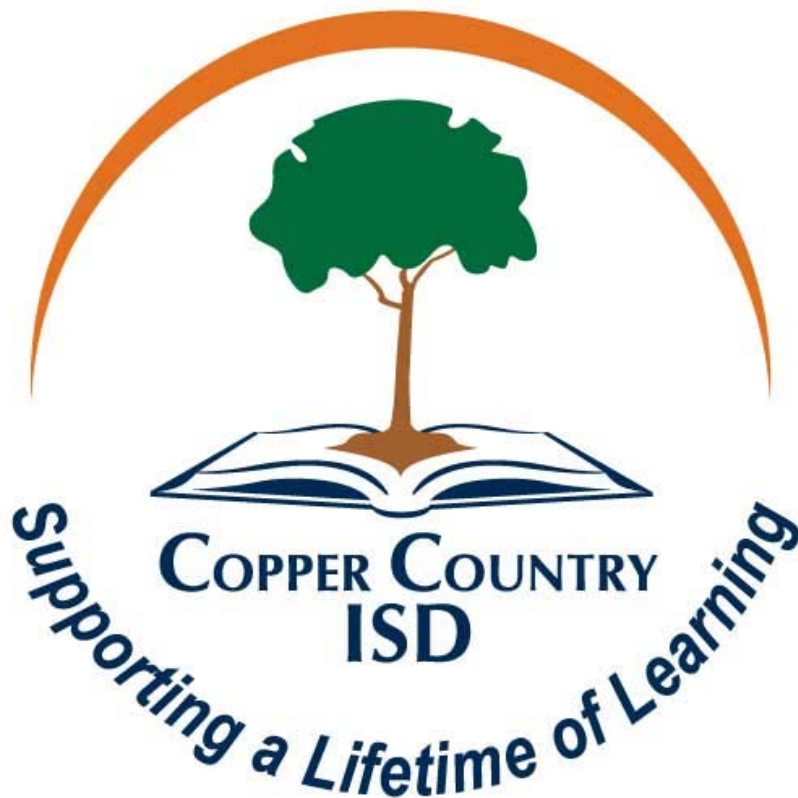


**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
HANCOCK, MICHIGAN**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL FINANCIAL INFORMATION**

June 30, 2011





COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT

JUNE 30, 2011

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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RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, P C

310 Sheldon Avenue, Houghton, Michigan 49931

906.482.6601 906.482.9046 fax www.rukkilanegro.com

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, 2011, 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, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 14 and 31 through 33, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Copper Country Intermediate School District's financial statements as a whole. The additional information on pages 35 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. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

November 15, 2011

**Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2011**

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, 2011. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Overview

- During the 2010-11 fiscal year, the Copper Country Intermediate School District's financial status remained stable, and improved in the general fund and special education, when compared to last year's financial position.
- During the 2010-11 fiscal year, the Special Education Department continued to operate classrooms in the local area schools, along with Goodwill Industries, Inc.
- The CCISD continued agreements with three local school districts to provide business services.
- The District is in its third year of agreement with CC Education Support Personnel.
- Special Education distributed American Recovery and Reinvestment Act (ARRA) stabilization funds to locals to offset special education cost locally.
- The District remodeled two rooms to be used as conference rooms with improved technology.
- The District negotiated a two year agreement with its Copper Country Education Association unit.
- The District transferred the operation of Alternative Education to a local district.
- REMC #1 continues to offer technology services throughout the Upper Peninsula. Following are some of the accomplishments:
 - Replaced the Unified Threat Management system firewall with 2 larger units, providing failover, better stability, more features, and additional capacity.
 - Worked with Adams Township Schools to develop a plan for their technology needs, and begin implementation of that plan after the bond passed (as the lead technology integrator on the project).
 - Made preparations for connecting to Dickinson-Iron ISD (and their local districts) to provide network services beginning July 1, 2011.

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.

Overview of the Financial Statements (Continued)

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.

- 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 Debt 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. The Debt Service Fund is the only non-major fund.

- 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 REMC Funds.

**Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2011**

Summary of Net Assets

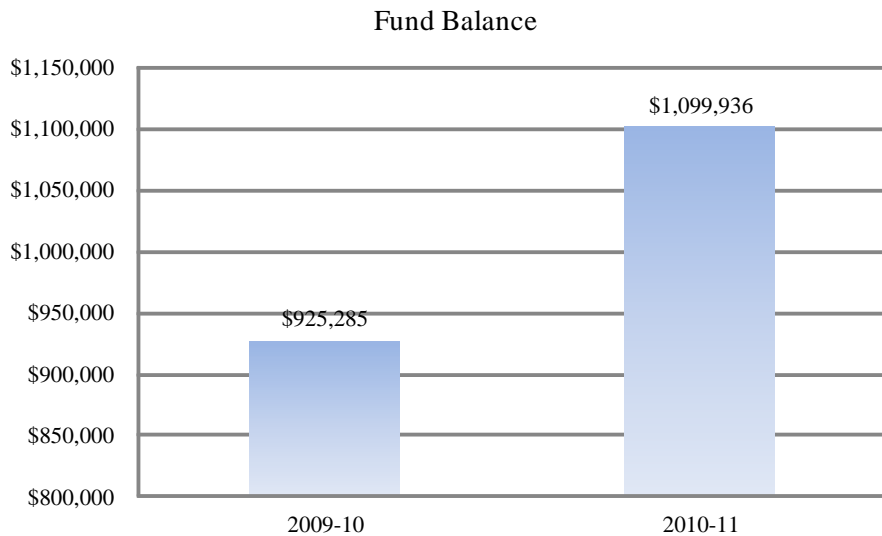
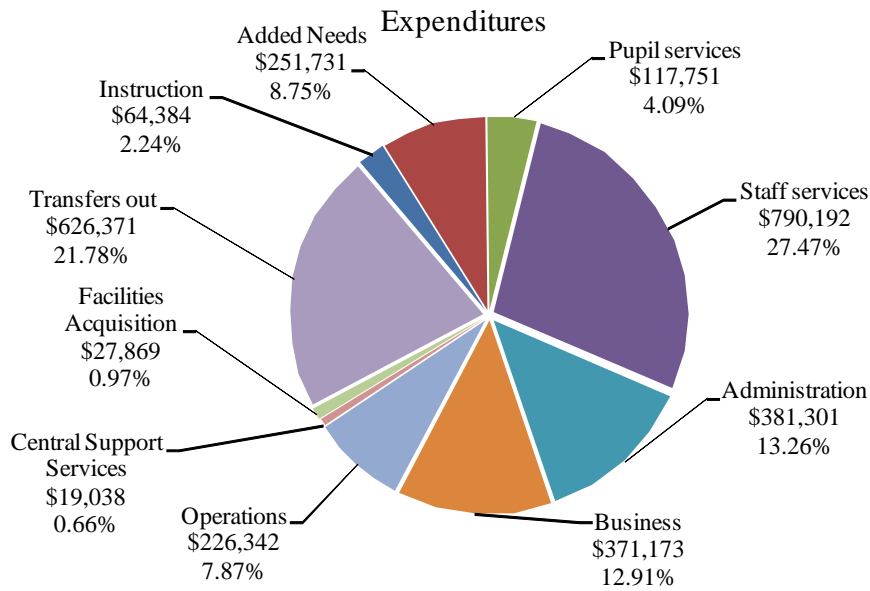
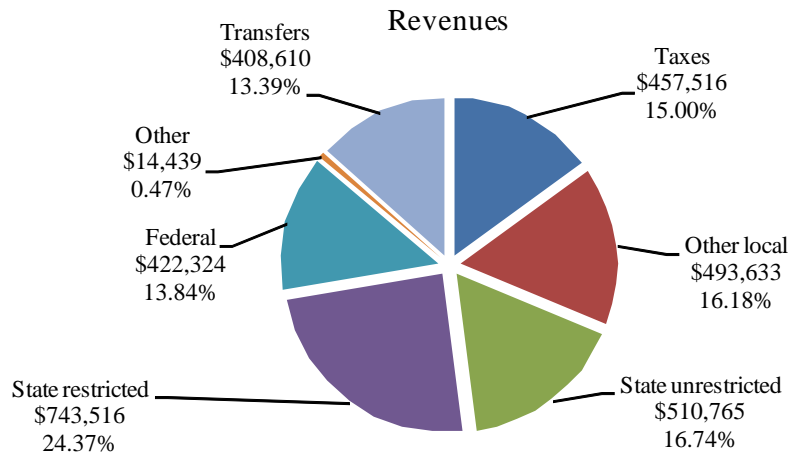
| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current and other assets | \$ 4,103,839 | \$ 3,518,441 |
| Capital assets - Net of accumulated depreciation | 1,737,051 | 1,892,886 |
| Total Assets | <u>\$ 5,840,890</u> | <u>\$ 5,411,327</u> |
| Liabilities | | |
| Current liabilities | \$ 1,175,418 | \$ 1,143,710 |
| Long-term liabilities | 551,851 | 622,631 |
| Total Liabilities | <u>1,727,269</u> | <u>1,766,341</u> |
| Net Assets | | |
| Invested in property and equipment - net of related debt | 1,677,042 | 1,804,900 |
| Restricted for special education | 1,573,196 | 1,128,804 |
| Restricted for REMC | 285,991 | 351,346 |
| Unrestricted | 577,392 | 359,936 |
| Total net assets | <u>4,113,621</u> | <u>3,644,986</u> |
| Total Liabilities and Net Assets | <u>\$ 5,840,890</u> | <u>\$ 5,411,327</u> |

Results of Operations in Governmental Activities

| | <u>2011</u> | <u>2010</u> |
|-----------------------------------|---------------------|---------------------|
| Program Revenue: | | |
| Charges for services | \$ 658,299 | \$ 1,087,966 |
| Grants and contributions | 5,028,336 | 5,145,045 |
| General Revenue: | | |
| Property taxes | 2,518,668 | 2,482,965 |
| State foundation allowance | 566,841 | 511,990 |
| Other | 609,080 | 165,375 |
| Total Revenue | <u>9,381,224</u> | <u>9,393,341</u> |
| Functions/Program Expenses | | |
| Instruction | 2,430,297 | 2,502,310 |
| Support services | 4,956,603 | 5,185,104 |
| Regional Educational Media Center | 1,522,962 | 1,412,234 |
| Interest on long-term debt | 2,727 | 3,999 |
| Total Expenses | <u>8,912,589</u> | <u>9,103,647</u> |
| Change in Net Assets | 468,635 | 289,694 |
| Net Assets - Beginning | 3,644,986 | 3,355,292 |
| Net Assets - Ending | <u>\$ 4,113,621</u> | <u>\$ 3,644,986</u> |

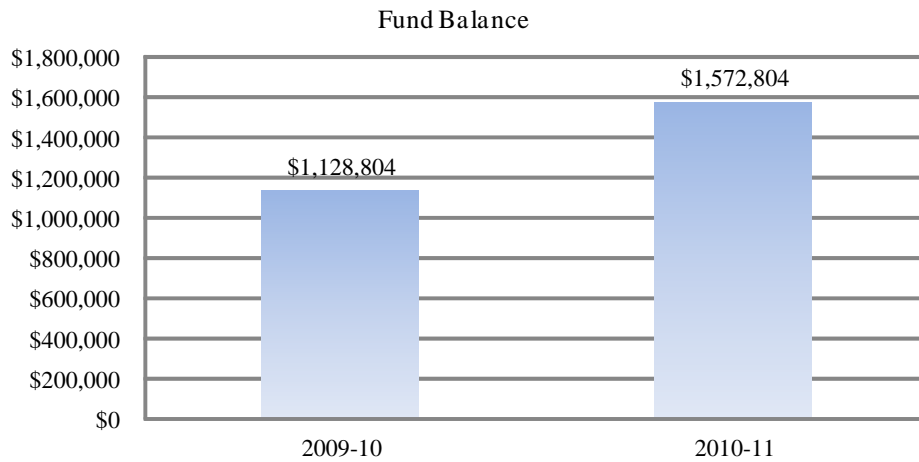
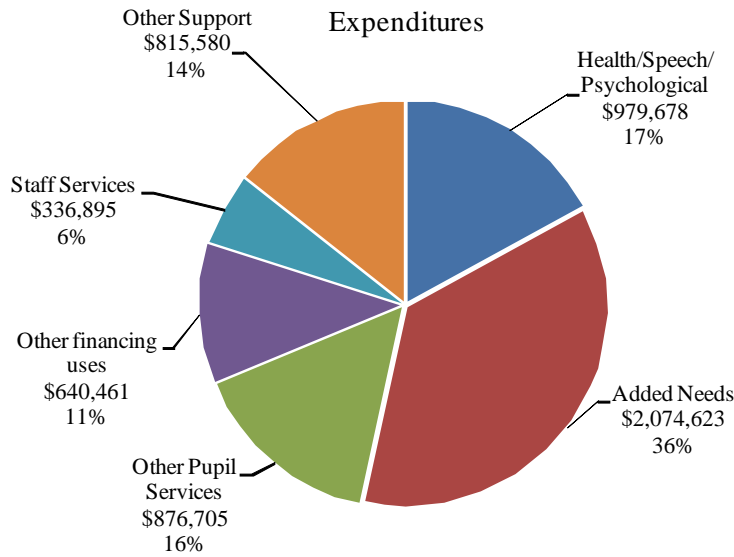
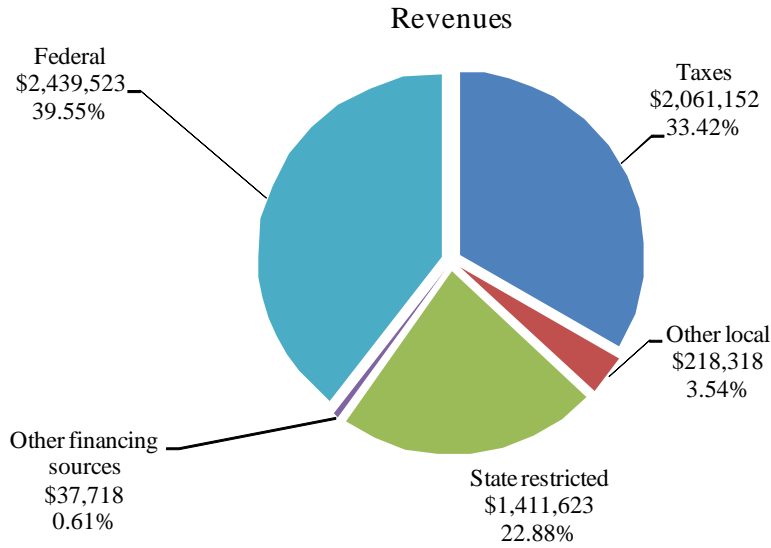
**Copper Country Intermediate School District
 Management's Discussion and Analysis
 June 30, 2011**

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



**Copper Country Intermediate School District
 Management's Discussion and Analysis
 June 30, 2011**

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



**Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2011**

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 | \$ 3,050,803 | \$ 3,110,825 | \$ (60,022) |
| Expenditures/Transfers | \$ 2,876,152 | \$ 3,104,721 | \$ (228,569) |
| Fund Balance | \$ 1,099,936 | \$ 925,285 | \$ 174,651 |
| Special Education Fund: | | | |
| Revenues/Transfers | \$ 6,167,942 | \$ 6,145,324 | \$ 22,618 |
| Expenditures/Transfers | \$ 5,723,942 | \$ 5,813,526 | \$ (89,584) |
| Fund Balance | \$ 1,572,804 | \$ 1,128,804 | \$ 444,000 |
| REMC Fund: | | | |
| Revenues/Transfers | \$ 1,401,997 | \$ 1,361,677 | \$ 40,320 |
| Expenditures/Transfers | \$ 1,467,352 | \$ 1,360,383 | \$ 106,969 |
| Fund Balance | \$ 285,991 | \$ 351,346 | \$ (65,355) |

General Fund - The revenue and expenditures reduced due to elimination of alternative education.

Special Education Fund - Special revenue and expenditures remained stable.

REMC - Revenues and expenditures increased due to an increase number of governmental units being served.

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, 2011, the original budget was adopted on June 18, 2010. 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.

GENERAL FUND

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with final budget</u> | <u>% Variance</u> |
|--------------------------------|----------------------------|-------------------------|---------------|---|-----------------------|
| Revenues | \$ 2,940,203 | \$ 2,939,833 | \$ 2,627,754 | \$ (312,079) | -11.9% |
| Expenditures | | | | | |
| Instruction | \$ 423,187 | \$ 478,804 | \$ 316,115 | \$ 162,689 | 51.5% |
| Supporting services | 2,294,356 | 2,211,946 | 1,905,797 | 306,149 | 16.1% |
| Total expenditures | \$ 2,717,543 | \$ 2,690,750 | \$ 2,221,912 | \$ 468,838 | 21.1% |
| Other financing sources (uses) | \$ (222,660) | \$ (249,083) | \$ (231,191) | \$ (17,892) | 7.7% |

**Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2011**

Budgetary Highlights (Continued)

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, Early Childhood Investment Corporation, and Career Tech Education. Some of these grants have been deferred at year end.

SPECIAL EDUCATION

| | Original Budget | Final Budget | Actual | Variance with final budget | % |
|--------------------------------|--------------------|-----------------|--------------|----------------------------------|----------|
| | | | | | Variance |
| Revenues | \$ 6,224,164 | \$ 6,205,578 | \$ 6,130,616 | \$ (74,962) | -1.2% |
| Expenditures | | | | | |
| Instruction | \$ 2,174,521 | \$ 2,421,643 | \$ 2,074,623 | \$ 347,020 | 16.7% |
| Supporting services | 3,436,168 | 3,185,073 | 3,008,858 | 176,215 | 5.9% |
| Total expenditures | \$ 5,610,689 | \$ 5,606,716 | \$ 5,083,481 | \$ 523,235 | 10.3% |
| Other financing sources (uses) | \$ (613,475) | \$ (598,862) | \$ (602,743) | \$ 3,881 | -0.6% |

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 | \$ 336,068 | \$ 738,316 | \$ 725,129 | \$ (13,187) | -1.8% |
| Expenditures | | | | | |
| Education media services | \$ 274,200 | \$ 308,365 | \$ 296,835 | \$ 11,530 | 3.9% |
| Distance Learning Consortium | 1,133,935 | 1,295,685 | 1,170,517 | 125,168 | 10.7% |
| Total expenditures | \$ 1,408,135 | \$ 1,604,050 | \$ 1,467,352 | \$ 136,698 | 9.3% |
| Other financing sources (uses) | \$ 1,013,137 | \$ (157,000) | \$ 676,868 | \$ (833,868) | -123.2% |

The variances in expenditures were due to capital projects not being completed by year end.

Capital Assets and Debt Administration

Capital Assets: The District's net investment in capital assets decreased by \$155,834 during the fiscal year. Additions included computer equipment, room improvements, and a dodge van. Disposals included office and computer equipment, and computers. No debt was issued for these additions.

Additional information on the District's capital assets can be found on page 25 of this report.

Long-term Debt: At the end of the current fiscal year, the District's total debt was \$653,335. This total amount is backed by the full faith and credit of the District. The District's total long-term debt was decreased by \$70,782 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 \$57,282.

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, 2011

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS: | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 2,599,114 |
| Investments | 174,448 |
| Taxes receivable | 152,390 |
| Accounts receivable | 85,114 |
| Prepaid expense | 1,737 |
| Other assets | 9,800 |
| Due from other governmental units | <u>1,080,844</u> |
| TOTAL CURRENT ASSETS | <u>4,103,447</u> |
| NON-CURRENT ASSETS: | |
| Capital assets | 5,291,290 |
| Less: Accumulated depreciation | <u>(3,554,239)</u> |
| TOTAL NON-CURRENT ASSETS | <u>1,737,051</u> |
| TOTAL ASSETS | <u>\$ 5,840,498</u> |
| LIABILITIES: | |
| CURRENT LIABILITIES: | |
| Accounts payable | \$ 289,024 |
| Accrued expenses | 241,270 |
| Accrued interest | 2,727 |
| Deferred revenue | 599,275 |
| Other liabilities | 15,147 |
| Bonds payable within one year | <u>27,975</u> |
| TOTAL CURRENT LIABILITIES | <u>1,175,418</u> |
| NON-CURRENT LIABILITIES: | |
| Bonds payable, due in more than one year | 29,307 |
| Compensated absences | <u>522,544</u> |
| TOTAL NON-CURRENT LIABILITIES | <u>551,851</u> |
| TOTAL LIABILITIES | <u>1,727,269</u> |
| NET ASSETS: | |
| Invested in capital assets, net of related debt | 1,677,042 |
| Restricted for: | |
| Special Education | 1,572,804 |
| REMC | 285,991 |
| Unrestricted | <u>577,392</u> |
| TOTAL NET ASSETS | <u>4,113,229</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,840,498</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, 2011

| | 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 | \$ 2,430,297 | \$ 448,829 | \$ 4,042,083 | \$ 2,060,615 |
| Support services | 4,956,603 | - | 986,253 | (3,970,350) |
| Regional Educational Media Center | 1,522,962 | 209,470 | - | (1,313,492) |
| Interest on long-term debt | 2,727 | - | - | (2,727) |
| | <u>\$ 8,912,589</u> | <u>\$ 658,299</u> | <u>\$ 5,028,336</u> | <u>(3,225,954)</u> |
| Total Governmental Activities | | | | |
| General Revenues: | | | | |
| Taxes | | | | |
| Property taxes, levied for general operations | | | | 2,473,571 |
| Other taxes | | | | 45,097 |
| State school aid - unrestricted | | | | 566,841 |
| Interest and investment earnings | | | | 51,233 |
| Other | | | | 711,473 |
| Gain (loss) on disposal of assets | | | | (3,782) |
| Transfers | | | | (150,236) |
| Total general revenues and transfers | | | | 3,694,197 |
| Change in Net Assets | | | | 468,243 |
| Net Assets - Beginning | | | | 3,644,986 |
| Net Assets - Ending | | | | \$ 4,113,229 |

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, 2011

| | <u>General</u> | <u>Special Education</u> | <u>REMC</u> | <u>Non-major Governmental Debt Service</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|------------------------------|--------------------------|--|---|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 1,172,417 | \$ 1,179,320 | \$ 247,377 | \$ - | \$ 2,599,114 |
| Investments | 17,804 | 156,644 | - | - | 174,448 |
| Taxes receivable | 23,517 | 128,873 | - | - | 152,390 |
| Accounts receivable | 65,158 | 6,611 | 13,345 | - | 85,114 |
| Prepaid expense | - | 1,737 | - | - | 1,737 |
| Other assets | 9,800 | - | - | - | 9,800 |
| Due from other governmental units | 304,438 | 766,882 | 9,524 | - | 1,080,844 |
| Due from other funds | 207,145 | - | 68,984 | - | 276,129 |
| TOTAL ASSETS | <u>\$ 1,800,279</u> | <u>\$ 2,240,067</u> | <u>\$ 339,230</u> | <u>\$ -</u> | <u>\$ 4,379,576</u> |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 211,999 | \$ 77,025 | \$ - | \$ - | \$ 289,024 |
| Accrued expenses | 38,514 | 199,167 | 3,589 | - | 241,270 |
| Due to other funds | 50,078 | 176,401 | 49,650 | - | 276,129 |
| Deferred revenue | 384,605 | 214,670 | - | - | 599,275 |
| Other liabilities | 15,147 | - | - | - | 15,147 |
| TOTAL LIABILITIES | <u>700,343</u> | <u>667,263</u> | <u>53,239</u> | <u>-</u> | <u>1,420,845</u> |
| FUND BALANCES: | | | | | |
| Nonspendable | - | 1,737 | - | - | 1,737 |
| Restricted | - | 1,571,067 | 285,991 | - | 1,857,058 |
| Unassigned | 1,099,936 | - | - | - | 1,099,936 |
| TOTAL FUND BALANCES | <u>1,099,936</u> | <u>1,572,804</u> | <u>285,991</u> | <u>-</u> | <u>2,958,731</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,800,279</u> | <u>\$ 2,240,067</u> | <u>\$ 339,230</u> | <u>\$ -</u> | |

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. | 1,737,051 |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. | (579,826) |
| Accrued interest is not included as a liability in governmental funds | <u>(2,727)</u> |
| Net assets of governmental activities | <u>\$ 4,113,229</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, 2011

| | General | Special Education | REMC | Non-major <u>Governmental</u> Debt Service | Totals |
|--|---------------------|----------------------|-------------------|--|------------------|
| REVENUES: | | | | | |
| Local sources | \$ 951,149 | \$ 2,279,078 | \$ 672,747 | \$ - | \$ 3,902,974 |
| State sources | 1,254,281 | 1,411,623 | 52,382 | 30,704 | 2,748,990 |
| Federal sources | 422,324 | 2,439,523 | - | - | 2,861,847 |
| Total revenues | <u>2,627,754</u> | <u>6,130,224</u> | <u>725,129</u> | <u>30,704</u> | <u>9,513,811</u> |
| EXPENDITURES: | | | | | |
| Instruction | 316,115 | 2,074,623 | - | - | 2,390,738 |
| Supporting services | 1,905,797 | 3,008,858 | - | - | 4,914,655 |
| Debt service | - | - | - | 30,704 | 30,704 |
| REMC | - | - | 1,467,352 | - | 1,467,352 |
| Total expenditures | <u>2,221,912</u> | <u>5,083,481</u> | <u>1,467,352</u> | <u>30,704</u> | <u>8,803,449</u> |
| Excess (deficiency) of revenue over expenditures | <u>405,842</u> | <u>1,046,743</u> | <u>(742,223)</u> | <u>-</u> | <u>710,362</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Operating transfers in (out) | (50,078) | (18,906) | 68,984 | - | - |
| Other incoming transfers | 408,610 | 31,118 | 607,884 | - | 1,047,612 |
| Other outgoing transfers | (576,293) | (621,555) | - | - | (1,197,848) |
| Other transactions | 14,439 | 6,600 | - | - | (21,039) |
| Facilities acquisition | (27,869) | - | - | - | (27,869) |
| Total other financing sources (uses) | <u>231,191</u> | <u>(602,743)</u> | <u>676,868</u> | <u>-</u> | <u>157,066</u> |
| NET CHANGE IN FUND BALANCE | 174,651 | 444,000 | (65,355) | - | 553,296 |
| FUND BALANCES - BEGINNING OF YEAR | <u>925,285</u> | <u>1,128,804</u> | <u>351,346</u> | <u>-</u> | |
| FUND BALANCES - END OF YEAR | <u>\$ 1,099,936</u> | <u>\$ 1,572,804</u> | <u>\$ 285,991</u> | <u>\$ -</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 | (155,835) |
| Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid | 44,077 |
| 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>26,705</u> |
| Changes in net assets of governmental activities | <u>\$ 468,243</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, 2011**

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; 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, 2011**

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 judgements, 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 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, 2011**

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, 2011, the foundation allowance was based on pupil membership counts taken in February and September of 2010.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The State revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2011. Thus, the unpaid portion at June 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, 2011, the District levied the following amounts per \$1,000 of assessed valuation:

| <u>Fund</u> | <u>Mills</u> |
|-------------------|--------------|
| General fund | 3.99 |
| Special education | 1.9424 |

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, 2011

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 |

Denise updated accrued benefits

Accrued Benefits – The liabilities for accrued benefits reported in the district wide statements in the amount of \$522,544, 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, 2011 is \$423,402.

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, 2011 is \$99,142.

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 Balance - The District adopted the provisions of GASB Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, in the current year. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is presented on the face of the balance sheet.

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either a.) Not in spendable form, or b.) Legally or contractually require to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. *Committed fund balance*, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

Reclassification - Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011**

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.

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 | \$ 2,599,114 |
| Investments | 174,448 |
| Total deposits and investments | \$ 2,773,562 |

As of June 30, 2011 the District had the following investments:

| Investment Type | Fair Value | Rating |
|-----------------|------------|--------|
| MILAF - MIMAX | \$ 174,448 | 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.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011**

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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, 2011, \$1,843,660 of the District's bank balance of \$2,705,337 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.

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.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011**

NOTE D - CAPITAL ASSETS

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

| | Balance 06/30/10 | Additions | Deletions | Balance 06/30/11 |
|-----------------------------------|---------------------|-------------------|------------------|---------------------|
| Land | \$ 50,000 | \$ - | \$ - | \$ 50,000 |
| Building | 1,990,467 | - | - | 1,990,467 |
| Building improvements | 922,103 | - | - | 922,103 |
| Site improvements | 119,845 | - | - | 119,845 |
| Equipment, furniture and fixtures | 1,730,178 | 84,745 | 98,277 | 1,716,646 |
| Vehicles | 79,854 | 11,800 | - | 91,654 |
| School buses | 400,574 | - | - | 400,574 |
| Subtotal | <u>5,293,021</u> | <u>\$ 96,545</u> | <u>\$ 98,277</u> | <u>5,291,289</u> |
| Accumulated depreciation: | | | | |
| Buildings | 1,346,659 | \$ 31,525 | \$ - | 1,378,184 |
| Building improvements | 390,059 | 38,064 | - | 428,123 |
| Site improvements | 68,031 | 6,202 | - | 74,233 |
| Equipment, furniture and fixtures | 1,312,449 | 138,760 | 94,496 | 1,356,713 |
| Vehicles | 46,363 | 8,090 | - | 54,453 |
| School buses | 236,575 | 25,957 | - | 262,532 |
| | <u>3,400,136</u> | <u>\$ 248,598</u> | <u>\$ 94,496</u> | <u>3,554,238</u> |
| Net capital assets | <u>\$ 1,892,885</u> | | | <u>\$ 1,737,051</u> |

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

| | |
|---------------------|-------------------|
| General Fund | |
| Instructional | \$ 54,229 |
| Supporting services | 26,248 |
| Special Education | |
| Instructional | 12,012 |
| Supporting Services | 15,081 |
| Transportation | 27,355 |
| REMC | 113,673 |
| Total | <u>\$ 248,598</u> |

NOTE E - RECEIVABLES

Receivables and due from governmental units at June 30, 2011 that are expected to be collected within one year consist of the following:

| | General | Special Education | REMC | Total |
|--------------------|-------------------|----------------------|------------------|---------------------|
| Governmental units | \$ 304,438 | \$ 766,882 | \$ 9,524 | \$ 1,080,844 |
| Local | 88,675 | 135,484 | 13,345 | 237,504 |
| | <u>\$ 393,113</u> | <u>\$ 902,366</u> | <u>\$ 22,869</u> | <u>\$ 1,318,348</u> |

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011**

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, 2011 are as follows:

| <u>Fund</u> | <u>Inter-fund Receivable</u> | <u>Fund</u> | <u>Inter-fund Payable</u> |
|-------------|----------------------------------|-------------------|-------------------------------|
| General | \$ 207,145 | General | \$ 50,078 |
| REMC | 68,984 | Special Education | 176,401 |
| | | REMC | 49,650 |
| TOTAL | <u>\$ 276,129</u> | TOTAL | <u>\$ 276,129</u> |

| <u>Fund</u> | <u>Transfer In</u> | <u>Fund</u> | <u>Transfer Out</u> |
|-------------|--------------------|-------------------|---------------------|
| REMC | \$ 68,984 | General | \$ 50,078 |
| | | Special Education | 18,906 |
| TOTAL | <u>\$ 68,984</u> | TOTAL | <u>\$ 68,984</u> |

NOTE G - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2011, 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 | \$ 211,999 | \$ 77,025 | \$ - | \$ 289,024 |
| Salaries payable | 34,770 | 194,023 | 2,797 | 231,590 |
| Accrued expenses | 3,744 | 5,144 | 792 | 9,680 |
| Total accounts payable and accrued liabilities | <u>\$ 250,513</u> | <u>\$ 276,192</u> | <u>\$ 3,589</u> | <u>\$ 530,294</u> |

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 2010, 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.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011**

NOTE H - LONG TERM DEBT (Continued)

| Fiscal Year | May 15 | May 15 | Total |
|-------------|-----------------|------------------|------------------|
| | Interest | Principal | |
| 2011-2012 | \$ 2,727 | \$ 27,975 | \$ 30,702 |
| 2012-2013 | 1,395 | 29,307 | 30,702 |
| | <u>\$ 4,122</u> | <u>\$ 57,282</u> | <u>\$ 61,404</u> |

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

| | Balance | | Increase | Decrease | Balance | | Current Portion |
|------------------|-------------------|-------------|------------------|-------------------|---------------|--|-----------------|
| | June 30, 2010 | | | | June 30, 2011 | | |
| Durant Bond | \$ 83,987 | \$ - | \$ 26,705 | \$ 57,282 | \$ 27,975 | | |
| Accrued Interest | 3,999 | - | 1,272 | 2,727 | | | |
| Accrued Benefits | 565,349 | - | 42,805 | 522,544 | | | |
| TOTAL | <u>\$ 653,335</u> | <u>\$ -</u> | <u>\$ 70,782</u> | <u>\$ 582,553</u> | | | |

As of June 30, 2011, the aggregate maturities of long-term debt are as follows:

| Fiscal Year | Interest | Principal | Total |
|-------------|-----------------|------------------|------------------|
| 2011-2012 | \$ 2,727 | \$ 27,975 | \$ 30,702 |
| 2012-2013 | 1,395 | 29,307 | 30,702 |
| TOTAL | <u>\$ 4,122</u> | <u>\$ 57,282</u> | <u>\$ 61,404</u> |

NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

The retirement system is a tiered plan. Employees participate in either the Basic Plan, the Member Investment Plan (MIP), or the Hybrid 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>.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011**

NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

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.

Employees hired on or after July 1, 2010 are enrolled in a new pension plan, the Pension Plus Plan, with a blending of defined benefit and defined contribution components. Under this plan, employees would not be able to receive pension payments until age 60, and would be required to have worked at least ten years as a public school employee. The employee contributes \$510 annually, plus 7.3% of salary above \$15,000. Additionally, the employer matches member contributions at a rate of 50% of the employee's first 2% of salary contribution. The employee is able to contribute more than the 2% of salary, but employer contributions do not exceed 1% of total salary deposited.

The rates for the year ended June 30, 2011 were 16.94% of covered compensation through September 30, 2010 and 20.66% for the remainder of the year for MIP members, and 19.16% for the Pension Plus Plan members. 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 MPSERS for the years ended June 30, 2011, 2010, and 2009, were \$713,972, \$667,913, and \$631,963 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 MPSERS 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, 2011**

NOTE J - 403(b) RETIREMENT PLAN

In 2010-11 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, 2011, the amount of these liabilities was \$15,147. This liability is the District's best estimate based on information available.

Changes in the reported liability since June 30, 2011, resulted from the following:

| | | |
|--|----|---------------|
| Liability at June 30, 2010 | \$ | 20,456 |
| Current year claims and changes in estimates | | 57,714 |
| Claim payments | | (63,023) |
| Liability at June 30, 2011 | \$ | <u>15,147</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, 2011, 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, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual (GAAP Basis)</u> | <u>Variance Final to Actual</u> |
|--|-------------------------|------------------|--------------------------------|-------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Local sources | \$ 947,761 | \$ 880,563 | \$ 951,149 | \$ 70,586 |
| State sources | 1,492,143 | 1,654,204 | 1,254,281 | (399,923) |
| Federal sources | 500,299 | 405,066 | 422,324 | 17,258 |
| TOTAL REVENUE | <u>2,940,203</u> | <u>2,939,833</u> | <u>2,627,754</u> | <u>(312,079)</u> |
| EXPENDITURES: | | | | |
| Instruction | 423,187 | 478,804 | 316,115 | 162,689 |
| Supporting services | 2,294,356 | 2,211,946 | 1,905,797 | 306,149 |
| TOTAL EXPENDITURES | <u>2,717,543</u> | <u>2,690,750</u> | <u>2,221,912</u> | <u>468,838</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 222,660 | 249,083 | 405,842 | 156,759 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in (out) | - | (50,078) | (50,078) | - |
| Transfers from other districts | 437,098 | 471,824 | 408,610 | (63,214) |
| Transfers to other districts | (659,758) | (632,829) | (576,293) | 56,536 |
| Other transactions and transfers | - | 15,000 | 14,439 | (561) |
| Facilities acquisition | - | (53,000) | (27,869) | 25,131 |
| Loan payments | - | - | - | - |
| Total other financing sources (uses) | <u>(222,660)</u> | <u>(249,083)</u> | <u>(231,191)</u> | <u>17,892</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | 174,651 | <u>\$ (174,651)</u> |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>925,285</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 1,099,936</u> | |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (GAAP Basis) | Variance Final to Actual |
|--|------------------|------------------|------------------------|-----------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Local sources | \$ 2,188,345 | \$ 2,150,337 | \$ 2,279,078 | \$ (128,741) |
| State sources | 1,497,305 | 1,427,147 | 1,411,623 | 15,524 |
| Federal sources | 2,538,514 | 2,628,094 | 2,439,523 | 188,571 |
| TOTAL REVENUE | 6,224,164 | 6,205,578 | 6,130,224 | 75,354 |
| EXPENDITURES: | | | | |
| Instruction | 2,174,521 | 2,421,643 | 2,074,623 | 347,020 |
| Supporting services | 3,436,168 | 3,185,073 | 3,008,858 | 176,215 |
| TOTAL EXPENDITURES | 5,610,689 | 5,606,716 | 5,083,481 | 523,235 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 613,475 | 598,862 | 1,046,743 | 598,589 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in (out) | - | (18,906) | (18,906) | - |
| Transfers from other districts | 30,000 | 35,000 | 31,118 | 3,882 |
| Transfers to other districts | (643,475) | (621,556) | (621,555) | (1) |
| Insurance reimbursement | - | 6,600 | 6,600 | - |
| Total other financing sources (uses) | (613,475) | (598,862) | (602,743) | (3,881) |
| NET CHANGE IN FUND BALANCE | \$ - | \$ - | 444,000 | \$ (444,000) |
| FUND BALANCE - BEGINNING OF YEAR | | | 1,128,804 | |
| FUND BALANCE - END OF YEAR | | | \$ 1,572,804 | |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
REGIONAL EDUCATIONAL MEDIA CENTER FUND
For the Year Ended June 30, 2011

| | <u>Budgeted Amounts</u> | | Actual (GAAP Basis) | Variance Final to Actual |
|--|-------------------------|---------------------|------------------------|-----------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Local sources | \$ 293,686 | \$ 695,934 | \$ 672,747 | \$ (23,187) |
| State sources | 42,382 | 42,382 | 52,382 | 10,000 |
| TOTAL REVENUE | <u>336,068</u> | <u>738,316</u> | <u>725,129</u> | <u>(13,187)</u> |
| EXPENDITURES: | | | | |
| Education media services | 274,200 | 308,365 | 296,835 | 11,530 |
| Distance Learning Consortium | 1,133,935 | 1,295,685 | 1,170,517 | 125,168 |
| TOTAL EXPENDITURES | <u>1,408,135</u> | <u>1,604,050</u> | <u>1,467,352</u> | <u>136,698</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,072,067) | (865,734) | (742,223) | (123,511) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in (out) | - | 68,984 | 68,984 | - |
| Transfers from other school districts | 1,013,137 | 639,750 | 607,884 | (31,866) |
| Total other financing sources (uses) | <u>1,013,137</u> | <u>708,734</u> | <u>676,868</u> | <u>(31,866)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (58,930)</u> | <u>\$ (157,000)</u> | (65,355) | <u>\$ (91,645)</u> |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>351,346</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 285,991</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, 2011

| | 2011 | | | 2010 |
|--|------------------|------------------|-----------------|------------------|
| | Budget | Actual | Variance | |
| REVENUES: | | | | |
| Local sources: | | | | |
| Property tax | \$ 412,101 | \$ 416,030 | \$ (3,929) | \$ 409,451 |
| Other Taxes | 42,000 | 41,486 | 514 | 40,057 |
| Interest on delinquent taxes | 2,500 | 1,524 | 976 | 2,557 |
| Earnings from investments and deposits | 15,000 | 17,242 | (2,242) | 16,468 |
| Contributions | - | 11,925 | (11,925) | 217 |
| Rentals | 60,000 | 82,341 | (22,341) | 76,923 |
| Miscellaneous | 348,962 | 380,601 | (31,639) | 276,365 |
| Total local sources | <u>880,563</u> | <u>951,149</u> | <u>(70,586)</u> | <u>822,038</u> |
| State sources: | | | | |
| State Aid - Unrestricted | 520,764 | 510,765 | 9,999 | 453,809 |
| Restricted grants | 1,133,440 | 743,516 | 389,924 | 847,612 |
| Total state sources | <u>1,654,204</u> | <u>1,254,281</u> | <u>399,923</u> | <u>1,301,421</u> |
| Federal sources: | | | | |
| Pep Grant | 34,160 | 34,160 | - | 3,724 |
| Drug Free Schools | 89,977 | 132,645 | (42,668) | 44,882 |
| Technical Preparation | 35,508 | 28,508 | 7,000 | 27,863 |
| Building Bridges | 128,276 | 114,517 | 13,759 | 182,267 |
| Perkins | 77,225 | 76,625 | 600 | 67,997 |
| Title IID | 23,879 | 23,879 | - | - |
| Other federal sources | 16,041 | 11,990 | 4,051 | 53,362 |
| Total federal sources | <u>405,066</u> | <u>422,324</u> | <u>(17,258)</u> | <u>380,095</u> |
| TOTAL REVENUES | <u>2,939,833</u> | <u>2,627,754</u> | <u>312,079</u> | <u>2,503,554</u> |
| EXPENDITURES: | | | | |
| Instructional Services: | | | | |
| Instruction: | | | | |
| High School | 9,325 | 9,155 | 170 | 196,639 |
| Adult | 28,684 | 27,874 | 810 | 19,259 |
| Great Starts | 53,015 | 27,355 | 25,660 | 28,695 |
| Total Instruction | <u>91,024</u> | <u>64,384</u> | <u>26,640</u> | <u>244,593</u> |
| Added Needs: | | | | |
| Career and Technical Education | 387,780 | 251,731 | 136,049 | 270,507 |
| Total Added Needs | <u>387,780</u> | <u>251,731</u> | <u>136,049</u> | <u>270,507</u> |
| Total Instructional Services | <u>478,804</u> | <u>316,115</u> | <u>162,689</u> | <u>515,100</u> |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2011

| | 2011 | | | 2010 |
|--|------------------|------------------|------------------|------------------|
| | Budget | Actual | Variance | |
| Supporting Services: | | | | |
| Pupil Services: | | | | |
| Truancy/Absenteeism Services | 28,810 | 27,547 | 1,263 | 29,682 |
| Social Work Services | 47,851 | 47,851 | - | 47,754 |
| Other Pupils Services | 51,389 | 42,353 | 9,036 | 42,237 |
| Total Pupil Services | <u>128,050</u> | <u>117,751</u> | <u>10,299</u> | <u>119,673</u> |
| Instructional Staff: | | | | |
| Improvement of Instruction | 431,999 | 326,042 | 105,957 | 362,218 |
| Supervision & Direction | 65,323 | 65,117 | 206 | 25,697 |
| Other Instructional Staff Services | 522,532 | 399,033 | 123,499 | 451,895 |
| Total Staff Services | <u>1,019,854</u> | <u>790,192</u> | <u>229,662</u> | <u>839,810</u> |
| General Administration: | | | | |
| Board of Education | 75,750 | 64,914 | 10,836 | 62,113 |
| Executive Administration | 330,635 | 316,387 | 14,248 | 305,208 |
| Total General Administration Services | <u>406,385</u> | <u>381,301</u> | <u>25,084</u> | <u>367,321</u> |
| Business Services: | | | | |
| Fiscal Services | 314,645 | 302,553 | 12,092 | 286,549 |
| Internal Services | 57,350 | 48,620 | 8,730 | 81,269 |
| Other Business Services | 29,000 | 20,000 | 9,000 | 19,172 |
| Total Business Services | <u>400,995</u> | <u>371,173</u> | <u>29,822</u> | <u>386,990</u> |
| Operation and Maintenance | <u>242,605</u> | <u>226,342</u> | <u>16,263</u> | <u>219,841</u> |
| Central Support Services | <u>14,057</u> | <u>19,038</u> | <u>(4,981)</u> | <u>32,662</u> |
| Total Supporting Services | <u>2,211,946</u> | <u>1,905,797</u> | <u>306,149</u> | <u>1,966,297</u> |
| TOTAL EXPENDITURES | <u>2,690,750</u> | <u>2,221,912</u> | <u>468,838</u> | <u>2,481,397</u> |
| Excess (deficiency) of revenue over expenditures | <u>249,083</u> | <u>405,842</u> | <u>(156,759)</u> | <u>22,157</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in (out) | (50,078) | (50,078) | - | (49,030) |
| Other incoming transfers | 471,824 | 408,610 | 63,214 | 596,450 |
| Other outgoing transfers | (632,829) | (576,293) | (56,536) | (562,789) |
| Other transactions | 15,000 | 14,439 | 561 | (10,821) |
| Facilities acquisition | (53,000) | (27,869) | (25,131) | (11,505) |
| Total other financing sources (uses) | <u>(249,083)</u> | <u>(231,191)</u> | <u>(17,892)</u> | <u>(16,053)</u> |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2011

| | 2011 | | | 2010 |
|--|--------|--------------|--------------|------------|
| | Budget | Actual | Variance | |
| Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses | \$ - | 174,651 | \$ (174,651) | 6,104 |
| FUND BALANCE, BEGINNING OF YEAR | | 925,285 | | 919,181 |
| FUND BALANCE, END OF YEAR | | \$ 1,099,936 | | \$ 925,285 |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2011

| | 2011 | | | 2010 |
|---|------------------|------------------|------------------|------------------|
| | Budget | Actual | Variance | |
| REVENUES: | | | | |
| Local sources: | | | | |
| Property tax | \$ 2,015,178 | \$ 2,061,152 | \$ (45,974) | \$ 2,033,457 |
| Interest on delinquent taxes | 7,000 | 6,928 | 72 | 4,420 |
| Earnings from investments and deposits | 21,164 | 22,285 | (1,121) | 23,031 |
| Other revenue | 106,995 | 188,713 | (81,718) | 114,862 |
| Total local sources | <u>2,150,337</u> | <u>2,279,078</u> | <u>(128,741)</u> | <u>2,175,770</u> |
| State sources: | | | | |
| Unrestricted grant - State Aid | 1,000 | - | 1,000 | 960 |
| Restricted - State Aid | 1,426,147 | 1,411,623 | 14,524 | 1,569,674 |
| Total state sources | <u>1,427,147</u> | <u>1,411,623</u> | <u>15,524</u> | <u>1,570,634</u> |
| Federal sources: | | | | |
| Medicaid Outreach | 45,000 | 26,359 | 18,641 | 33,863 |
| State Initiated Preschool Incentive | 42,522 | 42,522 | - | 42,286 |
| State Initiated EOSD | 45,000 | 45,000 | - | 45,000 |
| Autism Grant | 1,571 | 1,571 | - | 52 |
| Early On | 104,227 | 104,227 | - | 135,338 |
| Transition Grant | 38,548 | 36,835 | 1,713 | 44,714 |
| Flow Through | 2,351,226 | 2,183,009 | 168,217 | 2,051,033 |
| Total federal sources | <u>2,628,094</u> | <u>2,439,523</u> | <u>188,571</u> | <u>2,352,286</u> |
| TOTAL REVENUES | <u>6,205,578</u> | <u>6,130,224</u> | <u>75,354</u> | <u>6,098,690</u> |
| EXPENDITURES: | | | | |
| Instructional Services | | | | |
| Added Needs: | | | | |
| Special Education | 2,421,643 | 2,074,623 | 347,020 | 1,909,845 |
| Supporting Services: | | | | |
| Pupil Services: | | | | |
| Health Services | 228,345 | 212,644 | 15,701 | 211,012 |
| Psychological Services | 278,800 | 294,721 | (15,921) | 275,843 |
| Speech Pathology and Audiology Services | 525,455 | 472,313 | 53,142 | 505,550 |
| Social Work Services | 20,000 | 20,000 | - | 20,475 |
| Teacher Consultants | 529,755 | 565,419 | (35,664) | 630,421 |
| Other Pupils Services | 359,060 | 291,286 | 67,774 | 390,508 |
| Total Pupil Services | <u>1,941,415</u> | <u>1,856,383</u> | <u>85,032</u> | <u>2,033,809</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, 2011

| | 2011 | | | 2010 |
|--|------------------|---------------------|---------------------|---------------------|
| | Budget | Actual | Variance | |
| Staff Services: | | | | |
| Improvement of Instruction | 41,571 | 41,571 | - | 27,582 |
| Supervision & Direction | 339,862 | 295,324 | 44,538 | 324,916 |
| Total Staff Services | 381,433 | 336,895 | 44,538 | 352,498 |
| Office of the Principal | 180,150 | 177,087 | 3,063 | 162,830 |
| Other Business Services | 69,050 | 66,513 | 2,537 | 42,339 |
| Operation and Maintenance | 146,395 | 117,027 | 29,368 | 114,645 |
| Pupil Transportation | 372,730 | 331,137 | 41,593 | 452,143 |
| Central Support Services | 93,900 | 123,816 | (29,916) | 103,525 |
| Total Supporting Services | 3,185,073 | 3,008,858 | 176,215 | 3,261,789 |
| TOTAL EXPENDITURES | 5,606,716 | 5,083,481 | 523,235 | 5,171,634 |
| Excess (deficiency) of revenue over expenditures | 598,862 | 1,046,743 | (447,881) | 927,056 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Incoming transfers - other schools | 35,000 | 31,118 | 3,882 | 46,634 |
| Insurance Reimbursements | 6,600 | 6,600 | - | - |
| Other outgoing transfers | (621,556) | (621,555) | (1) | (624,404) |
| Operating transfer in (out) | (18,906) | (18,906) | - | (17,488) |
| Total other financing sources (uses) | (598,862) | (602,743) | 3,881 | (595,258) |
| Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses | <u>\$ -</u> | 444,000 | <u>\$ (444,000)</u> | 331,798 |
| FUND BALANCE, BEGINNING OF YEAR | | <u>1,128,804</u> | | <u>797,006</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 1,572,804</u> | | <u>\$ 1,128,804</u> |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
REGIONAL EDUCATIONAL MEDIA CENTER FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2011

| REVENUES: | 2011 | | | 2010 |
|---|---------------------|-------------------|--------------------|-------------------|
| | Budget | Actual | Variance | |
| Local sources: | | | | |
| Consortium fees & merchandise sales | \$ 267,186 | \$ 209,470 | \$ (57,716) | \$ 272,133 |
| Earnings on investments and deposits | 3,000 | 3,254 | 254 | 3,089 |
| Miscellaneous | 425,748 | 460,023 | 34,275 | 373,794 |
| Total local sources | 695,934 | 672,747 | 23,187 | 649,016 |
| State sources | 42,382 | 52,382 | (10,000) | 52,382 |
| TOTAL REVENUES | 738,316 | 725,129 | (13,187) | 701,398 |
| EXPENDITURES: | | | | |
| Educational media services | 308,365 | 296,835 | 11,530 | 287,659 |
| Distance Learning Consortium | 1,295,685 | 1,170,517 | 125,168 | 1,072,724 |
| TOTAL EXPENDITURES | 1,604,050 | 1,467,352 | 136,698 | 1,360,383 |
| Excess (deficiency) of revenue over expenditures | (865,734) | (742,223) | (123,511) | (658,985) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other school districts | 639,750 | 607,884 | (31,866) | 592,274 |
| Operating transfers in (out) | 68,984 | 68,984 | - | 68,005 |
| | 708,734 | 676,868 | 31,866 | 660,279 |
| Excess (deficiency) of revenues and others financing sources over expenditures and other financing uses | <u>\$ (157,000)</u> | <u>(65,355)</u> | <u>\$ (91,645)</u> | 1,294 |
| FUND BALANCE, BEGINNING OF YEAR | | <u>351,346</u> | | <u>350,052</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 285,991</u> | | <u>\$ 351,346</u> |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT

FEDERAL AWARDS PROGRAMS

JUNE 30, 2011

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, P C

310 Sheldon Avenue, Houghton, Michigan 49931

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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 Copper Country Intermediate Schools as of and for the year then ended June 30, 2011, which collectively comprise Copper Country Intermediate School Districts' basic financial statements and have issued our report thereon dated November 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 deficiencies, 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 Copper Country Intermediate School Districts' 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.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

November 15, 2011

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, P C

310 Sheldon Avenue, Houghton, Michigan 49931

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 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 could have a direct and material effect on each of the Copper Country Intermediate School District's major federal programs for the year ended June 30, 2011. Copper Country Intermediate School Districts' 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 Copper Country Intermediate School Districts' management. Our responsibility is to express an opinion on Copper Country Intermediate School Districts' 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 Copper Country Intermediate School Districts' 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 Copper Country Intermediate School Districts' compliance with those requirements.

In our opinion, Copper Country Intermediate School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of 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 Copper Country Intermediate School Districts' 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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Copper Country Intermediate School Districts' 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 and correct 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 Districts' 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 and corrected by the entity's internal control on a timely basis.

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 and corrected 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.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

November 15, 2011

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

| Federal Grantor Pass Thru Grantor Program Title | Federal CFDA Number | Approved Grant Award Amount | Accrued (Deferred) Revenue July 1, 2010 | Current Year Cash Receipts | Current Year Expenditures | Accrued (Deferred) Revenue June 30, 2011 | Amount Provided to Sub Recipients |
|--|---------------------------|-----------------------------------|--|-------------------------------|------------------------------|---|--|
| <i>U.S. Department of Education:</i> | | | | | | | |
| Carol M. White Physical Education Program Q215F050086 | 84.215F | \$ 592,578 | \$ (34,160) | \$ 0 | \$ 34,160 | \$ 0 | \$ 0 |
| <i>Passed Thru Michigan Department of Education</i> | | | | | | | |
| <i>Handicapped Preschool & School Program</i> | | | | | | | |
| 110450 1011 PL 94-142 Flow Thru | 84.027 | 1,349,314 | 0 | 1,025,000 | 1,181,097 | 156,097 | 0 |
| 100450 0910 PL 94-142 Flow Thru | 84.027 | 1,326,450 | 341,178 | 526,450 | 185,272 | 0 | 0 |
| 100455 0910 ARRA Special Ed Flow Thru | 84.391 | 1,539,242 | 261,225 | 1,044,242 | 783,017 | 0 | 365,856 |
| 100465 0910 ARRA Special Ed Flow Thru | 84.391 | 51,524 | 11,289 | 37,524 | 26,235 | 0 | 0 |
| 110460 1011 Pre-School | 84.173 | 42,522 | 0 | 30,000 | 42,522 | 12,522 | 0 |
| 100460 0910 Pre-School | 84.173 | 42,286 | 12,286 | 12,286 | 0 | 0 | 0 |
| 110480 EOSD State Initiated/Department | 84.027A | 45,000 | 0 | 26,008 | 45,000 | 18,992 | 0 |
| 110490 TS Idea State Initiated/Department | 84.027A | 35,000 | 0 | 25,000 | 35,000 | 10,000 | 0 |
| 100480 EOSD State Initiated/Department | 84.027A | 45,000 | 12,000 | 12,000 | 0 | 0 | 0 |
| 100490 TS Idea State Initiated/Department | 84.027A | 43,000 | 9,500 | 9,500 | 0 | 0 | 0 |
| | | <u>4,519,338</u> | <u>647,478</u> | <u>2,748,010</u> | <u>2,298,143</u> | <u>197,611</u> | <u>365,856</u> |
| 101340 0190 Infant & Families ARRA | 84.393 | 77,992 | 0 | 57,992 | 77,992 | 20,000 | 0 |
| 101340 0190 Infant & Families | 84.181 | 72,674 | 53,674 | 53,674 | 0 | 0 | 0 |
| | | <u>150,666</u> | <u>53,674</u> | <u>111,666</u> | <u>77,992</u> | <u>20,000</u> | <u>0</u> |
| <i>Federal Safe & Drug Free Schools</i> | | | | | | | |
| 102860 0910 | 84.186 | 156,301 | 20,064 | 62,732 | 42,668 | 0 | 42,668 |
| 112860 1011 | 84.186 | 89,977 | 0 | 80,000 | 89,977 | 9,977 | 89,977 |
| | | <u>246,278</u> | <u>20,064</u> | <u>142,732</u> | <u>132,645</u> | <u>9,977</u> | <u>132,645</u> |
| 112545 Education Jobs Fund | 84.410A | 33,623 | 0 | 33,623 | 33,623 | 0 | 0 |
| Title IIB 092410 Mathematics & Science | 84.366B | 180,115 | 87,515 | 87,515 | 0 | 0 | 0 |
| Title IIB 102410 Mathematics & Science | 84.366B | 85,220 | 0 | 45,000 | 79,926 | 34,926 | 0 |
| Title IIB 112410 Mathematics & Science | 84.366B | 43,228 | 0 | 0 | 30,263 | 30,263 | 0 |
| | | <u>308,563</u> | <u>87,515</u> | <u>132,515</u> | <u>110,189</u> | <u>65,189</u> | <u>0</u> |
| Total Michigan Department of Education | | <u>5,258,468</u> | <u>808,731</u> | <u>3,168,546</u> | <u>2,652,592</u> | <u>292,777</u> | <u>498,501</u> |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

(Continued)

| Federal Grantor Pass Thru Grantor Program Title | Federal CFDA Number | Approved Grant Award Amount | Accrued (Deferred) Revenue July 1, 2010 | Current Year Cash Receipts | Current Year Expenditures | Accrued (Deferred) Revenue June 30, 2011 | Amount Provided to Sub Recipients |
|--|---------------------------|-----------------------------------|--|-------------------------------|------------------------------|---|--|
| Passed Thru Gogebic-Ontonagon ISD Tech Prep | 84.243 | 38,251 | 9,743 | 38,251 | 28,508 | 0 | 0 |
| Vocational Education - Perkins III | 84.048 | 96,222 | 19,597 | 96,222 | 76,625 | 0 | 0 |
| Total Gogebic-Ontonagon ISD | | <u>134,473</u> | <u>29,340</u> | <u>134,473</u> | <u>105,133</u> | <u>0</u> | <u>0</u> |
| Passed Thru Marquette Alger RESA UP Cares Grant - Autism Project | 84.027A | <u>1,571</u> | <u>0</u> | <u>1,571</u> | <u>1,571</u> | <u>0</u> | <u>0</u> |
| Passed Thru Dickinson-Iron ISD Building Bridges | 84.215X | <u>30,328</u> | <u>0</u> | <u>4,328</u> | <u>4,328</u> | <u>0</u> | <u>0</u> |
| Passed Thru Eastern UP ISD ARRA Educational Technology Title IID | 84.386 | <u>50,243</u> | <u>26,364</u> | <u>26,364</u> | <u>23,879</u> | <u>23,879</u> | <u>0</u> |
| Passed Thru Michigan Rehabilitation TS Idea State Initiated/Department | 84.027 | <u>1,835</u> | <u>0</u> | <u>1,835</u> | <u>1,835</u> | <u>0</u> | <u>0</u> |
| Total U.S. Department of Education | | <u>6,069,496</u> | <u>830,275</u> | <u>3,337,117</u> | <u>2,823,498</u> | <u>316,656</u> | <u>498,501</u> |
| <i>U.S. Department of the Interior:</i> Keweenaw National Historical Park | 15.999 | <u>15,700</u> | <u>(4,051)</u> | <u>0</u> | <u>0</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>11,990</u> | <u>0</u> | <u>11,990</u> | <u>11,990</u> | <u>0</u> | <u>0</u> |
| <i>U.S. Department of the Health and Human Services:</i> Passed Thru Public Consulting Group Medicaid Outreach | 93.778 | <u>26,359</u> | <u>0</u> | <u>26,359</u> | <u>26,359</u> | <u>0</u> | <u>0</u> |
| TOTALS | | <u>\$ 1,652,448</u> | <u>\$ 826,224</u> | <u>\$ 3,375,466</u> | <u>\$ 2,861,847</u> | <u>\$ 312,605</u> | <u>\$ 498,501</u> |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
PROVIDED TO SUB-RECIPIENTS
Year Ended June 30, 2011

| <u>Program Title/Sub-recipients</u> | <u>CFDA Number</u> | <u>Grant Award</u> | <u>Amount Transferred</u> |
|--|------------------------|------------------------|-------------------------------|
| Safe and Drug-Free Schools and Communities Copper Country Mental Health | 84.186 | \$ 132,645 | \$ 132,645 |
| Special Education Flow Through - ARRA | 84.215F | | |
| Adams Township School District | | 23,415 | 23,415 |
| Baraga Area Schools | | 51,952 | 51,952 |
| Calumet Public Schools | | 64,025 | 64,025 |
| Chassell Township Schools | | 9,146 | 9,146 |
| Dollar Bay-Tamarack City Area Schools | | 6,951 | 6,951 |
| Hancock Public Schools | | 59,269 | 59,269 |
| Houghton-Portage Township School District | | 64,025 | 64,025 |
| L'Anse Area Schools | | 57,439 | 57,439 |
| Lake Linden-Hubbell Public Schools | | 29,634 | 29,634 |
| | | <u>365,856</u> | <u>365,856</u> |
| | | <u>\$ 498,501</u> | <u>\$ 498,501</u> |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - June 30, 2010

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 \$2,861,847. 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 | \$ | 3,255,362 |
| Prior year accrued/deferred grant revenue | | (785,635) |
| Payments received through other sources | | 175,095 |
| Accrued/deferred grant revenue | | 217,025 |
| Schedule of Expenditures of Federal Awards | \$ | <u>2,861,847</u> |

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2011

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 | PL 94-142 Flow Through |
| 84.027 | EOSD & TS State Initiated |
| 84.391 | ARRA PL 94-142 Flow Through |
| 84.173 | Pre-School |
| 84.392 | ARRA Pre-School |
| 84.186 | Safe and Drug-Free Schools and Communities |

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

Auditee qualified as low-risk auditee? Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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COMMUNICATION WITH THOSE IN CHARGE OF GOVERNANCE

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

We have audited the financial statements of the governmental activities and each major fund of Copper Country Intermediate School District for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 3, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Copper Country Intermediate School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Copper Country Intermediate School District's financial statements is current judgements.

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 15, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of the board and management of Copper Country Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

November 15, 2011

During our audit we became aware of opportunities for strengthening internal controls and operating efficiencies. The following items summarize our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Charges for Services

Copper Country Intermediate School District services provided to other school districts in areas such as accounting, teacher services, and technology support and purchases have increased significantly over the last several years. During the audit we noted instances where the District's current accounting system does not have the capability to generate and track accounts receivable activities for services to or purchases made for other entities.

We recommend that the District consider upgrading and modernizing their current accounting software to accommodate for new and increased services and products that the District offers. One advantage of a new accounting system would be the capability for individuals to initiate original purchase orders. New software would also improve day to day accounting and financial reporting efficiencies such as input of invoices, billings, and payments.

Journal Entries

Presently, there is no formal review of journal entries. In order to enhance the internal controls in this area, we recommend all journal entries be approved either individually or in batches by a person independent and knowledgeable of the accounting entries, throughout the year.

Funding Sources

It is important to know grant requirements for each revenue source. We recommend the accounting department maintain documentation individually for all grant awards. The documentation should include: Grant award document, budget, contact information, correspondence, cash management information (invoices and reports).

It is important that the individuals managing and initiating grants be properly trained and instructed in doing so and keep the accounting department informed with updated documents and information on a current basis.