

**ISHPEMING CITY SCHOOL DISTRICT
ISHPEMING, MICHIGAN**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2010**

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INDEPENDENT AUDITORS' REPORT

Board of Education
Ishpeming City School District
Ishpeming, Michigan 49849

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ishpeming City School District as of and for the year ended June 30, 2010, which collectively comprise the Ishpeming City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ishpeming City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ishpeming City School District as of June 30, 2010, and the respective changes in financial position thereof 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 September 16, 2010, on our consideration of the Ishpeming City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages as listed in the table of contents 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

Board of Education
Ishpeming City School District
Ishpeming, Michigan 49849

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 opinions on the financial statements that collectively comprise the Ishpeming City School District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Anderson, Jackman & Company, PLLC
Certified Public Accountants

September 16, 2010

Ishpeming City School District

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Ishpeming City School District financial performance provides an overview of the School District's financial activities for the year ended June 30, 2010. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for Ishpeming City School District as a whole were reported at \$1,694,570. Net assets are comprised of 100% governmental activities.
- During the year, Ishpeming City School District expenses were \$9,209,293, while revenues from all sources totaled \$9,075,842, resulting in a decrease in net assets of \$133,451.
- The general fund reported a net decrease of \$66,470. This is \$74,702 lower than the forecasted increase of \$8,232. This was a result of revenues being \$159,046 lower than forecasted and expenses and other financing uses being \$84,344 lower than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Ishpeming City School District financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the Ishpeming City School District's operations in more detail than the district-wide statements by providing information about the Ishpeming City School District's most significant funds – the General Fund and the Athletic Facilities Project Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Ishpeming City School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Ishpeming City School District as a whole begins on page 8. One of the most important questions asked about the Ishpeming City School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Ishpeming City School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Ishpeming City School District

Management's Discussion and Analysis (Unaudited) (Continued)

These two statements report the Ishpeming City School District's net assets and changes in them. The Ishpeming City School District's net assets – the difference between assets and liabilities – are one way to measure the Ishpeming City School District's financial health, or financial position. Over time, increases or decreases in the Ishpeming City School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the

Ishpeming City School District's operating results. However, the Ishpeming City School District's goal is to provide services to our students, not to generate profits as private-sector companies do.

One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the Ishpeming City School District's capital assets, to assess the overall financial health of the Ishpeming City School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Ishpeming City School District, which encompass all the Ishpeming City School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

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

Our analysis of the Ishpeming City School District's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the Ishpeming City School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Ishpeming City School District's Board has established other funds to help it control and manage money for particular purposes. The Ishpeming City School District has only governmental funds which use the following accounting methods.

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

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The Ishpeming City School District is the trustee, or fiduciary, for its student activity funds and auditorium fund. All of the Ishpeming City School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the Ishpeming City School District's other financial statements because the Ishpeming City School District cannot use these assets to finance its operations. The Ishpeming City School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Ishpeming City School District

Management's Discussion and Analysis (Unaudited) (Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2010:

**Table 1
Net Assets**

	Governmental Activities – 2010	Governmental Activities – 2009
Current and other assets	\$4,719,212	\$4,928,830
Capital assets, net	5,114,542	5,062,322
Total Assets	<u>9,833,754</u>	<u>9,991,152</u>
Current liabilities	3,814,037	3,943,609
Long-term liabilities	4,325,147	4,219,522
Total Liabilities	<u>8,139,184</u>	<u>8,163,131</u>
Net Assets:		
Invested in capital assets, net of related debt	1,164,983	892,577
Restricted	1,763,511	1,761,852
Unrestricted	(1,233,924)	(826,408)
Total Net Assets	<u>\$1,694,570</u>	<u>\$1,828,021</u>

The School District's net assets were \$1,694,570 at June 30, 2010. Capital assets, net of related debt totaling \$1,164,983, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. There is a deficit balance in unrestricted net assets of (\$1,233,924).

The (\$1,233,924) deficit in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2010 and 2009.

**Table 2
Changes in Net Assets**

	Governmental Activities – 2010	Governmental Activities – 2009
Revenues:		
Program revenues:		
Charges for services	\$425,598	\$501,535
Operating grants and contributions	2,036,210	1,916,976
Capital grants and contributions	-	-
General revenues:		
Property taxes	1,199,911	1,126,425
State sources not restricted to specific program	5,278,851	5,425,517
Investment earnings	59,665	115,161
Miscellaneous	75,607	117,692
Total Revenues	<u>9,075,842</u>	<u>9,203,306</u>

Ishpeming City School District

Management's Discussion and Analysis (Unaudited) (Continued)

**Table 2 (Continued)
Changes in Net Assets**

	Governmental Activities – 2010	Governmental Activities – 2009
Program Expenses:		
Instruction	\$5,209,109	\$4,692,014
Supporting services	2,958,754	3,161,556
Community services	105,469	81,714
School lunch activities	292,084	270,715
Athletic activities	216,809	192,268
Depreciation – unallocated	163,425	323,855
Interest on long-term debt	263,643	251,437
Total Expenses	<u>9,209,293</u>	<u>8,973,559</u>
Increase (decrease) in net assets	(133,451)	229,747
Net assets, beginning	1,828,021	1,598,274
Net Assets, Ending	<u>\$1,694,570</u>	<u>\$1,828,021</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$9,209,293. Certain activities were partially funded from those who benefited from the programs \$425,598 or by other governments and organizations that subsidized certain programs with grants and categoricals \$2,036,210. We paid for the remaining “public benefit” portion of our governmental activities with \$1,199,911 in taxes, \$5,278,851 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets for the year of \$133,451.

Key reasons for the change in net assets were as follows:

- Net decrease in governmental fund balances of \$(64,811)
- Depreciation charged to expense of \$(163,425)
- Purchase of capital assets in the amount of \$219,403
- Proceeds from notes of \$68,922
- Principal payment on debt in the amount of \$(285,350)

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$5,209,109	\$3,262,905
Supporting services	2,958,754	2,830,569
School lunch activities	292,084	9,581
Athletic activities	216,809	111,893
Totals	<u>\$8,676,756</u>	<u>\$6,214,948</u>

Ishpeming City School District

Management's Discussion and Analysis (Unaudited) (Continued)

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$1,233,078, a decrease of \$(64,811) from the beginning of the year.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010, the School District had \$5,065,488 invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

Table 4
Capital Assets at Year-End

	Governmental Activities – 2010	Governmental Activities – 2009
Land	\$14,401	\$14,401
Construction in progress	3,680	946,035
Land improvements	1,345,545	397,965
Buildings	27,321,552	27,176,296
Machinery and equipment	2,334,335	2,334,335
Vehicles	655,077	640,582
	<u>31,674,590</u>	<u>31,509,614</u>
Less accumulated depreciation	<u>(26,609,102)</u>	<u>(26,500,104)</u>
Totals	<u>\$5,065,488</u>	<u>\$5,009,510</u>

This year's additions were \$219,403 included a bus, building renovations and construction of the Athletic Facilities Complex. The Sinking Fund levy was used for some these additions.

Ishpeming City School District

Management's Discussion and Analysis (Unaudited) (Continued)

Debt

At the end of this year, the School District had \$3,999,379 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year End

	Governmental Activities – 2010	Governmental Activities – 2009
General obligation bonds	\$3,755,000	\$3,975,000
Durant Debt	88,096	98,874
Vehicle and copier notes	156,283	141,933
Totals	<u>\$3,999,379</u>	<u>\$4,215,807</u>

The new addition to debt this year included a bus loan.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2011 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2011 fiscal year budget was adopted in June 2010, based on an estimate of students that will be enrolled in September 2010. Approximately 75 percent to 80 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ishpeming City School District Administration, 319 E. Division Street, Ishpeming, Michigan 49849.

**Ishpeming City School District
Statement of Net Assets
June 30, 2010**

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 3,418,525
Investments	19,398
Receivables:	
Accounts receivable	9,651
Due from other governmental units	1,268,725
Inventories	2,913
TOTAL CURRENT ASSETS	4,719,212
Noncurrent assets:	
Unamortized bond issue costs	49,054
Land and construction in progress	18,081
Depreciable buildings, property and equipment, net	5,047,407
TOTAL NONCURRENT ASSETS	5,114,542
TOTAL ASSETS	9,833,754
LIABILITIES:	
Current liabilities:	
Accounts payable	81,035
Accrued payroll and other liabilities	301,174
Due to other governmental units	79,927
State aid notes payable	3,050,000
Current portion of bonds payable	241,292
Current portion of notes payable	60,609
TOTAL CURRENT LIABILITIES	3,814,037
Noncurrent liabilities:	
Noncurrent portion of employee benefit obligations	657,551
Noncurrent portion of bonds payable	3,601,804
Less deferred loss on refunding bonds	(17,402)
Less unamortized bond discount	(12,480)
Noncurrent portion of notes payable	95,674
TOTAL NONCURRENT LIABILITIES	4,325,147
TOTAL LIABILITIES	8,139,184
NET ASSETS:	
Invested in capital assets net of related debt	1,164,983
Restricted:	
Debt Service	127,407
Capital Outlay	392,724
Scholarships	1,243,380
Unrestricted	(1,233,924)
TOTAL NET ASSETS	\$ 1,694,570

See Notes to Financial Statements.

**Ishpeming City School District
Statement of Activities
For the Year Ended June 30, 2010**

<u>Function / Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$ 5,209,109	\$ 235,139	\$ 1,711,065	\$ (3,262,905)
Supporting services	2,958,754	-	128,185	(2,830,569)
Community services	105,469	-	-	(105,469)
School lunch activities	292,084	97,559	184,944	(9,581)
Athletic activities	216,809	92,900	12,016	(111,893)
Interest on retirement of debt	263,643	-	-	(263,643)
Depreciation- unallocated	163,425	-	-	(163,425)
TOTAL GOVERNMENTAL ACTIVITIES	<u>9,209,293</u>	<u>425,598</u>	<u>2,036,210</u>	<u>(6,747,485)</u>
General Revenues:				
Taxes				
				571,607
				420,696
				207,608
				5,278,851
				59,665
				<u>75,607</u>
				TOTAL GENERAL REVENUES AND TRANSFERS
				<u>6,614,034</u>
				CHANGES IN NET ASSETS
				(133,451)
				<u>1,828,021</u>
				NET ASSETS, JUNE 30
				<u>\$ 1,694,570</u>

See Notes to Financial Statements.

**Ishpeming City School District
Governmental Funds
Balance Sheet
June 30, 2010**

	General Fund	Special Revenue Fund Scholarship Fund	Other Non-major Governmental Funds	Total
ASSETS:				
Cash and cash equivalents	\$ 1,465,020	\$ 1,223,982	\$ 729,523	\$ 3,418,525
Investments	-	19,398	-	19,398
Receivables:				
Accounts receivable	9,651	-	-	9,651
Due from other governmental units	1,268,725	-	-	1,268,725
Due from other funds	267,719	-	24,765	292,484
Inventories	-	-	2,913	2,913
	TOTAL ASSETS	\$ 1,243,380	\$ 757,201	\$ 5,011,696
	\$ 3,011,115	\$ 1,243,380	\$ 757,201	\$ 5,011,696
 LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 79,682	\$ -	\$ 1,353	\$ 81,035
Accrued liabilities	275,172	-	-	275,172
Due to other governmental units	79,927	-	-	79,927
Due to other funds	61,767	-	230,717	292,484
State aid notes payable	3,050,000	-	-	3,050,000
	TOTAL LIABILITIES	-	232,070	3,778,618
	3,546,548	-	232,070	3,778,618
 FUND BALANCES:				
Reserved	121,364	1,243,380	520,131	1,884,875
Unreserved, reported in:				
General Fund	(656,797)	-	-	(656,797)
Special Revenue Funds	-	-	5,000	5,000
	TOTAL FUND BALANCES	1,243,380	525,131	1,233,078
	(535,433)	1,243,380	525,131	1,233,078
	TOTAL LIABILITIES AND FUND BALANCES	\$ 1,243,380	\$ 757,201	\$ 5,011,696
	\$ 3,011,115	\$ 1,243,380	\$ 757,201	\$ 5,011,696

See Notes to Financial Statements.

**Ishpeming City School District
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010**

Total Fund Balances for Governmental Funds \$ 1,233,078

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.

	\$	31,674,590	
Cost of capital assets		31,674,590	
Accumulated depreciation		<u>(26,609,102)</u>	
			5,065,488

Unamortized bond issue costs are not financial resources and therefore are not reported in the funds.

49,054

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

Bonds payable - current portion	241,292		
Bonds payable - long-term portion	3,601,804		
Deferred loss on refunding bonds	(17,402)		
Unamortized bond discount	(12,480)		
Notes payable - current portion	60,609		
Notes payable - long-term portion	95,674		
Accrued interest	26,002		
Employee benefit obligations	<u>657,551</u>		
			(4,653,050)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,694,570</u>
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**Ishpeming City School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2010**

	General Fund	Special Revenue Fund Scholarship Fund	Other Non-major Governmental Funds	Total
REVENUES:				
Local sources	\$ 1,357,846	\$ 33,583	\$ 839,548	\$ 2,230,977
State sources	5,878,592	-	29,470	5,908,062
Federal sources	768,346	-	168,457	936,803
TOTAL REVENUES	8,004,784	33,583	1,037,475	9,075,842
EXPENDITURES:				
Current:				
Instruction	4,868,355	-	-	4,868,355
Supporting services	2,816,280	33,409	495,046	3,344,735
Community services	105,469	-	-	105,469
Debt Service:				
Principal	54,572	-	230,778	285,350
Interest	28,890	-	167,073	195,963
Issuance costs	62,989	-	-	62,989
Facilities acquisition	83,906	-	262,808	346,714
TOTAL EXPENDITURES	8,020,461	33,409	1,155,705	9,209,575
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,677)	174	(118,230)	(133,733)
OTHER FINANCING SOURCES (USES):				
Proceeds from notes	68,922	-	-	68,922
Transfers in	65,258	-	184,973	250,231
Transfers out	(184,973)	-	(65,258)	(250,231)
TOTAL OTHER FINANCING SOURCES (USES)	(50,793)	-	119,715	68,922
NET CHANGE IN FUND BALANCES	(66,470)	174	1,485	(64,811)
Fund Balance, July 1	(468,963)	1,243,206	523,646	1,297,889
FUND BALANCE, JUNE 30	\$ (535,433)	\$ 1,243,380	\$ 525,131	\$ 1,233,078

See Notes to Financial Statements.

**Ishpeming City School District
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds **\$ (64,811)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	\$ 163,425	
Capital outlays, net of retirements	<u>(219,403)</u>	55,978

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets (68,922)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 285,350

Deferred loss on refunding bonds is reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities. (1,471)

Unamortized bond issue costs are reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities. (3,757)

Premium and discounts are recognized in the financial statements as other financing sources or uses but, they are amortized over the term of the bonds in the government-wide financial statements. (780)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,317

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (336,355)

Change in Net Assets of Governmental Activities	<u>\$ (133,451)</u>
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**Ishpeming City School District
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2010**

	Agency Funds	Private-Purpose Trust Funds
	Student Activity Fund	Auditorium Fund
ASSETS:		
Cash and equivalents	\$ 90,672	\$ 5,401
TOTAL ASSETS	\$ 90,672	\$ 5,401
 LIABILITIES:		
Due to groups, organizations and activities	\$ 90,672	\$ -
TOTAL LIABILITIES	\$ 90,672	-
 NET ASSETS:		
Held in trust for individuals, organizations, and other governments		5,401
TOTAL NET ASSETS		\$ 5,401

See Notes to Financial Statements.

**Ishpeming City School District
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2010**

	Private-Purpose Trust Fund
	Auditorium Fund
ADDITIONS:	
Contributions:	
Gifts, bequests and endowments	\$ 432
Total Contributions	432
Investment Income:	
Interest and dividends	10
Net Investment Income (Loss)	10
TOTAL ADDITIONS (DEDUCTIONS)	442
DEDUCTIONS:	
Payments in accordance with trust agreements	473
TOTAL DEDUCTIONS	473
CHANGE IN NET ASSETS	(31)
Net assets, beginning of year	5,432
NET ASSETS, END OF YEAR	\$ 5,401

See Notes to Financial Statements.

ISHPEMING CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Ishpeming City School District was organized in 1869. The School District operates under a Board-Superintendent form of government. The accounting policies of the Ishpeming City School District conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

Financial Reporting Entity

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the basic financial statements of the Ishpeming City School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The available resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major fund categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund and the Scholarship Fund as its only major governmental funds in accordance with the above criteria. The funds of the School District are described below:

Governmental Fund Types

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 School Service, Athletics, and Scholarship Funds.

Debt Retirement Funds – Debt Retirement Funds are used to record tax, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Fiduciary Fund Types

Trust and Agency Fund – The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Auditorium Fund – The Auditorium Fund is a private-purpose trust fund used to account for assets held by the School District in a trustee capacity for operations of the Auditorium.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The District considers cash and cash equivalents to be cash on hand, demand deposits and certificates of deposit.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

Long-Term Liabilities

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets – Consists of net assets with constraints placed on the use either

- b. by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting

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

1. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is approved by the Board of Education.
4. Budgets for all governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as approved and amended by the Board of Education.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Encumbrances

Appropriations in governmental funds are encumbered upon the issuance of purchase orders, contracts or other forms of legal commitments. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities in the year the commitment is made.

Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied, provided they are available to finance expenditures of the current period in accordance with the National Council on Governmental Accounting Interpretation No. 3, Revenue Recognition - Property Taxes.

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on August 1 and payable by September 14. The City of Ishpeming bills and collects the property taxes for the School District.

The School District voters authorized the School District to levy the following mileages for the 2009-2010 school year:

On nonresidential property, a total of 18 mills was approved for general operating expenditures on properties with a total taxable value of \$28,125,304

On commercial personal property, a total of 6 mills was approved for general operating expenditures on properties with a total taxable value of \$4,558,350

On all residential and commercial property, 2.0 mills was levied out of a total of 4.4195 mills approved for a Building Sinking Fund on properties with a total taxable value of \$98,953,532.

On all residential and commercial property, a total of 4.05 mills was approved for the purpose of retiring long-term obligations on properties with a total taxable value of \$98,953,532.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2010, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$3,418,525	\$96,073	\$3,514,598
Investments	19,398	-	19,398
	<u>\$3,437,923</u>	<u>\$96,073</u>	<u>\$3,533,996</u>

NOTE B – DEPOSITS AND INVESTMENTS (Continued):*Custodial Credit Risk – Deposits*

Custodial credit risk 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 deposit policy for custodial credit risk. The carrying amounts of the School's deposits with financial institutions were \$3,533,996 and the bank balance was \$3,547,144. The bank balance is categorized as follows.

Amounts insured by FDIC	\$750,597
Amount uncollateralized and uninsured	<u>2,796,547</u>
Total	<u>\$3,547,144</u>

Investments

As of June 30, 2010, the District had the following investments.

Investment Type	Fair Value	Investment in Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
General Motors – Corporate fixed income	19,398	-	19,398	-	-
TOTAL	<u>\$19,398</u>	<u>\$-</u>	<u>\$19,398</u>	<u>\$-</u>	<u>\$-</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices. The District's investment in General Motors Corporate Fixed Income was rated B3 by Moody's Investors Service and B by Standard & Poor's. Ratings are not required for the District's investment in Michigan Liquid Asset Fund-Mutual Funds. The District's investments are in accordance with statutory authority.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. All of the District's investments are in the General Motors Corporate Fixed Income.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units consist of various revenues due from federal and state sources for the operation of special programs and grant projects.

NOTE D – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

The School District reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		Due From Other Funds					
		General Fund	Scholarship Fund	Athletic Fund	Debt Service Fund	School Lunch Fund	Total Due To Other Funds
Due To Other Funds	General Fund	\$-	\$-	\$-	\$-	\$-	\$-
	School Lunch Fund	65,258	-	-	-	-	65,258
	Athletic Fund	140,694	-	-	-	-	140,694
	Building Sinking Fund	-	-	-	-	-	-
	Debt Service Fund	-	-	-	-	-	-
	Total Due From Other Funds	\$205,952	\$-	\$-	\$-	\$-	\$205,952

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		Transfer Out To Other Funds		
		General Fund	Athletic Fund	Total Transfers In From Other Funds
Transfers In To Other Funds	General Fund	\$-	\$65,258	\$65,258
	Athletic Fund	176,695	-	176,695
	Lunch Fund	8,278	-	8,278
	Total Transfers Out To Other Funds	\$184,973	\$65,258	\$250,231

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E – CAPITAL ASSETS:

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

	Balance 6/30/09	Additions/ Adjustments	Deductions	Balance 6/30/10
Capital assets not being depreciated:				
Land	\$14,401	\$-	\$-	\$14,401
Construction in progress	946,035	3,680	(946,035)	3,680
Capital assets being depreciated:				
Land improvement	397,965	947,580	-	1,345,545
Buildings and additions	27,176,296	145,256	-	27,321,552
Machinery and equipment	2,334,335	-	-	2,334,335
Vehicles/buses	640,582	68,922	(54,427)	655,077
Total Capital Assets	31,509,614	1,165,438	(1,000,462)	31,674,590

NOTE E – CAPITAL ASSETS (Continued):

	Balance 6/30/09	Additions/ Adjustments	Deductions	Balance 6/30/10
Less accumulated depreciation:				
Land improvement	\$(149,414)	\$(18,857)	\$-	\$(168,271)
Buildings and additions	(23,529,499)	(97,377)	-	(23,626,876)
Machinery and equipment	(2,268,790)	(20,179)	-	(2,288,969)
Vehicles/buses	(552,401)	(27,012)	54,427	(524,986)
Total Accumulated Depreciation	(26,500,104)	(163,425)	54,427	(26,609,102)
CAPITAL ASSETS, NET	\$5,009,510	\$1,002,013	\$(946,035)	\$5,065,488

Depreciation expense charged to governmental activities was \$163,425.

NOTE F – ACCRUED EMPLOYEE BENEFITS:

Upon severing employment with the District, a teacher has the option of selecting one of the following as severance pay:

1. Unused sick leave to be paid at \$35.00 per day up to a maximum of \$4,800 per employee.
2. An employee who has been employed for ten years or more shall be paid one week of current salary plus one day of current salary for each year of employment of the District in excess of ten years to a maximum of \$1,500.

Full-time teachers who meet requirements as established by the Michigan Public Schools Retirement System and who have taught a minimum of fifteen (15) years in the Ishpeming School District may also qualify for the Early Retirement Incentive (ERI) Plan. The ERI payment will be \$200 per month for a maximum period of 7 years (or until earlier qualification for reduced old age insurance and benefits under Title II of the Social Security Act, or death).

Upon retirement (qualifying the employee for immediate payment of benefits pursuant to the School Employees Retirement Plan) while an active employee of the District, the support personnel employee will be paid a sum equal to their accumulated sick leave days times \$25.00 per day, not to exceed a maximum of \$4,000.

A practicing administrator, after a minimum of ten (10) years of administrative service in the Ishpeming School District, will be entitled to a retirement benefit, computed by taking 1.0% of the administrator's final salary, multiplied by the years of administrative service in the District, not to exceed a maximum of \$4,800.

As of June 30, 2010, the accrued employee benefits reported in the Statement of Net Assets is \$657,551. This amount includes \$70,000 balance in the Voluntary Special Retirement Program (VSRP) payment offered for teachers who elected into the program by August 1, 2007, and \$400,000 balance in the Voluntary Special Retirement Program (VSRP) payment offered for teachers who elected into the program in fiscal year 2009-2010. The remainder is attributable to teacher's accrued sick leave \$121,780, support personnel accrued sick leave \$4,970, administrators' accrued retirement benefit \$19,200 and Early Retirement Incentive \$41,601.

NOTE G – RESERVED FUND EQUITY:

The School District reserves fund equities for the following funds:

General Fund – The resources of the General Fund have been accumulated for the following specific purposes:

Energy Conservation Funds	\$67,670
1.33 Mill Funds	53,694
	<u>\$121,364</u>

NOTE G – RESERVED FUND EQUITY (Continued):

Special Revenue Funds – The resources of the Scholarship Fund have been accumulated for the specific purpose of granting scholarship to graduating students. The fund equities of \$1,243,380 are reserved for these purposes.

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities of \$127,407 are reserved for this purpose.

Capital Projects Funds – The resources of the Capital Projects Funds have been accumulated for the specific purpose of acquiring fixed assets. The fund equities of \$394,077 are reserved for these purposes.

NOTE H – LONG-TERM DEBT:

The following is a summary of the long-term debt activity for the year ending June 30, 2010:

	Balance 7/1/09	Additions	Deductions	Balance 6/30/10	Due Within One Year
2005 Refunding Bonds	\$3,015,000	\$ -	\$180,000	\$2,835,000	\$190,000
Durant Bonds	98,874	-	10,778	88,096	11,292
2006 Serial Bonds	960,000	-	40,000	920,000	40,000
Vehicle Loans Payable	83,151	68,922	25,705	126,368	30,694
IT Loans Payable	58,782	-	28,867	29,915	29,915
Employee Benefits Payable	321,197	438,600	102,246	657,551	150,000
TOTAL	\$4,537,004	\$507,522	\$387,596	\$4,656,930	\$451,901

Long-term debt at June 30, 2010 consists of the following:

IT Loan Payable – The IT Loan Payable (\$86,638.44), dated July 2, 2008, matures annually on the 22th of April with an interest rate of 3.63% per annum. The payment amount is \$31,001.05 annually. The loan was used to purchase 150 desktop computers and 4 laptops.

INSTALLMENT NOTES FOR VEHICLE AND BUS PURCHASES – June 30, 2010

Date	Original Amount	Interest Rate	Payment	Principal	Interest	Total
08/10/05	\$59,507	3.79%	\$1,091.17 monthly	\$2,172	\$10	\$2,182
09/15/08	69,274	3.85%	\$14,000 annually plus interest	55,274	5,278	60,552
07/20/09	68,922	4.05%	\$14,522 plus interest due July 15, 2010, then \$13,600 plus interest due annually	68,922	8,261	77,183
				<u>\$126,368</u>	<u>\$13,549</u>	<u>139,917</u>

Bus note payable originally issued for \$59,507 and dated August 12, 2005 matures monthly as scheduled above on the 20th of every month through August 20, 2010 bearing an interest rate of 3.79% per annum.

Bus note payable originally issued for \$69,274 and dated September 15, 2008 matures annually as scheduled above on the 15th of September through September 15, 2013 bearing an interest rate of 3.85% per annum.

Bus note payable originally issued for \$68,922 and dated July 20, 2009 matures annually as scheduled above on the 15th of July, 2010 through July 15, 2014 bearing an interest rate of 4.05% per annum.

NOTE H – LONG-TERM DEBT (Continued):**2005 Refunding Bonds – June 30, 2010**

School Year	November 1 Interest	May 1		Total
		Interest	Principal	
2010-2011	\$58,852	\$58,853	\$190,000	\$307,705
2011-2012	55,527	55,528	195,000	306,055
2012-2013	51,627	51,628	200,000	303,255
2013-2014	47,627	47,628	210,000	305,255
2014-2015	43,427	43,428	220,000	305,255
2015-2020	142,826	142,831	1,250,000	1,536,527
2020-2022	18,490	18,490	570,000	912,965
Totals	<u>\$418,376</u>	<u>\$418,386</u>	<u>\$2,835,000</u>	<u>\$3,671,762</u>

On April 28, 2005, the District issued \$3,365,000 in General Obligation Bonds with an average interest rate of 4.2% to advance refund \$3,340,000 of outstanding 1997 Serial Bonds with an average interest rate of 5.1%. The net proceeds of \$3,307,500 (after payment of \$57,500 in underwriting fees, insurance, and other issuance costs) plus an additional \$197,000 of 1997 series Debt Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 series bonds. As a result, the 1997 series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$25,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 17 years by \$440,107 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$337,265.

**School Improvement Bonds (Durant)
Series 1998 – June 30, 2010**

School Year	Interest	Principal	Total
2011-2012	\$1,691	\$11,292	\$12,983
2012-2013	22,816	64,412	87,228
2013-2014	590	12,392	12,982
	<u>\$25,097</u>	<u>\$88,096</u>	<u>\$113,193</u>

The School Improvement Bonds, Series 1998 (\$184,877) dated November 24, 1998 mature annually on May 15 with interest at a rate of 4.75% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an appropriation from the State of Michigan. If the legislature fails to appropriate the funds, the School District is under no obligation for payment.

**2006 General Obligation
School Building and Site Bonds – June 30, 2010**

School Year	November 1 Interest	May 1		Total
		Interest	Principal	
2010-2011	\$19,154	\$19,154	\$40,000	\$78,308
2011-2012	18,354	18,354	40,000	76,708
2012-2013	17,554	17,554	45,000	80,108
2013-2014	16,654	16,654	45,000	78,308
2014-2015	15,754	15,754	45,000	76,508
2015-2020	63,747	63,747	270,000	397,494
2020-2025	32,255	32,255	355,000	419,510
2025-2026	1,720	1,720	80,000	83,440
Totals	<u>\$185,192</u>	<u>\$185,192</u>	<u>\$920,000</u>	<u>\$1,290,384</u>

NOTE H – LONG-TERM DEBT (Continued):

General Obligation School Building and Site Serial Bonds originally issued for \$1,040,000 and dated June 28, 2006 mature annually on May 1, 2008 through May 1, 2026 and bear interest at a rate of 4.0% to 4.3% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

As of June 30, 2010 the aggregate maturities of long-term debt for the next succeeding five years are as follows:

	Principal	Interest	Total
2010-2011	\$301,901	\$163,681	\$465,582
2011-2012	327,012	174,371	501,383
2012-2013	284,992	141,655	426,647
2013-2014	281,874	130,176	412,050
2014-2015	278,600	118,914	397,514
2015-2020	1,520,000	413,151	1,933,151
2020-2025	925,000	101,490	1,026,490
2025-2026	80,000	3,440	83,440
	3,999,379	1,246,878	5,246,257
Employer Benefits Payable	657,551	-	657,551
TOTAL	<u>\$4,656,930</u>	<u>\$1,246,878</u>	<u>\$5,903,808</u>

NOTE I – SHORT-TERM DEBT:

The District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of changes in short-term debt for the year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
State Anticipation Note	<u>\$3,110,000</u>	<u>\$3,050,000</u>	<u>\$3,110,000</u>	<u>\$3,050,000</u>

NOTE J – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. 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, 2010, the foundation allowance was based on the average of pupil membership counts taken in February 2010 and October of 2009.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2009 – August 2010.

NOTE K – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN AND POSTEMPLOYMENT BENEFITS**Plan Description**

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. 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 to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

NOTE K – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN AND POSTEMPLOYMENT BENEFITS (Continued):

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

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

Pension Benefits

Employer contributions to the pension system result from the implementing effects of the School Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The District was required by state statute to contribute 16.54% of covered compensation to the Plan through September 30, 2009 and 16.94% of covered compensation for the remainder of the year. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The total amount contributed to the Plan for the year ended June 30, 2010 was \$862,801 which consisted of \$744,073 from the District and \$118,728 from employees electing the MIP option. These represent approximately 17% and 3% of covered payroll, respectively. The District's aggregate contributions to the MPSERS plan for the years ended June 30, 2010, 2009, and 2008 were \$862,801, \$857,265 and \$879,832, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2010 was approximately \$4,493,000. The District's total payroll was approximately \$4,601,000.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees electing this coverage contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The required contribution rate was 6.81% (of total 16.54% required contribution) of covered payroll for the period from July 1, 2009 through September 30, 2009 and 6.81% (of 16.94% total required contribution) for the period from October 1, 2009 through June 30, 2010. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

NOTE L – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The 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 School District carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M – ECONOMIC DEPENDENCY:

The School District receives approximately 75 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of the Ishpeming City School District.

NOTE N – FUND BALANCE DEFICIT:

As of June 30, 2010, the General Fund has a fund balance deficit as defined in Section 102(1) of the State Aid Act. The District notified the Michigan Department of Education, State Aid and School Finance office for proper notification and disposition thereof.

NOTE O – CONSTRUCTION IN PROGRESS:

As of June 30, 2010, constructions contracts totaling \$19,860 were entered into for the sidewalk construction and staircase reconstruction, of which \$3,680 had been completed.

NOTE P – SINGLE AUDIT:

The District's audited financial statements report a total of \$936,702 in federal expenditures. As the amount is more than the single audit threshold of \$500,000, the District is therefore required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2010.

NOTE Q – FUND BALANCE REPORTING:

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (Statement). Certain of the significant changes in the Statement will require the following:

Fund balances for each of the School District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

NOTE Q – FUND BALANCE REPORTING (Continued):

- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the government’s highest level of decision-making authority.
- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the City’s General Fund.

The Statement also establishes several new presentation and disclosure requirements, including requirements related to stabilization arrangements (i.e., “rainy day” amounts).

In addition, the Statement clarifies the definitions of the various types of governmental funds. Interpretations of certain terms within the new definition of special revenue funds may affect which activities the School District can report in special revenue funds.

The provisions of GASBS No. 54 must be implemented by the School District no later than the fiscal year beginning July 1, 2010. Implementation will require the School District to restate existing fund balances for the governmental funds.

NOTE R – SUBSEQUENT EVENTS:

On October 11, 2010, the Ishpeming City School District #1’s Board of Education voted to privatize custodial services at Ishpeming High School and Birchview Elementary School and to close C.L. Phelps Middle School halfway through the school year.

REQUIRED SUPPLEMENTARY
INFORMATION

**Ishpeming City School District
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local Sources	\$ 1,100,372	\$ 1,348,622	\$ 1,357,846	\$ 248,250	\$ 9,224
State sources	6,446,466	5,944,842	5,878,592	(501,624)	(66,250)
Federal Sources	585,154	870,366	768,346	285,212	(102,020)
TOTAL REVENUES	8,131,992	8,163,830	8,004,784	31,838	(159,046)
EXPENDITURES:					
Instruction:					
Basic programs	3,387,489	3,354,574	3,359,810	32,915	(5,236)
Added needs	1,455,451	1,551,226	1,508,545	(95,775)	42,681
Total Instruction	4,842,940	4,905,800	4,868,355	(62,860)	37,445
Supporting Services:					
Student services	351,035	387,992	387,004	(36,957)	988
Instructional staff	221,639	319,803	284,975	(98,164)	34,828
General administration	248,002	253,372	246,508	(5,370)	6,864
School administration	454,674	457,964	452,766	(3,290)	5,198
Business services	180,644	162,479	158,460	18,165	4,019
Operation and maintenance of plant	1,020,198	946,984	962,342	73,214	(15,358)
Pupil transportation	247,213	256,863	255,127	(9,650)	1,736
Central services	153,316	55,410	46,764	97,906	8,646
Other supporting services	184,023	19,655	22,334	164,368	(2,679)
Total Supporting Services	3,060,744	2,860,522	2,816,280	200,222	44,242
Community Services:					
Community recreation, activities, and services	19,555	40,565	40,810	(21,010)	(245)
Childcare center	62,950	69,271	64,659	(6,321)	4,612
Total Community Services	82,505	109,836	105,469	(27,331)	4,367
Debt Service:					
Principal	54,572	54,572	54,572	-	-
Interest	21,326	30,240	28,890	(8,914)	1,350
Issuance cost	62,989	62,989	62,989	-	-
Total Debt Service	138,887	147,801	146,451	(8,914)	1,350
Facilities Acquisition:					
Capital outlay	83,906	83,906	83,906	-	-
Total Facilities Acquisition	83,906	83,906	83,906	-	-
TOTAL EXPENDITURES	8,208,982	8,107,865	8,020,461	101,117	87,404
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(76,990)	55,965	(15,677)	132,955	(71,642)
OTHER FINANCING SOURCES (USES):					
Proceeds from notes	68,922	68,922	68,922	-	-
Transfers in	26,810	48,220	65,258	21,410	17,038
Transfers (out)	(13,000)	(164,875)	(184,973)	(151,875)	(20,098)
TOTAL OTHER FINANCING SOURCES (USES)	82,732	(47,733)	(50,793)	(151,875)	(3,060)
NET CHANGE IN FUND BALANCE	5,742	8,232	(66,470)	(18,920)	(74,702)
Fund Balance, July 1	(468,963)	(468,963)	(468,963)	-	-
FUND BALANCE, JUNE 30	\$ (463,221)	\$ (460,731)	\$ (535,433)	\$ (18,920)	\$ (74,702)

**Ishpeming City School District
Special Revenue Fund - Scholarship Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local Sources	\$ 35,000	\$ 22,000	\$ 33,583	\$ (13,000)	\$ 11,583
TOTAL REVENUES	<u>35,000</u>	<u>22,000</u>	<u>33,583</u>	<u>(13,000)</u>	<u>11,583</u>
EXPENDITURES:					
Supporting Services:					
Agency Activities:					
Scholarships granted	30,000	33,430	33,409	(3,430)	21
Total Supporting Services	<u>30,000</u>	<u>33,430</u>	<u>33,409</u>	<u>(3,430)</u>	<u>21</u>
TOTAL EXPENDITURES	<u>30,000</u>	<u>33,430</u>	<u>33,409</u>	<u>(3,430)</u>	<u>21</u>
NET CHANGE IN FUND BALANCE	5,000	(11,430)	174	(9,570)	11,562
Fund Balance, July 1	<u>1,243,206</u>	<u>1,243,206</u>	<u>1,243,206</u>	-	-
FUND BALANCE, JUNE 30	<u><u>\$ 1,248,206</u></u>	<u><u>\$ 1,231,776</u></u>	<u><u>\$ 1,243,380</u></u>	<u><u>\$ (9,570)</u></u>	<u><u>\$ 11,562</u></u>

SUPPLEMENTAL FINANCIAL
INFORMATION

**Ishpeming City School District
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2010**

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total
ASSETS:				
Cash and equivalents	\$ 208,039	\$ 394,077	\$ 127,407	\$ 729,523
Due from other funds	24,765	-	-	24,765
Inventory - food and supplies	2,913	-	-	2,913
	TOTAL ASSETS	\$ 394,077	\$ 127,407	\$ 757,201
 LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ -	1,353	\$ -	\$ 1,353
Due to other funds	230,717	-	-	230,717
	TOTAL LIABILITIES	1,353	-	232,070
 FUND BALANCES:				
Reserved for:				
Debt service	-	-	127,407	127,407
Capital outlay	-	392,724	-	392,724
Unreserved - reported in special revenue funds	5,000	-	-	5,000
	TOTAL FUND BALANCES	392,724	127,407	525,131
	TOTAL LIABILITIES AND FUND BALANCES	\$ 394,077	\$ 127,407	\$ 757,201

**Ishpeming City School District
Non-major Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2010**

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total
REVENUES:				
Local sources	\$ 204,234	\$ 212,592	\$ 422,722	\$ 839,548
State sources	16,487	-	12,983	29,470
Federal sources	168,457	-	-	168,457
TOTAL REVENUES	389,178	212,592	435,705	1,037,475
EXPENDITURES:				
Supporting services	495,046	-	-	495,046
Debt service:				
Principal	-	-	230,778	230,778
Interest and fiscal charges	-	-	167,073	167,073
Capital Outlay	13,847	248,961	-	262,808
TOTAL EXPENDITURES	508,893	248,961	397,851	1,155,705
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(119,715)	(36,369)	37,854	(118,230)
OTHER FINANCING SOURCES (USES):				
Transfers in	184,973	-	-	184,973
Transfers (out)	(65,258)	-	-	(65,258)
TOTAL OTHER FINANCING SOURCES (USES)	119,715	-	-	119,715
NET CHANGE IN FUND BALANCE	-	(36,369)	37,854	1,485
Fund Balance, July 1	5,000	429,093	89,553	523,646
FUND BALANCE, JUNE 30	\$ 5,000	\$ 392,724	\$ 127,407	\$ 525,131

**Ishpeming City School District
 Non-major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2010**

	School Lunch Fund	Athletic Fund	Total
ASSETS:			
Cash and equivalents	\$ 137,781	\$ 70,258	\$ 208,039
Due from other funds	24,765	-	24,765
Inventory - food and supplies	2,913	-	2,913
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 165,459</u></u>	<u><u>\$ 70,258</u></u>	<u><u>\$ 235,717</u></u>
 LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Due to other funds	<u>\$ 165,459</u>	<u>\$ 65,258</u>	<u>\$ 230,717</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>165,459</u>	<u>65,258</u>	<u>230,717</u>
 FUND BALANCES:			
Fund balance - unreserved	<u>-</u>	<u>5,000</u>	<u>5,000</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>-</u>	<u>5,000</u>	<u>5,000</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 165,459</u></u>	<u><u>\$ 70,258</u></u>	<u><u>\$ 235,717</u></u>

**Ishpeming City School District
Non-major Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2010**

	School Lunch Fund	Athletic Fund	Total
REVENUES:			
Local sources	\$ 98,862	\$ 105,372	\$ 204,234
State sources	16,487	-	16,487
Federal sources	168,457	-	168,457
	<u>283,806</u>	<u>105,372</u>	<u>389,178</u>
TOTAL REVENUES			
EXPENDITURES:			
Supporting services	292,084	202,962	495,046
Capital Outlay	-	13,847	13,847
	<u>292,084</u>	<u>216,809</u>	<u>508,893</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,278)	(111,437)	(119,715)
OTHER FINANCING SOURCES (USES):			
Transfers in	8,278	176,695	184,973
Transfers (out)	-	(65,258)	(65,258)
	<u>8,278</u>	<u>111,437</u>	<u>119,715</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	5,000	5,000
	<u>-</u>	<u>5,000</u>	<u>5,000</u>
FUND BALANCE, JUNE 30	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>

**Ishpeming City School District
School Lunch Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local Sources:			
Sale of lunches	\$ 98,525	\$ 97,559	\$ (966)
Income from investments & other income	700	1,303	603
Total Local Sources	99,225	98,862	(363)
State Sources:			
State Aid	13,000	16,487	3,487
Total State Sources	13,000	16,487	3,487
Federal Sources:			
Grants restricted:			
Received through the State	152,860	152,859	(1)
U.S.D.A. Entitlement & Bonus	12,000	15,598	3,598
Total Federal Sources	164,860	168,457	3,597
TOTAL REVENUES	277,085	283,806	6,721
EXPENDITURES:			
Support Services:			
School Lunch Activities:			
Salaries and wages	98,000	97,965	35
Employee benefits	24,270	25,672	(1,402)
Purchased services	-	1,244	(1,244)
Food costs	133,000	156,953	(23,953)
Supplies, materials, and other expenses	23,340	10,250	13,090
Total Supporting Services	278,610	292,084	(13,474)
Capital Outlay	-	-	-
TOTAL EXPENDITURES	278,610	292,084	(13,474)
OTHER FINANCING SOURCES:			
Transfers in	1,525	8,278	(6,753)
TOTAL OTHER FINANCING SOURCES	1,525	8,278	(6,753)
NET CHANGE IN FUND BALANCE	-	-	(13,506)
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ (13,506)

**Ishpeming City School District
Athletic Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local Sources:			
Gate receipts and tournament activity	\$ 69,860	\$ 70,225	\$ 365
Participation fee	17,050	17,050	-
Income from investments	340	456	116
Other	15,100	17,641	2,541
Total Local Sources	102,350	105,372	3,022
TOTAL REVENUES	102,350	105,372	3,022
EXPENDITURES:			
Supporting Services:			
Athletic Activities:			
Salaries	120,200	119,549	651
Employee benefits	27,300	27,269	31
Purchased services	24,400	29,806	(5,406)
Supplies, materials and tournament activity	31,730	26,338	5,392
Capital Outlay	13,850	13,847	3
Total Supporting Services	217,480	216,809	671
TOTAL EXPENDITURES	217,480	216,809	671
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(115,130)	(111,437)	3,693
OTHER FINANCING SOURCES (USES):			
Transfers in	163,350	176,695	13,345
Transfers out	(48,220)	(65,258)	(17,038)
TOTAL OTHER FINANCING SOURCES (USES)	115,130	111,437	(3,693)
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	5,000	5,000	-
FUND BALANCE, JUNE 30	\$ 5,000	\$ 5,000	\$ -

**Ishpeming City School District
 Non-major Capital Projects Funds
 Combining Balance Sheet
 June 30, 2010**

	Building Sinking Fund	Athletic Facilities Project Fund	Total
ASSETS:			
Cash and equivalents	\$ 392,724	\$ 1,353	\$ 394,077
TOTAL ASSETS	\$ 392,724	\$ 1,353	\$ 394,077
 LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ -	\$ 1,353	\$ 1,353
TOTAL LIABILITIES	-	1,353	1,353
 FUND BALANCES:			
Fund balance - reserved	392,724	-	392,724
TOTAL FUND BALANCES	392,724	-	392,724
TOTAL LIABILITIES AND FUND BALANCES	\$ 392,724	\$ 1,353	\$ 394,077

**Ishpeming City School District
 Non-major Capital Projects Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended June 30, 2010**

	Building Sinking Fund	Athletic Facilities Project Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Local sources	\$ 212,592	\$ -	\$ 212,592
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	212,592	-	212,592
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES:			
Facilities Acquisition:			
Capital outlay	233,683	15,278	248,961
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	233,683	15,278	248,961
	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCE	(21,091)	(15,278)	(36,369)
Fund Balance, July 1	413,815	15,278	429,093
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE, JUNE 30	\$ 392,724	\$ -	\$ 392,724
	<u> </u>	<u> </u>	<u> </u>

**Ishpeming City School District
Non-major Capital Projects Fund
Building Sinking Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local Sources:			
Property taxes	\$ 207,800	\$ 207,608	\$ (192)
Income from investments	3,000	4,984	1,984
	Total Local Sources	212,592	1,792
	TOTAL REVENUES	212,592	1,792
EXPENDITURES:			
Facilities Acquisition:			
Capital outlay	235,000	233,683	1,317
	Total Facilities Acquisition	233,683	1,317
	TOTAL EXPENDITURES	233,683	1,317
	NET CHANGE IN FUND BALANCE	(21,091)	3,109
Fund Balance, July 1	413,815	413,815	-
	FUND BALANCE, JUNE 30	\$ 392,724	\$ 3,109

**Ishpeming City School District
Non-major Capital Projects Fund
Athletic Facilities Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local Sources:			
Income from investments	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Total Local Sources	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Facilities Acquisition:			
Capital outlay	<u>15,278</u>	<u>15,278</u>	<u>-</u>
Total Facilities Acquisition	<u>15,278</u>	<u>15,278</u>	<u>-</u>
TOTAL EXPENDITURES	<u>15,278</u>	<u>15,278</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(15,278)</u>	<u>(15,278)</u>	<u>-</u>
Fund Balance, July 1	<u>15,278</u>	<u>15,278</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Ishpeming City School District
Non-major Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local Sources:			
Property taxes	\$ 420,650	\$ 420,696	\$ 46
Income from investments	2,000	2,026	26
	Total Local Sources	422,722	72
State Sources:			
Durant Funds	-	12,983	(12,983)
	Total State Sources	12,983	(12,983)
	TOTAL REVENUES	435,705	(12,911)
EXPENDITURES:			
Debt Service:			
Principal payments	220,000	230,778	(10,778)
Interest and fiscal charges	164,859	167,073	(2,214)
	Total Debt Service	397,851	(12,992)
	TOTAL EXPENDITURES	397,851	(12,992)
	NET CHANGE IN FUND BALANCE	37,854	(25,903)
Fund Balance, July 1	89,553	89,553	-
	FUND BALANCE, JUNE 30	\$ 127,407	\$ (25,903)

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

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 of the
Ishpeming City School District
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ishpeming City School District as of and for the year ended June 30, 2010, which collectively comprise the Ishpeming City School District's basic financial statements and have issued our report thereon September 16, 2010. 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 Ishpeming City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ishpeming City School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ishpeming City School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 entity's financial statements will not be prevented, or 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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Ishpeming City School District
Ishpeming, Michigan 49849

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ishpeming City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 10-01 and 10-02.

Ishpeming City School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Ishpeming City School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, 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.

Anderson, Jackman & Company, PLLC
Certified Public Accountants

September 16, 2010



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

Board of Education
Ishpeming City School District

Compliance

We have audited the compliance of the Ishpeming City School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Ishpeming City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Ishpeming City School District's management. Our responsibility is to express an opinion on the Ishpeming City School District's compliance based on our audit.

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

In our opinion, Ishpeming City School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Ishpeming City 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 Ishpeming City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ishpeming City School District's internal control over compliance.

Board of Education
Ishpeming City School District

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to 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 compliance that we consider to be material weaknesses, as defined above.

Ishpeming City School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Ishpeming City School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, 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.

Anderson, Jackman & Company, PLLC
Certified Public Accountants

September 16, 2010

ISHPERING CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 07/01/09	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 06/30/10
U.S. DEPARTMENT OF AGRICULTURE:							
Passed Through M.D.E.:							
Food Distribution:							
Non-Cash Bonus Commodities	10.550	\$ -	\$ 1,434	\$ -	\$ 631	\$ 631	\$ -
Non-Cash Entitlement Commodities	10.550	15,775	11,156	-	14,968	14,968	-
TOTAL FOOD DISTRIBUTION		15,775	12,590	-	15,599	15,599	-
Nutrition Cluster:							
National School Breakfast Program	091970	10.553	30,886	22,214	651	27,572	28,223
National School Lunch Program:							
Section 4 - All Lunches	091950	10.555	22,048	22,120	369	19,427	19,796
Section 11 - Free & Reduced Lunches	091960	10.555	118,116	95,594	2,039	104,751	106,790
Total National School Lunch Program			140,164	117,714	2,408	124,178	126,586
Special Milk Program for Children	101940	10.556	1,109	-	-	1,109	1,109
TOTAL NUTRITION CLUSTER			172,159	139,928	3,059	152,859	155,918
Youth Wellness	096871	10.574	590	-	-	590	590
Youth Wellness	0819F1-tn08	10.574	3,037	-	-	3,037	2,930
			3,627	-	-	3,627	3,520
TOTAL PASSED THROUGH M.D.E.			191,561	152,518	3,059	172,085	175,037
TOTAL U.S. DEPARTMENT OF AGRICULTURE			191,561	152,518	3,059	172,085	175,037
U.S. DEPARTMENT OF EDUCATION:							
Direct Award:							
Indian Education	S060A082232-0910	84.060	12,754	-	-	12,754	10,530
Indian Education	S060A082232-0809	84.060	12,249	12,249	-	-	-
Indian Education	S060A082232-0708	84.060	10,131	2,981	-	-	-
TOTAL DIRECT AWARD			35,134	15,230	-	12,754	10,530
Passed through Michigan Department of Education (M.D.E.):							
Title I Cluster							
E.C.I.A. Title I Part A	101530-0910	84.010	240,196	-	-	233,544	233,544
E.C.I.A. Title I Part A	91530-0809	84.010	234,042	234,042	33,130	-	33,130
			474,238	234,042	33,130	233,544	266,674
ARRA Title I Part A	101535-0910	84.389	123,202	-	-	72,184	72,184
TOTAL TITLE I CLUSTER			597,440	234,042	33,130	305,728	338,858
Technology Literacy - Title II Part D	094290-0809	84.318	2,020	2,020	1,160	-	1,160
			2,020	2,020	1,160	-	1,160
Improving Teacher Quality - Title II Part A	100520-0910	84.367	67,733	-	-	66,379	66,379
Improving Teacher Quality - Title II Part A	090520-0809	84.367	67,451	61,979	-	5,343	5,343
			135,184	61,979	-	71,722	71,722
ARRA Education Stabilization Fund 2010	102525-0910	84.394	252,279	-	-	252,279	252,279
ARRA Education Stabilization Fund 2009	092525-0809	84.394	334,552	334,552	334,552	-	334,552
			586,831	334,552	334,552	252,279	586,831
TOTAL PASSED THROUGH M.D.E.			1,321,475	632,593	368,842	629,729	998,571

ISHPEMING CITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2010

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 07/01/09	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 06/30/10
Passed Through Delta-Schoolcraft Intermediate							
School District (DSISD):							
Perkins	103520-10122	84.048A	\$ 5,384	\$ -	\$ -	\$ 5,384	\$ 4,837
Perkins	093520/90122	84.048	5,800	5,800	-	-	-
TOTAL PASSED THROUGH DSISD			<u>11,184</u>	<u>5,800</u>	<u>-</u>	<u>5,384</u>	<u>4,837</u>
Passed Through Marquette-Alger Regional							
Educational Service Agency (MARESA):							
Special Education Cluster							
Flow Through	090450-0809	84.027	24,414	19,426	3,156	-	3,156
Flow Through	090450-0910	84.027A	24,436	-	-	21,726	-
Transition project	100490/TS	84.027A	224	-	-	75	-
			<u>49,074</u>	<u>19,426</u>	<u>3,156</u>	<u>21,801</u>	<u>24,957</u>
ARRA Flowthrough	100455/0910	84.391A	93,922	-	-	93,922	-
TOTAL SPECIAL EDUCATION CLUSTER			<u>142,996</u>	<u>19,426</u>	<u>3,156</u>	<u>115,723</u>	<u>-</u>
State Improvement	090490/TS	84.323	224	224	224	-	224
Safe & Drug Free Schools & Communities	105860/0910	84.186A	1,584	-	-	946	946
Safe & Drug Free Schools & Communities	092860-0809	84.186	1,766	1,766	1,116	-	-
			<u>3,350</u>	<u>1,766</u>	<u>1,116</u>	<u>946</u>	<u>1,116</u>
Title II-D Ed Tech	094240-MOD	84.318	164	-	-	82	-
Learn & Serve	MSBF-09-5220	94.004	449	347	198	100	298
TOTAL PASSED THROUGH MARESA			<u>147,183</u>	<u>21,763</u>	<u>4,694</u>	<u>116,851</u>	<u>946</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,514,976</u>	<u>675,386</u>	<u>373,536</u>	<u>764,718</u>	<u>1,130,247</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:							
Passed Through Marquette-Alger Regional							
Educational Service Agency (MARESA):							
LEA Medicaid Fee for Service - Transportation		93.778	4,142	4,142	-	-	-
TOTAL U.S. DEPT OF HEALTH & HUMAN SERVICES			<u>4,142</u>	<u>4,142</u>	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTAL			<u>\$ 1,710,679</u>	<u>\$ 832,046</u>	<u>\$ 376,595</u>	<u>\$ 936,803</u>	<u>\$ 1,305,284</u>
			<u>\$ 8,114</u>				

ISHPEMING CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended 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 District's 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 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:

The amounts reported as current payments on the Grant Auditor Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

Current payments per Grant Auditor Report		\$1,158,009
Add - payments not on Grant Auditor Report:		
Less – Prior year accrued receivable	\$(3,059)	
Accrued receivable	107	
Direct programs	12,754	
Passed through other Districts/Others	122,235	
Bonus and entitlement commodities	15,599	147,636
Less – deferred revenue at the beginning of year – MDE	(368,842)	
Add – deferred revenue at the end of year – MDE	-	(368,842)
PER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		\$936,803

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue is as follows:

Total Federal Revenue Sources Reported in the Financial Statements	\$936,803
TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS	\$936,803

ISHPEMING CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Ishpeming City School District.
2. There were significant deficiencies disclosed during the audit of the financial statements as listed in Section B below.
3. There were instances of noncompliance material to the financial statements of Ishpeming City School District disclosed during the audit as listed in Section B below.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in this schedule.
5. The auditors' report on compliance for the major federal award programs for Ishpeming City School District expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for Ishpeming City School District were disclosed during the audit.
7. The programs tested as major programs were:

Program	CFDA #
Title I	84.010
ARRA Title I	84.389
Flowthrough	84.027
ARRA Flowthrough	84.391

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Ishpeming City School District was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

INSTANCE OF NON-COMPLIANCE

10-01 – FUND BALANCE DEFICIT (REPEAT)

Condition/Criteria: At June 30, 2010, the General Fund had a reserved fund balance of \$121,364 and an unreserved fund deficit of \$656,797.

Cause of Condition: The School district has suffered from declining enrollment and a related decrease in the state revenues as well as budgetary overruns. Due to the significant deficiencies in interim financial reporting, management and the Board did not receive accurate financial reports and inadvertently failed to address the significant decreases in the fund balances.

Effect: Section 102(1) of the State School Aid Act prohibits a district from incurring an operating deficit during a fiscal year. A district is considered to have "a deficit fund balance if (1) its General Fund balance before reserves is negative, or (2) other funds have negative balances that are greater than the General Fund balance before reserves". The School District has a General Fund unreserved fund deficit, that currently meets the definition of a deficit fund balance.

Recommendation: Care should be taken to monitor the fund more closely in future years to ensure there are sufficient revenues to cover expenses.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Dr. Stephen Piereson, Superintendent and Anthony Bertucci
- Corrective Action Planned:
 - Reduction of expenditures by staff retirement and layoffs. Deficit Elimination Plan filed with MDE on November 25, 2008 and approved on January 30, 2009.
- Anticipated Completion Date:
 - Ongoing

10-02 – BUDGET TRANSPARENCY REPORTING

Condition/Criteria: At June 30, 2010, the School District did not post to its website budgets for all funds for which a budget was adopted.

Cause of Condition: The School district posted only the adopted general fund budget for fiscal year 2010-2011 to its website, which was adopted June 22, 2010.

Effect: Language in Section 18(2) of the State School Aid Act requires local districts, intermediate districts and public school academies to post their annual operating budgets and subsequent amendments on their website. Any budget amendments to the FY 2010 budget approved by the board will require posting to the website. The budget posting should include the General Appropriation Resolution or budgets with notation indicating when they were adopted by the local school board. This should be done for all funds for which the board adopts a budget. The Michigan Public School Accounting Manual, Section IV contains further details.

Recommendation: Care should be taken to monitor that the school district complies with the Budget Transparency Reporting for all funds.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Dr. Stephen Piereson, Superintendent and Anthony Bertucci, Business Manager
- Corrective Action Planned:
 - Budgets, and any subsequent amendments, will be posted to the District's website for all funds
- Anticipated Completion Date:
 - September 30, 2010

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE

ISHPEMING CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year June 30, 2010

There were no findings and questioned costs for
major federal awards in the prior year.

COMMUNICATIONS SECTION



*Ishpeming City School District
Report to Management Letter
For the Year Ended June 30, 2010*

To the Board of Education
Ishpeming City School District
Ishpeming, Michigan 49849

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ishpeming City School District as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Ishpeming City School District’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ishpeming City School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Ishpeming City School District’s internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

INSTANCE OF NON-COMPLIANCE

10-01 – FUND BALANCE DEFICIT (REPEAT)

Condition/Criteria: At June 30, 2010, the General Fund had a reserved fund balance of \$121,364 and an unreserved fund deficit of \$656,797.

Cause of Condition: The School district has suffered from declining enrollment and a related decrease in the state revenues as well as budgetary overruns. Due to the significant deficiencies in interim financial reporting, management and the Board did not receive accurate financial reports and inadvertently failed to address the significant decreases in the fund balances.

Effect: Section 102(1) of the State School Aid Act prohibits a district from incurring an operating deficit during a fiscal year. A district is considered to have “a deficit fund balance if (1) its General Fund balance before reserves is negative, or (2) other funds have negative balances that are greater than the General Fund balance before reserves”. The School District has a General Fund unreserved fund deficit, that currently meets the definition of a deficit fund balance.

Recommendation: Care should be taken to monitor the fund more closely in future years to ensure there are sufficient revenues to cover expenses.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Dr. Stephen Piereson, Superintendent and Anthony Bertucci
- Corrective Action Planned:
 - Reduction of expenditures by staff retirements and layoffs. Deficit Elimination Plan filed with MDE on November 25, 2008 and approved January 30, 2009.
- Anticipated Completion Date:
 - Ongoing

10-02 – BUDGET TRANSPARENCY REPORTING

Condition/Criteria: At June 30, 2010, the School District did not post to its website budgets for all funds for which a budget was adopted.

Cause of Condition: The School district posted only the adopted general fund budget for fiscal year 2010-2011 to its website, which was adopted June 22, 2010.

Effect: Language in Section 18(2) of the State School Aid Act requires local districts, intermediate districts and public school academies to post their annual operating budgets and subsequent amendments on their website. Any budget amendments to the FY 2010 budget approved by the board will require posting to the website. The budget posting should include the General Appropriation Resolution or budgets with notation indicating when they were adopted by the local school board. This should be done for all funds for which the board adopts a budget. The Michigan Public School Accounting Manual, Section IV contains further details.

Recommendation: Care should be taken to monitor that the school district complies with the Budget Transparency Reporting for all funds.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Dr. Stephen Piereson, Superintendent and Anthony Bertucci, Business Manager
- Corrective Action Planned:
 - Budgets, and any subsequent amendments, will be posted to the District’s website for all funds
- Anticipated Completion Date:
 - September 30, 2010

* * * * *

Ishpeming City School District’s written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Board of Education
Ishpeming City School District

This report is intended solely for the information and use of the Ishpeming City School District's board, management, and any other legislative or regulatory body and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 16, 2010



Ishpeming City School District
Communication with Those Charged with Governance
For the Year Ended June 30, 2010

September 16, 2010

To the Members of the Board of Education
Ishpeming City School District
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ishpeming City School District for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter to you dated June 1, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated March 29, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Ishpeming City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered 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.

As part of obtaining reasonable assurance about whether Ishpeming City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 is not an objective of our audit. Also in accordance with

To the Members of the Board of Education
Ishpeming City School District

OMB Circular A-133, we examined, on a test basis, evidence about Ishpeming City School District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Ishpeming City School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Ishpeming City School District's compliance with those requirements.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will communicate our significant findings at the conclusion of the 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 Ishpeming City 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 2009-2010. 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. These estimates are relatively insignificant 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 Adjustments

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 the financial statements taken as a whole.

To the Members of the Board of Education
Ishpeming City School District

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 September 16, 2010.

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.

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

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

We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, items 10-01 and 10-02.

The Governmental Accounting Standards Board has recently released Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The new pronouncement reclassifies reserved and unreserved fund balances into the following categories: nonspendable, restricted, committed, assigned, and unassigned. The new pronouncement will require Boards to adopt classification policy and procedures and disclose such policies and procedures in the footnotes of the financial statements. The new pronouncement is effective for the year ended June 30, 2011 and will require beginning fund balance classifications to be retroactively restated in the year of implementation.

To the Members of the Board of Education
Ishpeming City School District
Further information on this pronouncement is available upon request.

This information is intended solely for the use of the Board of Education and management of Ishpeming City School District and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants