Labor:</i>								
Passed Thru Western U.P. Manpower Consortium								
Workforce Investment Act (WIA)	17.250	<u>20,612</u>	<u>2,762</u>	<u>0</u>	<u>16,712</u>	<u>13,950</u>	<u>0</u>	<u>0</u>
Passed Thru Public Consulting Group								
Medicaid Outreach	93.778	<u>24,503</u>	<u>0</u>	<u>0</u>	<u>24,503</u>	<u>24,503</u>	<u>0</u>	<u>0</u>
<i>Corporation of National and Community Service:</i>								
Passed Thru Michigan Community Service								
Learn and Serve	94.004	<u>24,500</u>	<u>(4,761)</u>	<u>0</u>	<u>38,697</u>	<u>48,839</u>	<u>5,381</u>	<u>0</u>
TOTALS		<u>\$ 3,762,443</u>	<u>\$ 85,739</u>	<u>\$ 1,064,891</u>	<u>\$ 1,923,541</u>	<u>\$ 2,072,450</u>	<u>\$ 229,664</u>	<u>\$ 125,548</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
PROVIDED TO SUB-RECIPIENTS
Year Ended June 30, 2009

Program Title/Sub-recipients	CFDA Number	Grant Award	Amount Transferred
Carol M. White Physical Education Program	84.215F		
Adams Township School District		\$ 6,750	\$ 6,750
All Saints Catholic Academy		2,000	2,000
Arvon Township School District		2,038	2,038
Baraga Area Schools		4,370	4,370
Bessemer Area Schools		8,522	8,522
Calumet Public Schools		9,670	9,670
Chassell Township Schools		3,434	3,434
Dollar Bay-Tamarack City Area Schools		6,073	6,073
Elm River Township School District		2,071	2,071
Ewen-Trout Creek School		3,448	3,448
Grant Township Schools		2,024	2,024
Hancock Public Schools		8,935	8,935
Houghton-Portage Township School District		8,340	8,340
Ironwood Area Schools		9,963	9,963
L'Anse Area Schools		10,798	10,798
Lake Linden-Hubbell Public Schools		7,187	7,187
Ontonagon Area School District		4,622	4,622
Sacred Heart School		2,000	2,000
Stanton Township Public Schools		5,302	5,302
Wakefield-Marenisco School		3,372	3,372
Watersmeet Township School District		8,379	8,379
Western UP Health Department		6,250	6,250
		<u>\$ 125,548</u>	<u>\$ 125,548</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - June 30, 2009

NOTE A - OVERSIGHT AGENCY

The U. S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the school's expenditures of federal awards.

NOTE B - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C - FINAL COST REPORT - FORM DS4044

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year grants were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 18 of these financial statements is \$2,072,450. The amounts reported as current payments on the MDE grant reports reconcile with the Schedule of Expenditures of Federal Awards as follows:

Total paid during date range per MDE reports	\$	1,502,980
Prior year accrued/deferred grant revenue		(67,799)
Payments received through other sources		409,683
Accrued/deferred grant revenue		227,586
Schedule of Expenditures of Federal Awards	\$	<u>2,072,450</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	P.L. 94-142 - Flow Through/State Initiated/Pre-School

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.