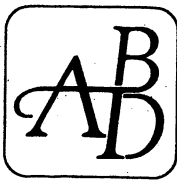


LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Cassopolis, Michigan

Report of Financial Statements
(with required supplementary information
and additional information)
June 30, 2010

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August 12, 2010

INDEPENDENT AUDITOR'S REPORT

.....
Robert L. Tuckey, CPA

To the Board of Education
Lewis Cass Intermediate School District
Cassopolis, Michigan

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis Cass Intermediate 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 our report dated August 12, 2010, on our consideration of Lewis Cass Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through ix and pages 21 and 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Education
August 12, 2010

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lewis Cass Intermediate School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2010

Our discussion and analysis of Lewis Cass Intermediate School District's financial performance, a GASB 34 requirement, provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. This financial model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 Basic Financial Statements-and Management's discussion and Analysis-for State and Local Governments*, issued in June, 2000. This is the seventh year the District has been required to report under the provisions of GASB 34.

Lewis Cass Intermediate School District is located in Cass County and portions of Berrien, St. Joseph, and Van Buren Counties in the State of Michigan. The District serves the four local K-12 districts located within its boundaries.

Generally accepted account principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: ***Fund Financial Statements and District-Wide Financial Statements***.

Fund Financial Statements:

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

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The District's ***major*** instructional and instructional support activities are reported in two funds: the General Fund, and the Special Education Fund. Additional activities are reported in ***nonmajor*** governmental funds including: the School Lunch (Food Service) Fund and the Capital Projects Fund. The District also maintains two fiduciary funds, the Trust Fund and the Agency Fund.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2010

In the fund level financial statements purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of long-term debt is recorded as a financial resource. The current year's payments of principal and interest on debt are recorded as expenditures. Future debt obligations are not recorded.

Major Governmental Funds Budgeting and Operating Highlights

General Fund:

The District's expenses and outgoing transfers in the General Fund exceeded revenues and incoming transfers by \$207,152. The resulting decrease in General Fund equity is less than the original budget estimate of a \$295,345 deficit, and less than the final budget amendment of a \$369,445 deficit. The ending fund equity balance is \$1,603,819. Actual revenues of \$2,505,036 were \$242,981 below the original budget and \$36,235 above the final budget amendment.

The actual expenditures and outgoing transfers of \$2,712,188 were \$331,174 below the original budget and \$126,058 below the final budget amendment.

Special Education Fund:

The total special education revenues and incoming transfers of \$8,018,922 were \$24,968 below the original budgeted amount and \$209,296 below the final budget amendment. Total expenses and outgoing transfers of \$8,099,000 were \$59,608 above the original budget and \$268,786 below the final amended budget.

Special education fund equity decreased by \$80,078 compared with the original budgeted amount of a \$4,498 surplus and a final budgeted deficit of \$139,568. The ending fund balance is \$1,777,478.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2010

A summary of the major governmental funds' operating results is shown in Table 1.

Table 1
Major Governmental Funds Budget &
Actual Revenues and Expenditures

	Original Budget	Final Budget June 2010	Final Actual 6/30/10	Variance Actual & Original Budget	Variance Actual & Final Budget
General Fund					
Revenues	2,748,017	2,468,801	2,505,036	-8.84%	1.47%
Expenditures	3,043,362	2,838,246	2,712,188	-10.88%	-4.44%
Surplus (Deficit)	(295,345)	(369,445)	(207,152)	-29.86%	-43.93%
Special Education Fund					
Revenues	8,043,890	8,228,218	8,018,922	-0.31%	-2.54%
Expenditures	8,039,392	8,367,786	8,099,000	0.74%	-3.21%
Surplus (Deficit)	4,498	(139,568)	(80,078)	-1880.30%	-42.62%

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2010

District Wide Financial Statements:

Statement of Net Assets

The District wide financial statements are full accrual statements. They report all of the District's assets and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the District are reported in the **Statement of Net Assets** of the District wide financial statements. This report presents a point in time "balance sheet" of assets and liabilities, both current and long-term, and the resulting net assets of the District for June 30, 2010 compared with June 30, 2009 (see Table 2).

**Table 2
Statement of Net Assets**

	June 30, 2009	June 30, 2010
Assets		
Current Assets	4,797,188	4,546,925
Capital Assets		
Assets	5,145,817	5,257,534
Less accumulated depreciation	<u>(1,948,520)</u>	<u>(2,113,421)</u>
Capital assets, net book value	3,197,297	3,144,113
Total Assets	<u>7,994,485</u>	<u>7,691,038</u>
Liabilities		
Current Liabilities	1,119,473	1,044,200
Long-term liabilities	347,195	263,239
Total Liabilities	<u>1,466,668</u>	<u>1,307,439</u>
Net Assets		
Capital assets, net book value	3,197,297	3,144,113
Capital assets, related debt	<u>(204,776)</u>	<u>(171,071)</u>
Total capital assets, net of related debt	2,992,521	2,973,042
Restricted for Capital Projects	41,334	204,417
Unrestricted	<u>3,535,296</u>	<u>3,206,140</u>
Total Net Assets	6,527,817	6,383,599
Total Liabilities and Net Assets	<u>7,994,485</u>	<u>7,691,038</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2010

Statement of Change in Net Assets (Statement of Activities)

The **Statement of Change in Net Assets**, also referred to as the Statement of Activities, indicates the results of operations for the fiscal year. It summarizes the total revenues and expenses, and the resulting change in net assets of the District. Table 3 describes the District wide result of operations for the fiscal years ending June 30, 2009 and June 30, 2010.

**Table 3
Statement of Change in Net Assets
(Statement of Activities)**

	June 30, 2009	June 30, 2010
Revenues		
Program Revenues		
Charges for Services	630,122	581,169
Federal and State Categorical Grants	3,293,445	4,032,011
General Revenues		
Property Taxes	3,115,534	3,269,841
State Sources	2,421,421	2,343,208
Other	125,265	384,081
Total Revenues	9,585,787	10,610,310
Expenses		
Instruction	2,196,588	2,377,965
Support Services	5,596,598	6,243,057
Community Services	647,305	899,120
Food Service	88,350	92,264
Interest and Fees on Long-Term Debt	6,742	6,694
Transfers to Other Districts	739,894	910,969
Unallocated		
Depreciation	217,263	224,459
Total Expenses	9,492,740	10,754,528
Increase in Net Assets	93,047	(144,218)
Beginning Net Assets	6,434,770	6,527,817
Ending Net Assets	6,527,817	6,383,599

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2010

Analysis of Financial Position:

As illustrated in Table 3, the District's net assets decreased by \$144,218 during the fiscal year ended June 30, 2010. The overall condition of the combined funds remains extremely strong for the District. The general fund and the special education fund ended the year with a combined net operating deficit of \$287,230 equating to 7.8% of the beginning total fund balance of \$3,668,527. The ending combined fund balance of \$3,381,297 represents 31% of total expenses and transfers.

The *general fund* realized a \$207,152 decrease in fund equity. The ending fund balance of \$1,603,819 represents approximately 59% of current operating expenses and outgoing transfers. This compares with a fund balance of 62% of operating expenses and transfers as of June 30, 2004, the first year of GASB 34 reporting. This is a very favorable position that will permit the fund to operate without concern of available cash or the need to borrow during the 2010-2011 fiscal year.

The *special education fund* operated with a \$80,078 deficit during the 2009-2010 fiscal year. The ending fund balance of \$1,777,478 represents approximately 22% of current operating expenses and outgoing transfers. This compares with 27% as of June 30, 2009. While there is no educational industry standard for fund equity, it is generally agreed that a fund equity approximating 15% of current operating expenses should provide adequate fiscal protection making this a favorable position.

Lewis Cass Intermediate School District does not have any school building bonded debt.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2010

Capital Assets and Debt Administration:

Capital Assets

Under the provisions of GASB 34, the District reports capital assets and accumulated depreciation. These were first reported for the fiscal year ended June 30, 2004. For all assets acquired prior to July 1, 2003 assets were reported at appraised original cost or, if available, at actual cost. The year of acquisition was identified and accumulated depreciation through June 30, 2003 was calculated. For assets acquired beginning July 1, 2003 assets are recorded at actual cost. The June 30, 2004 through June 30, 2010 financial reports summarize the beginning amounts plus acquisitions, less disposals for each fiscal year, and also recognize additional depreciation for those years.

Acquisitions and disposal of District assets for fiscal year 2009-2010 were recorded and net depreciation in the amount of \$224,459 was recognized for the year. Total capital asset additions for the year were \$178,452. Assets disposed of during the year totaled \$66,735. At the end of fiscal year 2010, the District had \$5.257 million invested in land, buildings, site improvements, vehicles, furnishings and equipment. Of this amount \$2.113 million in depreciation has been taken over the years. As described above, these amounts are recognized in *the District-Wide Financial Statements but not in the Fund Financial Statements*.

Long-Term Debt

Long term debt associated with the capital assets totaled \$171,071 as of June 30, 2010. This debt represents the District's share of the 1998 "Durant" bond issue. Durant bonds are not a direct liability of the District and are retired via payments by the State of Michigan, however for state accounting purposes school districts reflect a portion of the total state debt on their financial reports. There are currently no local debt obligations.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2010

Table 4
Capital Assets and Long-Term Debt

	June 30, 2009	June 30, 2010
Capital Assets		
Land	60,000	60,000
Buildings & additions	3,540,267	3,548,367
Site improvements	318,204	322,724
Equipment and furniture	268,065	323,697
Vehicles	959,281	1,002,746
Total Capital Assets	5,145,817	5,257,534
Total Accumulated Depreciation	(1,948,520)	(2,113,421)
Net Capital Assets	3,197,297	3,144,113
Long-Term Capital Debt		
Building bonds	0	0
Limited obligation Durant bonds	204,776	171,071
Total Long-Term Capital Debt	204,776	171,071
Total Capital assets Net of Related Debt	2,992,521	2,973,042

Economic Factors and Next Year's Budgets:

The economy in the state of Michigan continues to struggle. Any increase in state educational funding is likely years off. Section 81, the basic state aid funding the intermediate school district's general fund was cut by \$67,280 during the 2009-2010 school year representing a 17% reduction. ISD funding under this state categorical source was also cut 18% in 2005. Lewis Cass received approximately \$326,000 Section 81 funding in 2009-2010 compared to \$441,500 in 2004. The strong fund equity position the District maintains provides the financial base necessary to operate without major concern of overall fiscal deficits. The preliminary 2010-2011 general fund and special education fund budgets indicate a combined deficit of \$411,000 or approximately 3.6% of the total \$11.4 million of expenses. While less than ideal, this is an acceptable projection given the strength of the District's combined beginning fund balances.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2010

Another significant budgetary factor was the inclusion of a \$63,000 transfer from the General Fund to the Capital Projects Fund in 2009-2010 compared with \$77,000 in each of the 2007-2008 and 2008-2009 fiscal years. A \$100,000 transfer from the Special Education Fund to the Capital projects Fund was also executed during the 2009-2010 fiscal year. These transfers are made as a strategic component of the District's long range financial plan. The District invested nearly \$110,000 in its North Pointe facility in Dowagiac during the 2008-2009 fiscal year from the Capital Projects Fund for renovations of the space leased to Michigan Works. This amount is being recovered through increased rent payments over the newly renewed five-year lease.

It is estimated that combined recurring state and federal funding for the Special Education Fund in 2010-2011 will be approximately the same as in 2010-2011. The district will also be receiving the balance of the nearly \$1.9 million of federal American Recovery and Reinvestment Act (ARRA) grant funds. These grants are for special purpose IDEA approved initiatives intended to provide long-term educational gains through short-term investments. Funds are being utilized for special education program enhancements for both the ISD and the four local K-12 districts in Cass County. Grant funds must be utilized by September 30, 2011. Specific use of grant funds is still pending at the time of this analysis.

Requests for Information:

This report is designed to provide a general overview of the Lewis Cass Intermediate School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

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BASIC FINANCIAL STATEMENTS

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 963,167
Investments	2,348,984
Property taxes receivable	28,821
Accounts receivable	2,131
Prepaid expenses	34,101
Due from other governmental units	<u>1,169,721</u>
TOTAL CURRENT ASSETS	<u>4,546,925</u>
NONCURRENT ASSETS:	
Capital assets	5,257,534
Less accumulated depreciation	<u>(2,113,421)</u>
TOTAL NONCURRENT ASSETS	<u>3,144,113</u>
TOTAL ASSETS	<u><u>\$ 7,691,038</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 92,216
Accrued salaries & withholdings	672,480
Accrued retirement payable	65,811
Accrued interest	21,820
Deferred revenue	96,542
Current portion of long term debt	95,331
Current portion of compensated absences	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>1,044,200</u>
NONCURRENT LIABILITIES:	
Noncurrent portion of long term debt	75,740
Noncurrent portion of compensated absences	<u>187,499</u>
TOTAL NONCURRENT LIABILITIES	<u>263,239</u>
NET ASSETS:	
Invested in capital assets, net of related debt	2,973,042
Restricted for capital projects	204,417
Unrestricted	<u>3,206,140</u>
TOTAL NET ASSETS	<u>6,383,599</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,691,038</u></u>

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

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 2,377,965	\$ 91,289	\$ 799,413	\$ (1,487,263)
Support services	6,243,057	365,155	3,197,651	(2,680,251)
Community services	899,120		-	(899,120)
Food services	92,264	5,916	34,947	(51,401)
Transfers from other districts	910,969	118,809		(792,160)
Interest & fees on long-term debt	6,694			(6,694)
Unallocated depreciation	224,459			(224,459)
Total governmental activities	<u>\$ 10,754,528</u>	<u>\$ 581,169</u>	<u>\$ 4,032,011</u>	(6,141,348)
General revenues:				
Property taxes, levied for general purposes				3,269,841
State sources				2,343,208
Investment revenue				7,123
Miscellaneous				376,958
Total general revenue				<u>5,997,130</u>
Change in net assets				(144,218)
Net assets, beginning of year				<u>6,527,817</u>
Net assets, end of year				<u>\$ 6,383,599</u>

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

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u> <u>SPECIAL EDUCATION</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash & cash equivalents	\$ 936,995	\$ 14,075
Investments	380,888	1,863,679
Accounts receivable	-	287
Due from other funds	-	4,655
Due from other governments	401,290	768,431
Prepaid expenditures	3,017	31,084
TOTAL ASSETS	<u><u>\$ 1,722,190</u></u>	<u><u>\$ 2,682,211</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
Accounts payable	\$ 12,694	\$ 79,224
Due to other funds	4,655	100,000
Accrued salaries & withholdings	20,962	643,912
Accrued retirement payable	36	65,079
Deferred revenue	80,024	16,518
TOTAL LIABILITIES	<u>118,371</u>	<u>904,733</u>
FUND BALANCE:		
Reserved for donations		102,016
Unreserved:		
Designated for compensated absences	22,340	165,159
Undesignated	1,581,479	1,510,303
TOTAL FUND BALANCE	<u>1,603,819</u>	<u>1,777,478</u>
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$ 1,722,190</u></u>	<u><u>\$ 2,682,211</u></u>

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

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 12,097	\$ 963,167
104,417	2,348,984
1,844	2,131
100,000	104,655
-	1,169,721
-	34,101
<u>\$ 218,358</u>	<u>\$ 4,622,759</u>

\$ 298	\$ 92,216
	104,655
7,606	672,480
696	65,811
-	96,542
<u>8,600</u>	<u>1,031,704</u>

	102,016
	-
	187,499
<u>209,758</u>	<u>3,301,540</u>
<u>209,758</u>	<u>3,591,055</u>
<u>\$ 218,358</u>	<u>\$ 4,622,759</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Assets
 June 30, 2010

Total Fund Balances - Governmental Funds	\$ 3,591,055
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of the capital assets is	5,257,534
Accumulated depreciation is	(2,113,421)
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds and notes payable	(171,071)
Compensated absences	(187,499)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(21,820)
Balance of taxes receivable at 6/30/10 less allowance for doubtful accounts	28,821
Net Assets of Governmental Activities	\$ 6,383,599

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

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u> <u>SPECIAL EDUCATION</u>
REVENUES:		
Local sources	\$ 486,022	\$ 3,572,571
State sources	452,698	1,845,386
Federal sources	1,441,844	2,555,220
TOTAL REVENUES	<u>2,380,564</u>	<u>7,973,177</u>
 EXPENDITURES:		
Instruction	-	2,377,965
Supporting services	1,290,955	5,119,179
Community services	797,989	101,131
Food service activities	-	-
Principal Redemption		
Interest		
TOTAL EXPENDITURES	<u>2,088,944</u>	<u>7,598,275</u>
 EXCESS OF REVENUES OVER EXPENDITURES	291,620	374,902
 OTHER FINANCING SOURCES (USES):		
Operating transfers in	-	-
Operating transfers out	(63,000)	(150,000)
Transfers from other districts	80,964	37,845
Transfer to other districts	(560,244)	(350,725)
Insurance proceeds	43,508	
Sale of fixed assets		7,900
TOTAL OTHER FINANCING SOURCES (USES)	<u>(498,772)</u>	<u>(454,980)</u>
 EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(207,152)	(80,078)
 FUND BALANCE - BEGINNING OF YEAR	<u>1,810,971</u>	<u>1,857,556</u>
 FUND BALANCE - END OF YEAR	<u>\$ 1,603,819</u>	<u>\$ 1,777,478</u>

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

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 6,000	\$ 4,064,593
45,124	2,343,208
34,947	4,032,011
<u>86,071</u>	<u>10,439,812</u>
	2,377,965
	6,410,134
	899,120
92,264	92,264
33,705	33,705
6,892	6,892
<u>132,861</u>	<u>9,820,080</u>
(46,790)	619,732
213,000	213,000
	(213,000)
	118,809
	(910,969)
	43,508
	7,900
<u>213,000</u>	<u>(740,752)</u>
166,210	(121,020)
43,548	3,712,075
<u>\$ 209,758</u>	<u>\$ 3,591,055</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 June 30, 2010

Total net change in fund balances--governmental funds \$(121,020)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(224,459)
Capital outlay	178,452

Gains on sale of fixed assets are recorded in the statement of activities; in the governmental funds the gross proceeds are recorded:

Difference between book loss and gross proceeds	(7,177)
---	---------

Issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of the governmental funds. The effect of long-term debt and related items are as follows:

Principal payments	33,705
--------------------	--------

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	22,018
Accrued interest payable at the end of the year	(21,820)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(21,363)
Accrued revenue at the end of the year	28,821

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	176,124
Accrued absences at the end of the year	<u>(187,499)</u>

Change in net assets of governmental activities \$(144,218)

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

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 21,907	\$ 26,690	\$ 48,597
Due from other governmental units		<u>1,011</u>	<u>\$ 1,011</u>
TOTAL ASSETS	<u>\$ 21,907</u>	<u>\$ 27,701</u>	<u>\$ 49,608</u>
 <i>LIABILITIES AND FUND BALANCE</i>			
Liabilities:			
Due to other organizations		\$ 27,701	\$ 27,701
Fund Balance:			
Reserved for programs	<u>\$ 21,907</u>	<u>-</u>	<u>21,907</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 21,907</u>	<u>\$ 27,701</u>	<u>\$ 49,608</u>

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

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NONEXPENDABLE TRUST FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

REVENUES:	
Interest	\$ 502
Gain on investments	<u>1,970</u>
Total revenues	2,472
EXPENDITURES:	
Distributions	774
Administrative fees	<u>353</u>
Total expenditures	<u>1,127</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	1,345
FUND BALANCE - JULY 1	<u>20,562</u>
FUND BALANCE - JUNE 30	<u><u>\$ 21,907</u></u>

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

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Lewis Cass Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in GASB Statements #14 and #39, nor is the District a component unit of another entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

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

The District utilizes restricted resources to finance their respective, qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

Governmental Funds:

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

The *General Fund* is the District's primary administration fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District's **major** special revenue fund is the Special Education Fund.

The District reports the following **nonmajor** governmental funds:

The *Special Revenue Fund* that is considered **nonmajor** is the School Service Fund.

The *Capital Project Fund* accounts for the receipt of debt proceeds transfers from other funds and other revenue and the acquisition of fixed assets.

Fiduciary Funds:

Fiduciary funds account for assets held by the district in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the district under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *Private Purpose Trust Fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent for student scholarships. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

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

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

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):

Modified Accrual Method:

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

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

State Revenue:

The State of Michigan utilizes a foundation grant approach that provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2010, the foundation allowance was based on the pupil membership counts taken in February and September of 2009.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October 2009 to August 2010. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

OTHER ACCOUNTING POLICIES:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

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

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

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

2. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2010, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund	.2026
Special Education Fund	2.0291

3. Inventories and Prepaid Items.

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory consists of food products. Inventories for commodities are recorded as revenue when utilized. Reported inventories are equally offset by a fund balance reserve that indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Short-term Interfund Receivables/Payables.

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

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's policy is to capitalize individual amounts exceeding \$3,000.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

OTHER ACCOUNTING POLICIES, (Continued):

6. Compensated Absences.

Accumulated vacation and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the governmental funds using the modified accrual basis of accounting.

It is the policy of the District to allow for accumulation of unused sick days. Upon separation, accumulated sick days become vested after 10 years of accumulated employment and six months notice. They are payable at one-half of the employees current rate of pay for support staff and then the prevailing per diem substitute salary for administrative and professional staff for a maximum of 180 days.

7. Unemployment Insurance.

The District reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amounts paid by the MESA through June 30 are accrued.

8. Deferred Revenues:

The unexpended balance of various federal and/or state categorical grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also deferred.

9. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Use of Estimates.

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

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

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

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

NOTE 3 - CASH AND INVESTMENTS – CREDIT RISK:

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MILAF External Investment pool – MIMAX	\$2,348,984	0.0027	AAAm	100%
Total fair value	<u>\$2,348,984</u>			
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The district voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2010, the fair value of the District's investments is the same as the value of the pool shares.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3 - CASH AND INVESTMENTS – CREDIT RISK, (Continued):

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2010, \$3,356,720 of the District’s bank balance of \$3,606,720 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department of agent, but not in the District’s name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trust Fund	\$ 26,690
Cash Agency Fund	21,907
Cash – District wide	963,167
Investments – District wide	<u>2,348,984</u>
 Total	 <u><u>\$ 3,360,748</u></u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund		\$ 4,655
Special Education Fund	\$ 4,655	100,000
Capital Projects Fund	100,000	
	<u> </u>	<u> </u>
Total	<u>\$ 104,655</u>	<u>\$ 104,655</u>

The outstanding balances between funds result mainly 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 systems, and (3) payments between funds are made.

NOTE 5 - CAPITAL ASSETS:

The following is a summary of changes in the District's capital assets:

	<u>BALANCE July 1, 2009</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE June 30, 2010</u>
Assets not being depreciated – land	\$ 60,000			\$ 60,000
Depreciable capital assets:				-
Buildings & Improvements	3,858,471	\$ 12,620	-	3,871,091
Equipment	268,065	55,632	-	323,697
Transportation	959,281	110,200	\$ 66,735	1,002,746
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal Depreciable Capital Assets	5,085,817	178,452	66,735	5,197,534
Accumulated Depreciation:				-
Buildings & Improvements	1,244,942	81,437	-	1,326,379
Office & Instructional Equipment	191,483	27,390	-	218,873
Transportation	512,095	115,632	59,558	568,169
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated Depreciation	1,948,520	224,459	59,558	2,113,421
Net depreciable capital assets:	<u>3,137,297</u>	<u>(46,007)</u>	<u>7,177</u>	<u>3,084,113</u>
Net Capital Assets	<u>\$3,197,297</u>	<u>\$ (46,007)</u>	<u>\$ 7,177</u>	<u>\$ 3,144,113</u>

Depreciation for the fiscal year ended June 30, 2010 amounted to \$224,459. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 6 – LONG-TERM DEBT:

The following is a summary of long-term obligations for the District for the year ended June 30, 2010:

Limited obligation (Durant) bond, due in annual installments of \$40,597 - \$121,787 through May 2013, with interest of 4.76%.	\$171,071
Accumulated compensated absences	<u>187,499</u>
Total long-term debt	<u>\$358,570</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 6 – LONG-TERM DEBT continued:

DEBT SERVICE REQUIREMENTS:

The annual requirements to amortize long-term debt outstanding as of June 30, 2010 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011	\$ 95,331	\$ 26,456	\$121,787
2012	36,990	3,606	40,596
2013	<u>38,750</u>	<u>1,845</u>	<u>40,595</u>
Total 2009-2013	171,071	<u>\$ 31,907</u>	202,978
Accumulated Compensated Absences	<u>187,499</u>		<u>187,499</u>
TOTAL	<u>\$ 358,570</u>		<u>\$390,477</u>

CHANGES IN LONG-TERM DEBT:

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2010:

	<u>ACCUMULATED SICK PAY</u>	<u>GENERAL OBLIGATION</u>
Long-term debt – July 1, 2009	\$ 176,124	\$ 204,776
Net increase in accumulated compensated absences	62,035	
Deductions:		
Sick pay paid out	(50,660)	
Durant bonds paid	<u>-</u>	<u>(33,705)</u>
Total	<u>\$ 187,499</u>	<u>\$ 171,071</u>

Total interest expense amounted to \$6,694 for the year ended June 30, 2010.

NOTE 7 - OPERATING LEASES:

The District has entered into non-cancelable leases for an office in Benton Harbor and three copiers. The following schedule summarizes the minimum future payments for the years ended June 30:

2011	\$ 19,596
2012	19,596
2013	14,697
2014	
2015	
	<u>\$ 53,889</u>

NOTE 8 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (worker's compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for all claims, except vision and dental; the District is self-insured for vision and dental claims. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

At June 30, 2010, the liability for vision and dental claims that have been incurred through the end of the fiscal year, including both the claims that have been reported as well as those that have not been reported, is insignificant.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees’ Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2010 were 16.54% of payroll through September 30, 2009 and 16.94% effective October 1, 2009 through June 30, 2010. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the years ended June 30, 2010, 2009, and 2008, were \$725,625, \$639,021, and \$648,188, respectively, and were equal to the required contribution for each year.

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

Other Post-employment Benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

NOTE 10 – TRANSFERS:

Transfers were made between funds to supplement program costs or in the case of the Capital Projects Fund, to set aside funds for future capital outlay.

	<u>Transfers To</u>	<u>Transfers From</u>
General Fund	-	\$ 63,000
Special Education Fund		150,000
Capital Projects Fund	\$ 163,000	-
Hot Lunch Fund	50,000	
Total	<u>\$ 213,000</u>	<u>\$ 213,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Local sources	\$ 430,750	\$ 456,908	\$ 486,022	\$ 29,114
State sources	587,150	452,025	452,698	673
Federal sources	1,643,187	1,458,388	1,441,844	(16,544)
Other revenue				-
TOTAL REVENUE	<u>2,661,087</u>	<u>2,367,321</u>	<u>2,380,564</u>	<u>13,243</u>
EXPENDITURES:				
Pupil services	200,000	177,889	178,069	(180)
Instructional staff services	380,000	348,808	330,801	18,007
General administration	460,000	436,255	399,406	36,849
Business	165,000	155,580	133,425	22,155
Building services	185,000	214,665	194,505	20,160
Information management	61,500	61,500	54,749	6,751
Community services	1,014,662	812,419	797,989	14,430
TOTAL EXPENDITURES	<u>2,466,162</u>	<u>2,207,116</u>	<u>2,088,944</u>	<u>118,172</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>194,925</u>	<u>160,205</u>	<u>291,620</u>	<u>131,415</u>
OTHER FINANCING SOURCES (USES):				
Transfer from other funds				-
Transfer from other districts	86,930	57,980	80,964	22,984
Transfers to other districts	(577,200)	(568,130)	(560,244)	7,886
Transfers to other funds		(63,000)	(63,000)	-
Insurance proceeds		43,500	43,508	8
Sale of school property				
TOTAL OTHER FINANCING SOURCES (USES)	<u>(490,270)</u>	<u>(529,650)</u>	<u>(498,772)</u>	<u>30,878</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(295,345)</u>	<u>(369,445)</u>	<u>(207,152)</u>	<u>162,293</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,810,971</u>	<u>1,810,971</u>	<u>1,810,971</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,515,626</u>	<u>\$ 1,441,526</u>	<u>\$ 1,603,819</u>	<u>\$ 162,293</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Local sources	\$ 3,451,390	\$ 3,562,084	\$ 3,572,571	\$ 10,487
State sources	1,804,000	1,832,000	1,845,386	13,386
Federal sources	2,753,500	2,801,234	2,555,220	(246,014)
TOTAL REVENUE	<u>8,008,890</u>	<u>8,195,318</u>	<u>7,973,177</u>	<u>(222,141)</u>
EXPENDITURES:				
Instruction	2,275,000	2,398,524	2,377,965	20,559
Pupil services	1,580,000	1,920,419	1,790,650	129,769
Instructional staff services	252,622	260,685	215,571	45,114
Program administration	495,000	520,585	511,978	8,607
General administration	105,000	131,097	127,731	3,366
Building administration	96,000	90,000	85,807	4,193
Business	240,000	199,845	197,461	2,384
Building services	518,000	487,520	460,971	26,549
Transportation	1,600,000	1,663,500	1,638,987	24,513
Information management and EOSD	217,000	90,040	90,023	17
Community services	110,000	103,955	101,131	2,824
TOTAL EXPENDITURES	<u>7,488,622</u>	<u>7,866,170</u>	<u>7,598,275</u>	<u>267,895</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>520,268</u>	<u>329,148</u>	<u>374,902</u>	<u>45,754</u>
OTHER FINANCING SOURCES (USES):				
Transfer from other funds		-	-	-
Transfer from other districts	35,000	25,000	37,845	12,845
Transfers to other funds	(45,000)	(150,000)	(150,000)	-
Transfers to other districts	(505,770)	(351,616)	(350,725)	891
Sale of fixed assets		7,900	7,900	-
TOTAL OTHER FINANCING SOURCES SOURCES	<u>(515,770)</u>	<u>(468,716)</u>	<u>(454,980)</u>	<u>13,736</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>4,498</u>	<u>(139,568)</u>	<u>(80,078)</u>	<u>59,490</u>
FUND BALANCE - JULY 1	<u>1,857,556</u>	<u>1,857,556</u>	<u>1,857,556</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 1,862,054</u>	<u>\$ 1,717,988</u>	<u>\$ 1,777,478</u>	<u>\$ 59,490</u>

ADDITIONAL INFORMATION

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2010

	<u>DEBT RETIREMENT</u>	<u>SCHOOL SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash & cash equivalent		\$ 12,097		\$ 12,097
Investments			\$ 104,417	104,417
Accounts receivable		1,844		1,844
Due from other funds		-	100,000	100,000
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 13,941</u>	<u>\$ 204,417</u>	<u>\$ 218,358</u>
 <u>LIABILITIES & FUND BALANCE</u>				
LIABILITIES:				
Accounts payable		\$ 298		\$ 298
Accrued salaries & withholdings		7,606		7,606
Accrued retirement payable		696		696
Deferred revenue		-		-
TOTAL LIABILITIES		<u>8,600</u>		<u>8,600</u>
 FUND BALANCES				
Undesignated		<u>5,341</u>	<u>\$ 204,417</u>	<u>209,758</u>
TOTAL FUND BALANCE		<u>5,341</u>	<u>204,417</u>	<u>209,758</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ -</u>	<u>\$ 13,941</u>	<u>\$ 204,417</u>	<u>\$ 218,358</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>DEBT RETIREMENT</u>	<u>SCHOOL SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL</u>
REVENUE:				
Local sources	-	\$ 5,917	\$ 83	\$ 6,000
State sources	\$ 40,597	4,527		45,124
Federal sources	-	34,947		34,947
TOTAL REVENUE	<u>40,597</u>	<u>45,391</u>	<u>83</u>	<u>86,071</u>
EXPENDITURES:				
Food services		92,264		92,264
Principle redemption	33,705			33,705
Interest	6,892			6,892
Purchased services			-	-
Buildings			-	-
TOTAL EXPENDITURES	<u>40,597</u>	<u>92,264</u>	<u>-</u>	<u>132,861</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	<u>-</u>	<u>(46,873)</u>	<u>83</u>	<u>(46,790)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in - other funds	-	50,000	163,000	213,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>50,000</u>	<u>163,000</u>	<u>213,000</u>
EXCESS (DEFICIT) OF REVENUE & OTHER SOURCES OVER EXPENDITURES & OTHER USES	<u>-</u>	<u>3,127</u>	<u>163,083</u>	<u>166,210</u>
FUND BALANCE - Beginning of Year	<u>-</u>	<u>2,214</u>	<u>41,334</u>	<u>43,548</u>
FUND BALANCE - End of Year	<u>\$ -</u>	<u>\$ 5,341</u>	<u>\$ 204,417</u>	<u>\$ 209,758</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF REVENUE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES			
Current property tax	\$ 295,953	\$ 296,181	\$ 228
Miscellaneous revenue			
Penalties & interest on delinquent taxes	10	22	12
Miscellaneous taxes	2,500	2,552	52
Earnings on investments & deposits	5,200	5,115	(85)
Other revenues			
Community Service - ECIC	24,245	24,245	-
Rent	104,000	104,595	595
Miscellaneous	25,000	53,312	28,312
TOTAL LOCAL SOURCES	<u>456,908</u>	<u>486,022</u>	<u>29,114</u>
STATE SOURCES			
General	314,700	326,168	11,468
State restricted other	137,325	126,530	(10,795)
TOTAL STATE SOURCES	<u>452,025</u>	<u>452,698</u>	<u>673</u>
FEDERAL SOURCES			
Medicaid Administrative Outreach	70,000	51,571	(18,429)
Perkins	654,788	656,661	1,873
Family Reunification	210,000	208,405	(1,595)
Safe Family	395,000	396,531	1,531
Tech Prep	22,600	22,616	16
Wraparound	106,000	106,060	60
TOTAL FEDERAL SOURCES	<u>1,458,388</u>	<u>1,441,844</u>	<u>(16,544)</u>
OTHER FINANCING SOURCES			
Incoming transfer - Other districts	57,980	80,964	22,984
Incoming transfer - Other funds	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>57,980</u>	<u>80,964</u>	<u>22,984</u>
INSURANCE PROCEEDS	43,500	43,508	8
SALE OF FIXED ASSETS	-	-	-
TOTAL REVENUE & OTHER SOURCES	<u>\$ 2,468,801</u>	<u>\$ 2,505,036</u>	<u>\$ 36,235</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF EXPENDITURES -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Instructional Support			
Professional salaries	\$ 19,850	\$ 19,762	\$ 88
Nonprofessional salaries	28,830	29,219	(389)
Insurance benefits	23,545	22,690	855
Retirement	8,165	8,241	(76)
FICA	3,700	3,748	(48)
Purchased services	261,418	244,076	17,342
Supplies	3,300	3,065	235
Total Instructional Support	<u>348,808</u>	<u>330,801</u>	<u>18,007</u>
Student Services			
Professional Salaries	26,958	26,305	653
Nonprofessional salaries	43,693	43,581	112
Insurance benefits	37,737	38,667	(930)
Retirement	11,939	11,708	231
FICA	5,399	5,294	105
Purchased services	45,274	46,225	(951)
Supplies	6,889	6,289	600
Capital Outlay	-	-	-
Total Student Services	<u>177,889</u>	<u>178,069</u>	<u>(180)</u>
General Administration:			
Professional salaries	189,348	173,726	15,622
Non-Professional salaries	-	-	-
Insurances	54,400	46,882	7,518
Retirement	27,000	26,886	114
FICA	9,100	9,095	5
Purchased services	127,407	115,941	11,466
Supplies	29,000	26,876	2,124
Capital Outlay	-	-	-
Other	-	-	-
Total General Administration	<u>436,255</u>	<u>399,406</u>	<u>36,849</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF EXPENDITURES -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Operation & Maintenance:			
Professional salaries	-	-	-
Non-Professional salaries	\$ 31,670	\$ 31,430	\$ 240
Insurance benefits	16,500	16,214	286
Retirement	5,300	5,296	4
FICA	4,680	4,571	109
Purchased services	122,865	113,686	9,179
Supplies	19,650	18,260	1,390
Capital Outlay - including Durant	14,000	5,048	8,952
Other	-	-	-
Total Operation & Maintenance	<u>214,665</u>	<u>194,505</u>	<u>20,160</u>
Business Services:			
Professional salaries	30,900	30,132	768
Non-Professional salaries	12,600	11,114	1,486
Insurance benefits	11,690	11,698	(8)
Retirement	7,030	6,719	311
FICA & unemployment	6,650	4,775	1,875
Purchased services	67,210	58,810	8,400
Supplies	15,000	7,414	7,586
Capital Outlay	3,000	1,849	1,151
Other	1,500	914	586
Total Business Services	<u>155,580</u>	<u>133,425</u>	<u>22,155</u>
Other Support Services			
Non-Professional salaries	12,480	12,480	-
Insurance benefits	4,750	4,704	46
Retirement	2,150	2,103	47
FICA	955	948	7
Purchased services	24,000	27,301	(3,301)
Supplies	12,165	7,213	4,952
Capital outlay	5,000	-	5,000
Total Other Support Services	<u>61,500</u>	<u>54,749</u>	<u>6,751</u>
TOTAL SUPPORTING SERVICES	<u>1,394,697</u>	<u>1,290,955</u>	<u>103,742</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF EXPENDITURES -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
Professional salaries	\$ 480,558	\$ 476,260	-
Non-Professional salaries	3,050	3,050	-
Insurance benefits	80,874	80,223	\$ 651
Retirement	80,786	76,177	4,609
FICA	38,713	37,079	1,634
Purchased services	112,490	111,856	634
Supplies	15,548	12,953	2,595
Miscellaneous	400	391	9
Capital outlay	-	-	-
TOTAL COMMUNITY SERVICES	<u>812,419</u>	<u>797,989</u>	<u>14,430</u>
OTHER USES - OPERATING TRANSFERS			
Outgoing transfers - other funds	63,000	63,000	-
Operating transfers - other districts	568,130	560,244	7,886
TOTAL OTHER USES & TRANSFERS	<u>631,130</u>	<u>623,244</u>	<u>7,886</u>
TOTAL EXPENDITURES & OTHER FINANCING USES	<u><u>\$ 2,838,246</u></u>	<u><u>\$ 2,712,188</u></u>	<u><u>\$ 126,058</u></u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF REVENUE - BUDGET & ACTUAL
JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES			
Current Property Tax	\$ 2,962,335	\$ 2,966,202	\$ 3,867
Miscellaneous Revenue			
Penalties & interest on delinquent taxes	100	210	110
Earnings on investments & deposits	2,175	1,924	(251)
Medicaid School Based Services	308,000	308,690	690
Medicaid Transportation Services	200,000	206,344	6,344
Wraparound Program	40,000	43,159	3,159
Donations	774	774	-
Miscellaneous	48,700	45,268	(3,432)
TOTAL LOCAL SOURCES	<u>3,562,084</u>	<u>3,572,571</u>	<u>10,487</u>
STATE SOURCES			
Special education	1,792,000	1,793,075	1,075
Mich. Rehab. Expansion grant	40,000	52,311	12,311
TOTAL STATE SOURCES	<u>1,832,000</u>	<u>1,845,386</u>	<u>13,386</u>
FEDERAL SOURCES			
IDEA Flowthrough	1,560,000	1,471,590	(88,410)
IDEA Flowthrough ARRA	881,196	740,794	(140,402)
IDEA Early On	126,372	123,693	(2,679)
Special Education Preschool	77,966	64,483	(13,483)
Enhancing Opportunities	50,000	50,000	-
Transition Specialist	43,000	43,000	-
Autism Resource	2,700	2,678	(22)
Wraparound	60,000	58,982	(1,018)
TOTAL FEDERAL SOURCES	<u>2,801,234</u>	<u>2,555,220</u>	<u>(246,014)</u>
OTHER FINANCING SOURCES			
Incoming transfer - Other districts	25,000	37,845	12,845
Incoming transfer - Other funds	-	-	-
Sale of fixed assets	7,900	7,900	-
TOTAL OTHER FINANCING SOURCES	<u>32,900</u>	<u>45,745</u>	<u>12,845</u>
PRIOR PERIOD ADJUSTMENT	-	-	-
TOTAL REVENUE & OTHER SOURCES	<u>\$ 8,228,218</u>	<u>\$ 8,018,922</u>	<u>\$ (209,296)</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Professional salaries	\$ 690,820	\$ 696,298	\$ (5,478)
Non-Professional salaries	605,945	587,518	18,427
Insurance benefits	593,055	593,648	(593)
FICA	100,563	96,971	3,592
Retirement	219,941	210,615	9,326
Purchased services	54,800	47,944	6,856
Supplies	20,000	22,274	(2,274)
Other	-	-	-
Transfers to other districts	113,400	122,697	(9,297)
TOTAL INSTRUCTION	<u>2,398,524</u>	<u>2,377,965</u>	<u>20,559</u>
SUPPORTING SERVICES:			
Instructional Support			
Professional salaries	291,835	290,640	1,195
Non-Professional salaries	31,000	31,101	(101)
Insurance benefits	76,200	75,400	800
FICA	24,950	25,225	(275)
Retirement	53,700	53,557	143
Purchased services	217,085	190,824	26,261
Supplies	86,500	60,802	25,698
Total Instructional Support	<u>781,270</u>	<u>727,549</u>	<u>53,721</u>
Student Services			
Professional salaries	1,052,947	973,458	79,489
Non-Professional salaries	42,550	33,921	8,629
Insurance benefits	290,268	279,929	10,339
FICA	70,750	64,735	6,015
Retirement	177,157	163,808	13,349
Purchased services	269,274	265,135	4,139
Supplies	17,473	9,664	7,809
Capital outlay	-	-	-
Total Student Services	<u>1,920,419</u>	<u>1,790,650</u>	<u>129,769</u>
General Administration			
Professional salaries	62,700	62,615	85
Non-Professional salaries	-	-	-
Insurance benefits	3,800	3,701	99
FICA	2,500	2,484	16
Retirement	7,400	7,374	26
Purchased services	51,397	47,971	3,426
Supplies	3,300	3,586	(286)
Total General Administration	<u>131,097</u>	<u>127,731</u>	<u>3,366</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
School Administration			
Professional salaries	-	-	-
Non-Professional salaries	\$ 38,000	\$ 38,171	\$ (171)
Insurance benefits	20,000	20,452	(452)
FICA	2,900	2,917	(17)
Retirement	6,300	6,404	(104)
Purchased services	1,200	-	1,200
Supplies	21,600	17,863	3,737
Total School Administration	<u>90,000</u>	<u>85,807</u>	<u>4,193</u>
Operations & Maintenance			
Professional salaries	-	-	-
Non-Professional salaries	86,300	86,381	(81)
Insurance benefits	45,260	45,256	4
FICA	14,150	13,183	967
Retirement	14,900	14,548	352
Purchased services	166,910	156,060	10,850
Supplies	120,000	113,998	6,002
Capital outlay	40,000	31,545	8,455
Total Operations & Maintenance	<u>487,520</u>	<u>460,971</u>	<u>26,549</u>
Transportation			
Professional salaries	-	-	-
Non-professional salaries	763,700	756,417	7,283
Insurance benefits	330,000	325,132	4,868
FICA	70,500	68,674	1,826
Retirement	129,500	122,258	7,242
Purchased services	121,075	116,135	4,940
Supplies	137,425	141,092	(3,667)
Capital outlay	111,000	109,279	1,721
Miscellaneous	300	-	300
Total Transportation	<u>1,663,500</u>	<u>1,638,987</u>	<u>24,513</u>
Business Administration			
Professional salaries	33,000	32,895	105
Non-Professional salaries	6,500	6,419	-
Insurance benefits	9,500	14,798	(5,298)
FICA	3,100	2,991	109
Retirement	6,350	6,200	150
Purchased services	122,895	116,950	-
Supplies	9,500	8,057	1,443
Miscellaneous	9,000	9,151	(151)
Total Business Administration	<u>199,845</u>	<u>197,461</u>	<u>2,384</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES (Continued):			
Other Support Services			
Professional salaries	\$ 32,500	\$ 33,363	\$ (863)
Non-Professional salaries	20,800	20,800	-
Insurance benefits	11,750	11,893	(143)
FICA	4,090	4,005	85
Retirement	9,000	8,997	3
Purchased services	1,600	908	692
Supplies	10,300	10,057	243
Other	-	-	-
Total Other Support Services	<u>90,040</u>	<u>90,023</u>	<u>17</u>
TOTAL SUPPORTING SERVICES	<u>5,363,691</u>	<u>5,119,179</u>	<u>244,512</u>
COMMUNITY SERVICES			
Professional salaries	36,369	30,531	5,838
Insurance benefits	12,837	12,175	662
FICA	2,771	2,310	461
Retirement	6,119	4,845	1,274
Purchased services	44,920	50,518	(5,598)
Supplies	939	752	187
Other	-	-	-
TOTAL COMMUNITY SERVICES	<u>103,955</u>	<u>101,131</u>	<u>2,824</u>
OTHER FINANCING USES - OPERATING TRANSFERS			
Outgoing Transfer:			
Other funds	150,000	150,000	-
Other districts	351,616	350,725	891
TOTAL OTHER FINANCING USES	<u>501,616</u>	<u>500,725</u>	<u>891</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 8,367,786</u>	<u>\$ 8,099,000</u>	<u>\$ 268,786</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SCHOOL SERVICE FUND
SCHEDULE OF REVENUES & EXPENDITURES -
BUDGET & ACTUAL
JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES			
Breakfast/Lunch	\$ 6,000	\$ 5,916	\$ (84)
Sale of fixed assets	-	-	-
Earnings on investments	<u>2</u>	<u>1</u>	<u>(1)</u>
TOTAL LOCAL SOURCES	<u>6,002</u>	<u>5,917</u>	<u>(85)</u>
STATE SOURCES			
State restricted	<u>4,500</u>	<u>4,527</u>	<u>27</u>
FEDERAL SOURCES			
Federal restricted	31,000	31,341	341
Commodity revenue	<u>-</u>	<u>3,606</u>	<u>3,606</u>
TOTAL FEDERAL SOURCES	<u>31,000</u>	<u>34,947</u>	<u>3,947</u>
TOTAL REVENUES	<u>41,502</u>	<u>45,391</u>	<u>3,889</u>
EXPENDITURES - SUPPORTING SERVICES			
Non-Professional salaries	29,000	29,110	(110)
Insurance	14,965	15,615	(650)
FICA	7,135	7,145	(10)
Purchased services	2,800	2,689	111
Supplies	36,000	37,705	(1,705)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>89,900</u>	<u>92,264</u>	<u>(2,364)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	(48,398)	(46,873)	6,253
OTHER FINANCING SOURCES (USES)			
Operating transfers in - Special Education	<u>50,000</u>	<u>50,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>50,000</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	<u>\$ 1,602</u>	<u>\$ 3,127</u>	<u>\$ 1,525</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS	TOTALS
 <u>ASSETS</u>			
Cash	\$ 21,907	\$ 26,690	\$ 48,597
Due from other governmental units		1,011	1,011
	\$ 21,907	\$ 27,701	\$ 49,608
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Due to other organizations		\$ 27,701	\$ 27,701
Fund Balance:			
Reserved for programs	\$ 21,907	-	21,907
	\$ 21,907	\$ 27,701	\$ 49,608

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
ALL AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN
ASSETS & LIABILITIES
JUNE 30, 2010

<u>STUDENT ACTIVITY FUND</u>	<u>BALANCE</u> <u>7/1/2009</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/2010</u>
ASSETS				
Cash & Cash equivalents				
Investments	\$ 18,827	\$ 34,023	\$ 26,160	\$ 26,690
Due from other governmental units		1,011		1,011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 18,827</u>	<u>\$ 35,034</u>	<u>\$ 26,160</u>	<u>\$ 27,701</u>
LIABILITIES				
Due to school groups	<u>\$ 18,827</u>	<u>\$ 35,034</u>	<u>\$ 26,160</u>	<u>\$ 27,701</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT - 1998 ISSUE
JUNE 30, 2010

<u>May 15</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL PRINCIPAL & INTEREST</u>
2011	\$ 95,331	\$ 26,456	\$ 121,787
2012	36,990	3,606	40,596
2013	<u>38,750</u>	<u>1,845</u>	<u>40,595</u>
	<u>\$ 171,071</u>	<u>\$ 31,907</u>	<u>\$ 202,978</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

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

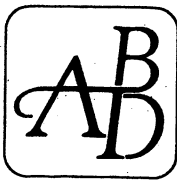
LEWIS CASS INTERMEDIATE SCHOOL DISTRICT

Additional Reports Required By
OMB Circular A-133

Year Ended June 30, 2010

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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Jamie L. Peasley, CPA
Timothy Franzel

August 12, 2010

.....
Robert L. Tuckey, CPA

**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**

To the Board of Education
Lewis Cass Intermediate School District
Cassopolis, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis Cass Intermediate School District as of and for the year ended June 30, 2010, which collectively comprise Lewis Cass Intermediate School District's basic financial statements of the District's primary government and have issued our report thereon dated August 12, 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 Lewis Cass Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lewis Cass Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lewis Cass Intermediate 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Cass City & Marlette

To the Board of Education
August 12, 2010

COMPLIANCE AND OTHER MATTERS

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

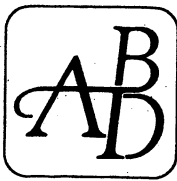
We also noted certain matters that we have reported to management of Lewis Cass Intermediate School District in a separate letter dated August 12, 2010.

Lewis Cass Intermediate 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 the District's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Board of Education, management, others within the entity, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**



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August 12, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

.....
Robert L. Tuckey, CPA

Independent Auditor's Report

To the Board of Education
Lewis Cass Intermediate School District
Cassopolis, MI

COMPLIANCE

We have audited Lewis Cass Intermediate School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lewis Cass Intermediate School District's major federal programs for the year ended June 30, 2010. Lewis Cass Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lewis Cass Intermediate School District's management. Our responsibility is to express an opinion on Lewis Cass Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 Lewis Cass Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lewis Cass Intermediate School District's compliance with those requirements.

In our opinion, Lewis Cass Intermediate School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

INTERNAL CONTROL OVER COMPLIANCE

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

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To the Board of Education
August 12, 2010

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 a 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 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 over compliance 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lewis Cass Intermediate School District as of and for the year ended June 30, 2010, and have issued our report thereon dated August 12, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Lewis Cass Intermediate District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2009	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2010
U.S. DEPARTMENT OF EDUCATION:								
Passed through Michigan Dept. of Education:								
Vocational Education -								
Vocational Basic	84.048	093520/901219	\$ 701,415	\$ 135,334	\$ 701,415	\$ 135,334	-	-
		103520/101219	650,788	-	-	423,313	\$ 650,788	\$ 227,475
CTE Perkins Secondary Reserve Grant	84.048A	093530-901119	11,475	2,856	3,966	2,856	-	-
		103530-101019	27,334	-	-	5,873	5,873	-
			<u>1,391,012</u>	<u>138,190</u>	<u>705,381</u>	<u>567,376</u>	<u>656,661</u>	<u>227,475</u>
Infants & Families Grants Cluster:								
Infant/Toddler	84.181	091340/190	85,249	9,207	85,249	9,207	-	-
Infant/Toddler	84.181	101340/190	78,082	-	-	74,586	78,082	3,496
Infant/Toddler/ARRA	84.393A	101345/190	48,290	-	-	41,852	45,611	3,759
Total Infants & Families Grants Cluster			<u>211,621</u>	<u>9,207</u>	<u>85,249</u>	<u>125,645</u>	<u>123,693</u>	<u>7,255</u>
Special Education Cluster:								
State Initiative Competitive	84.027*	09490TS	43,000	1,810	43,000	1,810	-	-
State Initiative Competitive	84.027*	100490TS	43,000	-	-	43,000	43,000	-
State Initiative Competitive	84.027*	100480E0SD	50,000	-	-	48,995	50,000	1,005
			<u>136,000</u>	<u>1,810</u>	<u>43,000</u>	<u>93,805</u>	<u>93,000</u>	<u>1,005</u>
Handicapped - IDEA	84.027*	904500809	1,487,369	399,515	1,487,369	399,515	-	-
Handicapped - IDEA	84.027*	1004500910	1,560,602	-	-	1,251,900	1,471,590	219,690
Handicapped - IDEA/ARRA	84.391	1004550910	881,146	-	-	578,925	740,794	161,869
			<u>3,929,117</u>	<u>399,515</u>	<u>1,487,369</u>	<u>2,230,340</u>	<u>2,212,384</u>	<u>381,559</u>
Preschool Incentive	84.173*	090460-0809	50,158	10,574	50,158	10,574	-	-
Preschool Incentive	84.173*	100460-0910	48,474	-	-	42,359	48,505	6,146
Preschool Incentive/ARRA	84.392A	100465-0910	29,466	-	-	13,689	15,978	2,289
			<u>128,098</u>	<u>10,574</u>	<u>50,158</u>	<u>66,622</u>	<u>64,483</u>	<u>8,435</u>
Total Special Education Cluster			<u>4,193,215</u>	<u>411,899</u>	<u>1,580,527</u>	<u>2,390,767</u>	<u>2,369,867</u>	<u>390,999</u>
Total Passed Through Michigan Department of Education			<u>5,795,848</u>	<u>559,296</u>	<u>2,371,157</u>	<u>3,083,788</u>	<u>3,150,221</u>	<u>625,729</u>

* = Cluster

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ <u>PROGRAM TITLE</u>	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2009	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2010
U.S. DEPARTMENT OF EDUCATION:								
Total passed through VanBuren ISD								
SMART (SoMI Autism Resource Team)	84.027A*		\$ 2,950	-	-	\$ 3,165	\$ 2,678	\$ (487)
			<u>2,950</u>	<u>-</u>	<u>-</u>	<u>3,165</u>	<u>2,678</u>	<u>(487)</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>5,798,798</u>	<u>\$ 559,296</u>	<u>\$ 2,371,157</u>	<u>3,086,953</u>	<u>3,152,899</u>	<u>\$ 625,242</u>
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Dept. of Education:								
National School Breakfast	10.553		10,386	428	-	10,386	10,640	682
National School Lunch	10.555		20,207	580	-	20,207	20,702	1,075
			<u>30,593</u>	<u>1,008</u>	<u>-</u>	<u>30,593</u>	<u>31,342</u>	<u>1,757</u>
Commodity Supplemental Food Program:								
Entitlement and Bonus commodities	10.555		3,605			3,605	3,605	
			<u>3,605</u>	<u>-</u>	<u>-</u>	<u>3,605</u>	<u>3,605</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>34,198</u>	<u>1,008</u>	<u>-</u>	<u>34,198</u>	<u>34,947</u>	<u>1,757</u>
U.S. DEPARTMENT OF LABOR:								
Passed through Berrien Intermediate Schools:								
Perkins III - Tech Prep	84.243	V243A080022	22,616	-	-	22,616	22,616	-
			<u>22,616</u>	<u>-</u>	<u>-</u>	<u>22,616</u>	<u>22,616</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>22,616</u>	<u>-</u>	<u>-</u>	<u>22,616</u>	<u>22,616</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:								
Passed through Michigan Dept. of Human Services:								
Medicaid - Administrative Outreach	93.778		51,571	(115,180)	-	(63,609)	51,571	-
			<u>51,571</u>	<u>(115,180)</u>	<u>-</u>	<u>(63,609)</u>	<u>51,571</u>	<u>-</u>

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2009	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2010
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:								
Passed through Michigan DHS:								
Wraparound Program (Berrien)	93.556	WRAP08-11001-2	\$ 120,000	\$ 19,128	\$ 73,730	\$ 46,759	\$ 27,631	-
Wraparound Program (Berrien)	93.556	WRAP08-11001-3	120,000	-	-	70,598	78,429	\$ 7,831
Wraparound Program	93.556	WRAP08-14001-2	63,166	10,879	53,675	20,327	9,448	-
Wraparound Program	93.556	WRAP08-14001-3	63,166	-	-	46,112	49,535	3,423
			<u>366,332</u>	<u>30,007</u>	<u>127,405</u>	<u>183,796</u>	<u>165,043</u>	<u>11,254</u>
Family Reunification	93.558	FR08-11001-2	252,296	41,434	154,722	102,579	61,145	-
Family Reunification	93.558	FR08-11001-3	252,296	-	-	133,168	147,260	14,092
			<u>504,592</u>	<u>41,434</u>	<u>154,722</u>	<u>235,747</u>	<u>208,405</u>	<u>14,092</u>
Families First	93.558	FF09-11001-1	442,295	(64,892)	250,467	33,481	98,373	-
		FF09-11001-2	442,295	-	-	259,063	298,157	39,094
			<u>884,590</u>	<u>(64,892)</u>	<u>250,467</u>	<u>292,544</u>	<u>396,530</u>	<u>39,094</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>1,807,085</u>	<u>(108,631)</u>	<u>532,594</u>	<u>648,478</u>	<u>821,549</u>	<u>64,440</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 7,662,697</u>	<u>\$ 451,673</u>	<u>\$ 2,903,751</u>	<u>\$ 3,792,245</u>	<u>\$ 4,032,011</u>	<u>\$ 691,439</u>

The accompanying notes are an integral part of this schedule.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Provided to Subrecipients
Year Ended June 30, 2010

84.048 Vocational Education Basic Grant 103520/1012-19

Cassopolis Public Schools	\$ 1,350
Dowagiac Union Schools	1,350
Edwardsburg Public Schools	1,458
Marcellus Community Schools	700
Southwestern Michigan College	700
Berrien Resa	347,481
Van Buren ISD	<u>180,149</u>
	<u><u>\$ 533,188</u></u>

84.391A ARRA Flowthrough Grant 100455-0910

Cassopolis Public Schools	\$ 32,016
Dowagiac Union Schools	114,858
Edwardsburg Public Schools	56,306
Marcellus Community Schools	<u>24,701</u>
	<u><u>\$ 227,881</u></u>

93.778 Medicaid - Administrative Outreach

Cassopolis Public Schools	\$ 13,138
Dowagiac Union Schools	24,096
Edwardsburg Public Schools	19,249
Marcellus Community Schools	<u>15,006</u>
	<u><u>\$ 71,489</u></u>

The accompanying notes are an integral part of this schedule.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lewis Cass Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Infant & Families Grants Cluster (CFDA numbers 84.181 and 84.393A) and Special Education Cluster (CFDA numbers 84.027, 84.173, 84.391 and 84.392) were audited as major programs and represent 61% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. The amounts reported on the Receipt Entitlement Balance Report agree with this schedule for USDA donated food commodities.

NOTE 3 – RECONCILIATION OF FEDERAL REVENUE

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	<u>\$4,032,011</u>
Federal expenditures per Schedule of Federal Awards	<u>\$4,032,011</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *Unqualified*

Internal control over financial reporting:

• Material weakness(es) identified: _____ Yes X No

 • Significant deficiency(ies) that are not considered to be material weakness? X Yes _____ No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified: _____ Yes X No

 • Significant deficiency(ies) that are not considered to be material weakness? _____ Yes X None reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.181	Infant/Toddler
84.393A	Infant/Toddler ARRA
84.207	IDEA Flowthrough
84.391	IDEA ARRA Flowthrough
84.173	Preschool
84.392A	Preschool ARRA

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

Auditee qualified as low-risk auditee? X Yes _____ No

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section II – Financial Statement Findings

Finding 2010-1 Considered a Significant Deficiency

Criteria:

Statement on Auditing Standards #115 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

Condition:

Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

Context:

Internal controls are weakened due to the lack of segregation of duties.

Effect:

Other staff members and/or board members must be utilized in order to achieve good internal controls.

Cause:

The district doesn't have enough staff in the business office to have a proper segregation of duties.

Recommendation:

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #115.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section III – Federal Award Findings and Questioned Costs

None

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

- **Finding 2009-1 Significant Deficiency**

Condition:

Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

Recommendation:

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #115.

Current Status: Same status as prior year.

- **Finding 2009-2 Significant Deficiency**

Condition:

The software, which is relatively new to the school district, allows the accounting staff to select the period to post the transaction irregardless of the date of the transaction.

Recommendation:

We recommend that the district communicate with the software programmer & request additional date sensitive safeguards be built into the accounting software.

Current Status: It was deemed impractical to update the software with additional date sensitive safeguards. However, the accounting staff has received additional training so that they are more aware of the situation and procedures to follow to prevent incorrect dates and postings.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2010
CONTACT PERSON: RICHARD DEVOS
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION

Lewis Cass Intermediate School District respectively submits the following corrective action plan for the year ended June 30, 2010.

Auditor: Anderson Tuckey, Bernhardt & Doran, P.C.
715 E. Frank St.
Caro, Michigan 48723

Audit Period: Year ended June 30, 2010

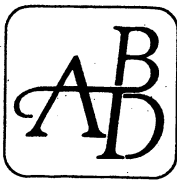
The finding from the June 30, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding- Financial statement audit

Finding 2010-1 Considered a significant deficiency

Recommendation: At this time, we recommend no changes to this situation and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as define in Statement on Auditing Standards #115.

Action to be taken: We will continue to segregate duties whenever possible and will continue to rely on the CFO and school board for additional oversight and review.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel

.....
Robert L. Tuckey, CPA

August 12, 2010

Members of the Board
Lewis Cass Intermediate School District

In planning and performing our audit of the financial statements of the *Lewis Cass Intermediate 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 the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 12, 2010 on the financial statements of *Lewis Cass Intermediate School District*. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Michigan Department of Education (MDE) guidance on Lesson Plans

In the past, MDE guidance through fiscal year June 30, 2010 allowed the use of lesson plans as adequate documentation for federal timekeeping documentation requirements in certain situations. The U.S. Department of Education has issued the *Cost Allocation Guide for State and Local Governments* informally called the *Green Book*. The guidance supersedes previous guidance and does not recognize lesson plans as adequate documentation.

For fiscal year ending June 30, 2011, district personnel will need to comply with documentation requirements for federal timekeeping requirements by using personnel activity reports and semi-annual certifications as required by OMB Circular A-87.

Statement No. 54 of the Governmental Accounting Standards Board

The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

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Cass City & Marlette

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority before the end of the fiscal year. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. We would be happy to discuss these changes in terminology with you to determine the appropriate allocation of fund balance.

Health care reform

Prior to year end Congress passed sweeping health reform changes. We know key individuals in your District have already begun to learn about the requirements and implementation procedures. We recommend you continue to monitor this major piece of legislation as many answers to basic questions have not been determined.

Insurance review considerations

Identity theft and improper hacking into computer systems has become a daily occurrence in our country. These issues are very disturbing to the individuals and organizations effected. Insurance companies have recognized this issue and now offer various types of riders for this type of coverage and other issues.

We recommend when reviewing your insurance, this type of coverage be discussed with your agent.

Budget and Salary/Compensation Transparency Reporting

We all have heard from the federal government and state governments about the continued need for transparency in regards to governmental spending. Local districts, intermediate districts and public academies are now mandated through the revised language in Section 18(2) of the State School Aid Act to provide that increase in transparency. The revised language requires educational institutions to publish more financial information to their website or though their intermediate district's website if they do not have one of their own.

There is a long list of required disclosures. The revised guidelines can be found on the Michigan Department of Education's website. The posting of this information needs to be disclosed within 30 days after the board adopted its 2010-11 annual school operating budget, or not later than July 30, 2010. We recommend the District review its website, as well as Section 18(2) of the State School Aid Act, to ensure they are in compliance.

Budget Violations

Individual revenue categories in the General Fund and Special Education Fund had unfavorable variances in comparing the final budget to actual totals. We recommend the District closely monitor the budget and make appropriate amendments as necessary to avoid unfavorable variances in the future.

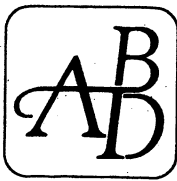
This communication is intended solely for the information and use of management and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the *Lewis Cass Intermediate School District* and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,



Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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August 12, 2010

.....
Robert L. Tuckey, CPA

To the Members of the Board
Lewis Cass Intermediate School District

We have audited the financial statements of *Lewis Cass Intermediate School District* for the year ended *June 30, 2010* and have issued our report thereon dated August 12, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated August 31, 2009, 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 *Lewis Cass Intermediate School District's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion 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 *Lewis Cass Intermediate School District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about *Lewis Cass Intermediate 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 *Lewis Cass Intermediate 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 *Lewis Cass Intermediate School District's* compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 9, 2010.

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 *Lewis Cass Intermediate School District* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010.

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We noted no transactions entered into by *Lewis Cass Intermediate School District* during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were estimated fixed asset lives for depreciation and compensated absences.

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is \$187,499. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 12, 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 *Lewis Cass Intermediate School District'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 *Lewis Cass Intermediate School District's* auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Members of the Board
August 12, 2010
Page three

This information is intended solely for the use of the Members of the Board and management of *Lewis Cass Intermediate School District* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Anderson, Tuckey, Bernhardt & Doran, P.C." The signature is written in a cursive, flowing style.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants