

Washtenaw Intermediate School District

**Financial Report
with Supplemental Information
June 30, 2011**

Washtenaw Intermediate School District

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Independent Auditor's Report

To the Board of Education
Washtenaw Intermediate School District

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Washtenaw Intermediate School District (the "School District") as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Washtenaw 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, business-type activities, each major fund, and the aggregate remaining fund information of Washtenaw Intermediate School District as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During the year, the School District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education
Washtenaw Intermediate School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washtenaw Intermediate School District's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental 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.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 25, 2011 on our consideration of the 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. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Morse, PLLC

October 25, 2011

Washtenaw Intermediate School District

Management's Discussion and Analysis

This section of Washtenaw Intermediate School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2011. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Washtenaw Intermediate School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, the Special Education Fund, and the Cooperative Activities Fund, with the other governmental funds presented in one column as nonmajor funds. The proprietary fund statements offer short- and long-term financial information about activities the School District operates like a business. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets (deficit) and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets (deficit) - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to local public school districts, teachers, and students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the services provided and the success in meeting the needs of the constituents, to assess the overall health of the School District.

The statement of net assets (deficit) and the statement of activities report the governmental activities and business-type activities for the School District. Governmental activities encompass most of the School District's services, including instruction, support services, community services, and food services. Property taxes, unrestricted state aid (Intermediate School District grant revenue), and state and federal grants finance most of these activities. Business-type activities include the enterprise funds and the internal service fund, which are financed through charges for services.

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

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (the Special Education and Hot Lunch Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds - Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets (deficit) and the statement of activities) and governmental funds in a reconciliation.

Proprietary Funds - Services for which the School District charges a fee intended to cover the entire cost of those services are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

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

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

The School District as a Whole

Recall that the statement of net assets (deficit) provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2011 and 2010:

TABLE I

	Governmental Activities		Business-type Activities	
	June 30		June 30	
	2011	2010	2011	2010
	(in millions)		(in millions)	
Assets				
Current and other assets	\$ 43.6	\$ 41.6	\$ 1.7	\$ -
Capital assets	<u>8.7</u>	<u>9.1</u>	<u>0.2</u>	<u>0.2</u>
Total assets	52.3	50.7	1.9	0.2
Liabilities				
Current liabilities	16.3	14.0	1.9	0.2
Long-term liabilities	<u>1.0</u>	<u>1.1</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>17.3</u>	<u>15.1</u>	<u>1.9</u>	<u>0.2</u>
Net Assets				
Invested in capital assets - Net of related debt	8.1	8.4	0.2	-
Restricted	22.3	21.7	-	-
Unrestricted	<u>4.6</u>	<u>5.5</u>	<u>(0.2)</u>	<u>-</u>
Total net assets	<u>\$ 35.0</u>	<u>\$ 35.6</u>	<u>\$ -</u>	<u>\$ -</u>

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental and business-type activities is discussed below. The School District's net assets were \$35.0 million at June 30, 2011. Capital assets, net of related debt, totaling \$8.1 million, compares the original cost, less depreciation of the School District's capital assets and long-term debt used to finance the acquisition of those assets. The debt will be repaid through state aid payments made to the School District as a result of the Durant Non-Plaintiff Bond issued in anticipation of these payments. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day general operations.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

The remaining amount of \$4.6 million in unrestricted net assets represents the accumulated results of all past year's general operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2011 and 2010.

TABLE 2

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
	(in millions)		(in millions)	
Revenue				
Program revenue:				
Charges for services	\$ 6.6	\$ 4.1	\$ 9.8	\$ 0.1
Operating grants	24.3	15.2	-	-
General revenue:				
Property taxes	57.3	59.9	-	-
State school aid	6.8	8.0	-	-
Other	0.8	0.8	-	-
Total revenue	95.8	88.0	9.8	0.1
Functions/Program Expenses				
Instruction	8.3	7.6	-	-
Support services	18.7	15.7	-	-
Food services	0.2	0.2	-	-
Community services	0.3	0.4	-	-
Interdistrict payments	68.3	67.9	-	-
Depreciation (unallocated)	0.6	0.7	-	-
Enterprise Funds	-	-	9.8	0.1
Total functions/program expenses	96.4	92.5	9.8	0.1
Decrease in Net Assets	\$ (0.6)	\$ (4.5)	\$ -	\$ -

As reported in the statement of activities, the cost of all of our governmental activities this year was \$96.4 million. Certain activities were partially funded from those who benefited from the programs (\$6.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$24.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$57.3 million in taxes, \$6.8 million in state school aid, and \$0.8 million with our other revenue, i.e., interest and general entitlements.

The School District experienced a decrease in net assets of \$.6 million. The key reason for the change in net assets is that our expenditures, including the reimbursement of local school districts for special education costs and operational costs of the School District, now outpace our revenue growth in the Special Education Fund in accordance with the original plan when the 1 mill special education supplemental tax levy was renewed.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$26.8 million, which is a decrease of \$.7 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, the fund balance increased by approximately \$278,000. This increase was due primarily to school improvement and curriculum support expenditures and the General Fund support of the W-A-Y Washtenaw program being less than anticipated

Fund balance in the Special Education Fund decreased from the prior year by approximately \$1.4 million. This decrease was budgeted and was in accordance with the School District's revised plan for the additional 1 mill, seven-year special education tax levy passed in 2004-2005 and renewed in May 2011. The revised plan was to spend down fund balance at the end of the initial millage term to a level as to not have a dramatic reduction in the reimbursement rate to the local districts and public school academies in a single year, but to try to ease into the lower reimbursement level.

Fund balance is available to fund costs related to allowable School District operating purposes.

During the current fiscal year, the School District established proprietary funds to account for its self-funded insurance program, and transportation services provided to school children on behalf of certain local districts. For the year ended June 30, 2011, the net assets of the School District's proprietary funds increased by approximately \$255,000.

Major Governmental Funds Budgetary Highlights

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

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

General Fund

The final revenue budget in the General Fund of approximately \$8.2 million was decreased by approximately \$.2 million from the original budget and reflects the following significant changes:

- Federal, state, and incoming transfer revenue was approximately \$990,000, \$135,000 and \$440,000, respectively, more than originally budgeted due to being awarded unanticipated grants, receiving increases in grants included in the original budget, or being approved for carryover grant funds. In addition, interdistrict revenue decreased by approximately \$2,300,000 due to the transfer of the Early College Alliance operations to the Cooperative Activities Fund.
- The budget for state revenue was increased by approximately \$300,000 since Section 81 state aid was not reduced 20 percent as had been indicated earlier in the year. In addition, it was also increased by approximately \$230,000 due to a federal mandate to maintain a consistent level of state fiscal effort toward educational programs resulting in an additional state aid distribution from the State.

The General Fund actual revenue was approximately \$7.6 million, which was approximately \$600,000 less than the final amended budget. Significant reasons for this variance are as follows:

- Local, state, federal, and incoming transfer reimbursement-type grant and project revenue was approximately \$109,000, \$286,000, \$225,000, and \$86,000, respectively, less than budgeted, primarily due to expenditures being less than the full grant award or project revenue. These revenue and expenditures will be deferred until the next fiscal year.
- Tax revenue was approximately \$35,000 greater than the anticipated \$1,380,000 of total tax revenue primarily due to tax tribunal cases not being settled as anticipated.
- State revenue was approximately \$21,000 more than budgeted related to the bus driver training program due to the percentage of reimbursement of costs the State paid being greater than expected.

The final expenditure budget in the General Fund of \$8.3 million was decreased by approximately \$1 million from the original budget and reflects the following significant changes:

- As mentioned above, federal, state, and incoming transfer expenditures were approximately \$990,000, \$135,000, and \$440,000, respectively, more than originally budgeted due to being awarded unanticipated grants, receiving increases in grants included in the original budget, or being approved for carryover grant funds. In addition, interdistrict revenue decreased approximately \$2,430,000 due to the transfer of the Early College Alliance operations to the Cooperative Activities Fund.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

- Staff and benefit costs included in the original budget were assigned grant-related work, and school improvement/assessment services, contracted services, and reimbursements to local districts were not required or were postponed, resulting in a reduction in the budgeted expenditures of approximately \$160,000.
- The secondary options and event services areas were restructured, resulting in an increase to the budget of approximately \$200,000.
- Increased various fringe benefit budget lines approximately \$20,000 due to higher than anticipated medical claims.
- Funding set aside for additional transportation consulting was not needed, resulting in a reduction in the budget of approximately \$80,000.
- Contracted services, supplies, and equipment purchases of approximately \$95,000 in various departmental areas were not required or were postponed and the final budget was amended to reflect the change.

The actual expenditures of the General Fund were approximately \$7.3 million, which is about \$1 million less than the final amended budget of \$8.3 million. Significant reasons for this variance include:

- Local, state, federal, and incoming transfer reimbursement-type grant and project expenditures were approximately \$109,000, \$286,000, \$225,000, and \$86,000, respectively, less than budgeted, primarily due to expenditures being less than the full grant award or project revenue. These revenue and expenditures will be deferred until the next fiscal year.
- Expenditures for local district school improvement and curriculum support were \$128,000 less than anticipated based on School District requests for reimbursement of expenses, postponement of some work, and enhancement of local capacity to conduct professional development.
- Fringe benefit expenditures were approximately \$40,000 less than anticipated due to medical claims at the end of the year being less than previous months.
- Various general administrative and business service contracted services and studies were postponed or the expenditures were less than anticipated, resulting in the expenditures being \$35,000 less than the budget.
- An anticipated contribution of \$107,000 to the W-A-Y Washtenaw program was not needed as of June 30.
- Anticipated technology services and supplies purchases of approximately \$30,000 were not required or were postponed until next year.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

Special Education Fund

The final revenue budget in the Special Education Fund of \$82.9 million was increased by approximately \$4 million from the original budget and reflects the following significant changes:

- Federal revenue was approximately \$2,740,000 more than originally budgeted due to being awarded unanticipated grants, receiving increases in grants included in the original budget, or being approved for carryover grants.
- Local Medicaid revenue was reduced by approximately \$300,000 since the majority of the Medicaid activity was transferred to the Cooperative Activities Fund and only some residual activity from prior years' activities was accounted for in the Special Education Fund.
- Local revenue was also increased by approximately \$1,130,000 due to tax revenue being greater than originally projected in March 2010, prior to the release of official property valuations. The largest portion of this amount is from tax increment finance authorities which is difficult to estimate since the distribution to the School District is dependent on their individual expenditures.
- State revenue was approximately \$200,000 more than expected due to adjustments of prior year state categorical revenue line items due to the School District's special education costs increasing.
- Interdistrict revenue was increased by approximately \$120,000 due to the regional transportation consortium reimbursing the School District for human resource, accounting, payroll, technology, and administrative services.

The actual revenue of the Special Education Fund was approximately \$79.7 million, which is about \$3.2 million less than the final amended budget of \$82.9 million. Significant reasons for this variance include:

- Tax revenue was approximately \$1,470,000 greater than the anticipated \$54.3 million of total tax revenue primarily due to tax tribunal cases not being settled as anticipated.
- An expected reduction in state aid revenue of approximately \$200,000 was not realized, causing state revenue to be more than anticipated.
- Federal and state reimbursement-type grant revenue was approximately \$2,040,000 and \$2,800,000, respectively, less than budgeted, primarily due to expenditures being less than the full grant award. These revenue and expenditures will be deferred until the next fiscal year.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

The final expenditure budget in the Special Education Fund of \$87.6 million was decreased by approximately \$6.8 million from the original budget and reflects the following significant changes:

- As mentioned above, federal revenue was approximately \$2,740,000 more than originally budgeted due to being awarded unanticipated grants, receiving increases in grants included in the original budget, or being approved for carryover grant funds.
- Local Medicaid expenditures were reduced by approximately \$200,000 since the majority of the Medicaid activity was transferred to the Cooperative Activities Fund and only some residual activity from prior years' activities was accounted for in the Special Education Fund.
- Staff vacancies were either filled for less cost than originally anticipated, were not filled, or substitutes were utilized, and fringe benefit and retirement costs were less than anticipated, resulting in a reduction in the salary and benefit budgets of approximately \$683,000.
- Various fringe benefit budget lines increased by approximately \$132,000 due to higher than anticipated medical claims.
- Costs for the special education millage election were assumed by the School District, as opposed to passing them on to the local districts, increasing the expenditure budget by approximately \$150,000.
- Costs of approximately \$245,000 originally budgeted were covered by grants.
- The reimbursement to local school districts and other agencies for eligible special education costs was decreased by \$8,440,000 due to a reduction in the reimbursement percentage from 84 to 77 percent, and also due to these costs being projected to be less than originally anticipated.
- Anticipated contracted services, utilities, supplies, and equipment purchases of approximately \$360,000 in various departmental areas were not required or were postponed and the final budget was amended to reflect the change.

The actual expenditures of the Special Education Fund were approximately \$81 million, which is about \$6.6 million less than the final amended budget of \$87.6 million. Significant reasons for this variance include:

- Federal and state reimbursement-type grant revenue was approximately \$2,040,000 and \$2,800,000, respectively, less than budgeted, primarily due to expenditures being less than the full grant award. These revenue and expenditures will be deferred until the next fiscal year.
- Fringe benefit expenditures were approximately \$340,000 less than anticipated due to medical claims at the end of the year being less than previous months.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

- Instructional program and pupil support contracted services and supplies of approximately \$149,000 were not required or were postponed until next year.
- Utility costs, operations, and maintenance-related and technology-related expenditures were \$130,000 less than anticipated.
- The reimbursement to local school districts and other agencies for eligible special education costs was approximately \$970,000 less than the amount budgeted, which was based on local district estimates received earlier in the year.

Cooperative Activities Fund

The final revenue budget in the Cooperative Activities Fund of \$8.3 million was increased by approximately \$4.0 million from the original budget and reflects the following significant changes:

- The budgets for local and state revenue of approximately \$3.9 million and \$100,000, respectively, were increased due to transferring the Medicaid reimbursement activity from the Special Education Fund to the Cooperative Activities Fund, as well as updating the revenue projections for current collections based on the new Medicaid methodology.

The actual revenue of the Cooperative Activities Fund was approximately \$8.3 million, which is the amount that was budgeted.

The final expenditure budget in the Cooperative Activities Fund of \$8.4 million was increased by approximately \$4.0 million from the original budget and reflects the following significant changes:

- As mentioned above, the budgets for local and state revenue of approximately \$3.9 million and \$100,000, respectively, were increased due to transferring the Medicaid reimbursement activity from the Special Education Fund to the Cooperative Activities Fund, as well as updating the revenue projections for current collections based on the new Medicaid methodology. These funds are accounted for as expenditure transfers to the local districts.

The actual expenditures of the Cooperative Activities Fund were approximately \$7.8 million, which is about \$600,000 less than the final amended budget of \$8.4 million. Significant reasons for this variance include:

- Tuition costs and other instructional support and materials for the Early College Alliance were approximately \$140,000 less than anticipated.
- Administrative support and office costs for the Early College Alliance were approximately \$33,000 less than anticipated.
- Anticipated leasehold improvements of \$23,000 for a science lab for the Early College Alliance were assumed by the landlord.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

- Twelve months of contracted services for the WAY Washtenaw online environment and supporting instructional services were budgeted; however, the only 10 months of service were required with the September start date, resulting in deferment of approximately \$176,000 of costs to the following year.
- WAY Washtenaw telecommunications/online access costs and technology equipment and maintenance costs were approximately \$150,000 less than anticipated.
- Contracted staffing costs for WAY Washtenaw were approximately \$48,000 greater than anticipated due to staff starting earlier in the initial start-up phase of the program.
- General and administrative and facility-related costs were approximately \$87,000 less than anticipated.

Capital Assets and Debt Administration

Capital Assets

The governmental activities of the School District had \$8.7 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment for the year ended June 30, 2011. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$391,000, or 4.3 percent, from last year.

	2011	2010
Land	\$ 93,670	\$ 93,670
Land improvements	883,358	865,858
Buildings and building improvements	15,229,069	15,210,680
Furniture and equipment	2,874,670	2,703,287
Buses and other vehicles	38,083	38,083
Total capital assets	19,118,850	18,911,578
Less accumulated depreciation	10,442,845	9,844,725
Net capital assets	<u>\$ 8,676,005</u>	<u>\$ 9,066,853</u>

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

This year's additions of approximately \$220,000 included upgrade to the fiber network bandwidth management system, computers and other technology-related equipment and software, special education assistive technology devices, and hearing- and visually impaired equipment. No debt was issued for these additions. Two assets were replaced and disposed of during the year with an original cost of approximately \$14,000 and accumulated depreciation of \$10,000. Total depreciation expense for governmental activities for the year was approximately \$608,000.

One major capital project is planned for the 2011-2012 school year. Related to governmental activities, approximately \$340,000 will be used for the replacement of the School District's phone system, which will be upgraded to an Internet Protocol (IP) phone system. There is a possibility the School District may receive a rebate of a large portion of this investment through the federal government E-rate program, but until all the applications have been submitted, it cannot be relied upon at this point. We anticipate capital additions will be approximately \$364,000 more than the 2010-2011 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of 2011 and 2010, the School District had \$565,833 and \$649,022, respectively, in bonds outstanding. Those bonds consisted of the following:

	<u>2011</u>	<u>2010</u>
Durant Non-Plaintiff Bond	<u>\$ 565,833</u>	<u>\$ 649,022</u>

The School District's general obligation bond rating continues to be equivalent to the State of Michigan rating since the State Durant Non-Plaintiff Bond is our only outstanding debt issue. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of less than \$1 million is significantly below the statutorily imposed limit.

Other obligations include accrued sick leave and vacation benefits. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our board and administration consider many factors when setting the School District's 2011-2012 fiscal year budget. One of the most important factors affecting the operating budgets of intermediate school districts is property tax revenue. Increases in property tax revenue on property that was on the tax rolls in the prior year are limited to a defined inflationary factor. However, with the economic turmoil over the last three years, the inflationary factor was actually less than 1 percent (.997) last year, resulting in a reduction of the allowable tax revenue on existing property. This year, the inflationary factor was 1.7 percent. Unfortunately, any possible increase in the revenue was offset by a reduction in the valuations of the property in the county. It should also be noted that this constitutional limit on property tax growth has caused our operating millage rates to be rolled back almost 0.65 mills from the original amounts approved by the voters, resulting in almost \$10.0 million less operating revenue per year. New property added to the tax rolls provides additional financial resources for district operations and for funding support for our local school districts. However, given the current state of the economy in Michigan and the decline in property values, revenue from new property additions is being completely offset. Combined, there is estimated to be a 2 to 3 percent decrease in property tax revenue for 2011-2012 over the 2010-2011 level.

State aid provided to intermediate school districts is also another important factor in setting the School District's budget. Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to public school districts and intermediate school districts. General unrestricted Intermediate School District (ISD) funding, the major funding source in our General Education Fund, has been prorated or reduced by the State a few times over the last several years due to insufficient revenue in the State School Aid Fund. Michigan's economy still has not recovered, and the uncertainty continues to concern school districts around the state about the reliability of state revenue projections. For 2011-2012, ISD Section 81 funding was reduced another 5 percent from the 2010-2011 funding level, putting the School District now at a reduction of over 32 percent since 2003-2004. These ongoing reductions have caused dramatic hardship for the General Education Fund, requiring the elimination or significant reduction of programs including early childhood education services, instructional consulting services provided to local schools in core academic areas, and funds provided to schools to work on school improvement projects. Fortunately for the Special Education Fund, most state funding for special education is constitutionally guaranteed and could not be reduced or eliminated.

Washtenaw Intermediate School District

Management's Discussion and Analysis (Continued)

As was mentioned earlier in this discussion and analysis, the voters approved an additional seven-year, 1-mill special education tax levy during 2004-2005, which was just renewed in May 2011. The School District administration's forecasts for the original seven-year period and the renewal include various budget assumptions including an expected property tax revenue change and wage and benefit expenditure modifications. The budgeted tax levies for 2010-2011, the last year of the original millage term, were approximately \$13 million less than the original forecast, due to the economic conditions and the status of the real estate market. The current year shows an additional reduction in property tax revenue. Levies in the earlier years of the seven-year period were higher than anticipated, and the additional revenue was wisely maintained for future use to cushion against just such a circumstance. Wage and benefit increases are also within the amounts used in the forecasts. Undesignated fund balance is currently higher than what was estimated in the original projection, as mentioned above; however, it is expected that approximately \$11.6 million of it will be spent during 2011-2012. Given these various factors, and as part of the millage renewal discussion, the School District plans to reduce the reimbursement to the local school districts to approximately 73 percent of their unreimbursed special education costs for their 2011-2012 year. The reimbursement level will be monitored during the year through analysis of local district special education expenditures, including the impact of the termination of the American Recovery and Reinvestment Act special education funding.

Washtenaw Intermediate School District

Statement of Net Assets (Deficit) June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 28,703,961	\$ 475,251	\$ 29,179,212
Receivables:			
Taxes receivable	837,180	-	837,180
Accounts receivable	1,471,025	1,167,243	2,638,268
Due from other governmental units	10,535,504	-	10,535,504
Internal balances (Note 6)	1,668,398	-	1,668,398
Inventories	8,666	-	8,666
Prepaid costs	442,665	16,148	458,813
Capital assets - Net (Note 5)	8,676,005	221,740	8,897,745
Total assets	<u>52,343,404</u>	<u>1,880,382</u>	<u>54,223,786</u>
Liabilities			
Accounts payable	14,200,908	68,290	14,269,198
Accrued payroll and other liabilities	1,464,181	101,315	1,565,496
Internal balances (Note 6)	-	1,668,398	1,668,398
Deferred revenue (Note 4)	574,147	-	574,147
Long-term liabilities (Note 7):			
Due within one year	97,145	10,000	107,145
Due in more than one year	1,008,082	36,903	1,044,985
Total liabilities	<u>17,344,463</u>	<u>1,884,906</u>	<u>19,229,369</u>
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	8,106,258	221,740	8,327,998
Restricted	22,320,878	-	22,320,878
Unrestricted	4,571,805	(226,264)	4,345,541
Total net assets (deficit)	<u>\$ 34,998,941</u>	<u>\$ (4,524)</u>	<u>\$ 34,994,417</u>

Washtenaw Intermediate School District

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government - Governmental activities:			
Instruction	\$ 8,285,587	\$ 6,254,883	\$ 266,320
Support services	18,674,309	3,894,164	2,713,698
Food services	223,351	41,890	56,516
Community services	312,787	232,164	206,901
Interdistrict payments	68,370,911	-	17,182,786
Interest on long-term debt	11,882	-	-
Depreciation (unallocated)	608,420	-	-
Total primary government - Governmental activities	96,487,247	10,423,101	20,426,221
Business-type activities:			
Transportation Fund	9,540,896	9,496,000	-
Business Services Fund	240,892	290,762	-
Total business-type activities	9,781,788	9,786,762	-
Total	\$ 106,269,035	\$ 20,209,863	\$ 20,426,221

General revenue:

Taxes:

- Property taxes - Levied for general purposes
- Property taxes - Levied for special education
- State aid not restricted to specific purposes
- State aid restricted to specific purposes
- Federal sources - Unrestricted
- Interest and investment earnings
- Loss on the disposal of capital assets
- Other

Total general revenue

Change in Net Assets

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

Statement of Activities
Year Ended June 30, 2011

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (1,764,384)	\$ -	\$ (1,764,384)
(12,066,447)	-	(12,066,447)
(124,945)	-	(124,945)
126,278	-	126,278
(51,188,125)	-	(51,188,125)
(11,882)	-	(11,882)
(608,420)	-	(608,420)
(65,637,925)	-	(65,637,925)
-	(44,896)	(44,896)
-	49,870	49,870
-	4,974	4,974
(65,637,925)	4,974	(65,632,951)
1,416,931	-	1,416,931
55,871,464	-	55,871,464
1,742,203	-	1,742,203
5,138,601	-	5,138,601
104,020	-	104,020
73,260	220	73,480
(3,273)	-	(3,273)
652,470	-	652,470
64,995,676	220	64,995,896
(642,249)	5,194	(637,055)
35,641,190	(9,718)	35,631,472
\$ 34,998,941	\$ (4,524)	\$ 34,994,417

Washtenaw Intermediate School District

Governmental Funds Balance Sheet June 30, 2011

	General Fund	Special Education Fund	Cooperative Activities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 3,481,674	\$ 16,931,134	\$ 5,545,756	\$ 2,485,315	\$ 28,443,879
Receivables:					
Taxes receivable	20,717	816,463	-	-	837,180
Accounts receivable	181,495	1,289,130	-	400	1,471,025
Due from other governmental units	1,015,730	9,516,048	-	3,726	10,535,504
Due from other funds (Note 6)	254,734	1,465,614	-	-	1,720,348
Inventories	-	-	-	8,666	8,666
Prepaid costs	179,884	131,775	130,292	714	442,665
Total assets	\$ 5,134,234	\$ 30,150,164	\$ 5,676,048	\$ 2,498,821	\$ 43,459,267
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,071,362	\$ 7,837,722	\$ 5,139,888	\$ 10,464	\$ 14,059,436
Accrued payroll and other liabilities	18,248	1,441,152	-	867	1,460,267
Due to other funds (Note 6)	28,001	122,009	43,048	364	193,422
Deferred revenue (Note 4)	555,381	434,438	-	-	989,819
Total liabilities	1,672,992	9,835,321	5,182,936	11,695	16,702,944
Fund Balances					
Nonspendable:					
Inventory	-	-	-	8,666	8,666
Prepaid costs	179,884	131,775	130,292	714	442,665
Restricted:					
Capital projects	-	-	-	1,481,861	1,481,861
Special education	-	20,183,068	-	-	20,183,068
Cooperative activities	-	-	362,820	-	362,820
Assigned:					
Capital projects	-	-	-	1,000,102	1,000,102
Budgeted use of fund balance in subsequent year					
	776,415	-	-	-	776,415
Unassigned	2,504,943	-	-	(4,217)	2,500,726
Total fund balances	3,461,242	20,314,843	493,112	2,487,126	26,756,323
Total liabilities and fund balances	\$ 5,134,234	\$ 30,150,164	\$ 5,676,048	\$ 2,498,821	\$ 43,459,267

Washtenaw Intermediate School District

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2011

Fund Balance - Total Governmental Funds \$ 26,756,323

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

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

Cost of capital assets	\$ 19,118,850	
Accumulated depreciation	<u>(10,442,845)</u>	8,676,005

Other long-term assets not available to pay current period expenditures are therefore deferred in the governmental funds		415,672
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable	(565,833)	
Compensated absences	<u>(539,394)</u>	(1,105,227)

Accrued interest payable is not included as a liability in governmental funds		(3,914)
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Internal Service Fund assets and liabilities are included with governmental activities in the statement of net assets (deficit)		<u>260,082</u>
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Net Assets of Governmental Activities **\$ 34,998,941**

Washtenaw Intermediate School District

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2011

	General Fund	Special Education Fund	Cooperative Activities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Local sources	\$ 1,827,579	\$ 56,832,932	\$ 3,894,253	\$ 42,249	\$ 62,597,013
State sources	2,102,611	4,681,548	-	96,645	6,880,804
Federal sources	2,218,125	17,890,939	75,752	66,243	20,251,059
Interdistrict sources	1,447,343	304,331	4,303,725	-	6,055,399
Total revenue	7,595,658	79,709,750	8,273,730	205,137	95,784,275
Expenditures					
Current:					
Instruction	224,091	5,691,613	2,142,903	-	8,058,607
Support services	5,799,744	11,513,814	1,374,822	-	18,688,380
Food services	-	-	-	223,351	223,351
Community services	85,303	222,902	4,582	-	312,787
Debt service	-	-	-	95,646	95,646
Capital outlay	147,389	251,591	273,201	18,389	690,570
Intergovernmental transfers	1,060,206	63,342,789	3,967,916	-	68,370,911
Total expenditures	7,316,733	81,022,709	7,763,424	337,386	96,440,252
Excess of Revenue Over (Under) Expenditures	278,925	(1,312,959)	510,306	(132,249)	(655,977)
Other Financing Sources (Uses)					
Transfers in	18,605	18,605	20,016	115,000	172,226
Transfers out	(20,016)	(115,000)	(37,210)	-	(172,226)
Total other financing (uses) sources	(1,411)	(96,395)	(17,194)	115,000	-
Net Change in Fund Balances	277,514	(1,409,354)	493,112	(17,249)	(655,977)
Fund Balances - Beginning of year	3,183,728	21,724,197	-	2,504,375	27,412,300
Fund Balances - End of year	<u>\$ 3,461,242</u>	<u>\$ 20,314,843</u>	<u>\$ 493,112</u>	<u>\$ 2,487,126</u>	<u>\$ 26,756,323</u>

Washtenaw Intermediate School District

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	(655,977)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	\$	(608,420)
Capitalized capital outlay	<u>220,845</u>	(387,575)
For the disposal of capital assets, governmental funds report proceeds, if any, from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets		(3,273)
Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection		63,996
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		83,189
Interest expense is recorded in the statement of activities when incurred; it is not recorded in governmental funds until paid		575
Compensated absences are recorded when earned in the statement of activities. In the current year, more was earned than was paid out		(3,266)
The net revenue of the Internal Service Fund is included with governmental activities		<u>260,082</u>
Change in Net Assets of Governmental Activities	\$	<u>(642,249)</u>

Washtenaw Intermediate School District

Proprietary Funds Statement of Net Assets (Deficit) June 30, 2011

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Transportation Fund	Nonmajor Enterprise Fund - Business Services Fund	Total	Internal Service Fund
Assets				
Current assets:				
Cash and investments (Note 3)	\$ 447,273	\$ 27,978	\$ 475,251	\$ 260,082
Accounts receivable	1,167,243	-	1,167,243	-
Due from other funds (Note 6)	11,392	-	11,392	141,472
Prepaid costs	169	15,979	16,148	-
Total current assets	1,626,077	43,957	1,670,034	401,554
Noncurrent assets - Capital assets - Net (Note 5)	88,668	133,072	221,740	-
Total assets	1,714,745	177,029	1,891,774	401,554
Liabilities				
Current liabilities:				
Accounts payable	67,815	475	68,290	141,472
Due to other funds (Note 6)	1,543,884	135,906	1,679,790	-
Accrued salaries payable	101,315	-	101,315	-
Compensated absences due within one year	10,000	-	10,000	-
Total current liabilities	1,723,014	136,381	1,859,395	141,472
Long-term liabilities - Compensated absences (Note 7)	36,426	477	36,903	-
Total liabilities	1,759,440	136,858	1,896,298	141,472
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	88,668	133,072	221,740	-
Unrestricted	(133,363)	(92,901)	(226,264)	260,082
Total net assets (deficit)	<u>\$ (44,695)</u>	<u>\$ 40,171</u>	<u>\$ (4,524)</u>	<u>\$ 260,082</u>

Washtenaw Intermediate School District

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Transportation Fund	Nonmajor Enterprise Fund - Business Services Fund	Total	Internal Service Fund
	Fund	Fund	Fund	Fund
Operating Revenue - Charges for services	\$ 9,496,000	\$ 290,762	\$ 9,786,762	\$ 1,826,451
Operating Expenses				
Administrative costs	649,770	63,124	712,894	-
Depreciation expense	15,988	67,954	83,942	-
Salaries and benefits expenses	7,391,127	109,814	7,500,941	1,566,369
Transportation expenses	1,484,011	-	1,484,011	-
Total operating expenses	<u>9,540,896</u>	<u>240,892</u>	<u>9,781,788</u>	<u>1,566,369</u>
Operating (Loss) Income	(44,896)	49,870	4,974	260,082
Nonoperating Revenue - Interest and investment earnings	<u>201</u>	<u>19</u>	<u>220</u>	<u>-</u>
Change in Net Assets	(44,695)	49,889	5,194	260,082
Net Deficit - Beginning of year	<u>-</u>	<u>(9,718)</u>	<u>(9,718)</u>	<u>-</u>
Net (Deficit) Assets - End of year	<u><u>\$ (44,695)</u></u>	<u><u>\$ 40,171</u></u>	<u><u>\$ (4,524)</u></u>	<u><u>\$ 260,082</u></u>

Washtenaw Intermediate School District

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Transportation Fund	Nonmajor Enterprise Fund - Business Services Fund	Total	Internal Service Fund
Cash Flows from Operating Activities				
Charges for services	\$ 8,328,757	\$ 290,762	\$ 8,619,519	\$ 1,826,451
Payments to suppliers	(2,066,135)	(71,070)	(2,137,205)	-
Payments to employees	(5,710,894)	(191,733)	(5,902,627)	(1,566,369)
Net cash provided by operating activities	551,728	27,959	579,687	260,082
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	(104,656)	-	(104,656)	-
Cash Flows from Investing Activities - Interest received on investments	201	19	220	-
Net Change in Cash and Cash Equivalents	447,273	27,978	475,251	260,082
Cash and Cash Equivalents - Beginning of year	-	-	-	-
Cash and Cash Equivalents - End of year	<u>\$ 447,273</u>	<u>\$ 27,978</u>	<u>\$ 475,251</u>	<u>\$ 260,082</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (44,896)	\$ 49,870	\$ 4,974	\$ 260,082
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	15,988	67,954	83,942	-
Changes in assets and liabilities:				
Accounts receivable	(1,167,243)	-	(1,167,243)	-
Due to/from other funds - Net	1,532,492	(82,396)	1,450,096	(141,472)
Prepaid assets	(169)	(8,421)	(8,590)	-
Accounts payable	67,815	475	68,290	141,472
Accrued and other liabilities	147,741	477	148,218	-
Net cash provided by operating activities	<u>\$ 551,728</u>	<u>\$ 27,959</u>	<u>\$ 579,687</u>	<u>\$ 260,082</u>

Washtenaw Intermediate School District

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2011

	<u>Student Activity Agency Fund</u>
Assets	
Cash and investments (Note 3)	\$ 9,208
Prepays	<u>250</u>
Total assets	<u><u>\$ 9,458</u></u>
Liabilities	
Accounts payable	\$ 3
Due to school-related organizations	<u>9,455</u>
Total liabilities	<u><u>\$ 9,458</u></u>

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies

The accounting policies of Washtenaw Intermediate School District (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected five-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, 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 issued prior to November 30, 1989 generally are followed to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. The School District has elected to follow private sector guidance issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between business-type and governmental activities where eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Proprietary fund and fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. As discussed above, this means that private sector standards of accounting issued prior to November 30, 1989 generally are followed to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. The School District has elected to also follow private sector guidance issued after November 30, 1989 for its enterprise funds and internal service fund. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenue of our enterprise funds relates to charges to customers for sales and services. The internal service fund is used to account for self-insured health insurance costs provided to other funds on a cost-reimbursement basis. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

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

Special Education Fund (Special Revenue Fund) - The Special Education Fund is used to account for all the financial resources relating to the operation of special education programs of the School District.

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Cooperative Activities Fund (Special Revenue Fund) - The Cooperative Activities Fund is used to account for all of the financial resources relating to the operation of the W-A-Y Washtenaw program and the Early College Alliance program.

The School District reports the following major proprietary fund:

Transportation Fund (Enterprise Fund) - The Transportation Fund is supported by charges for service and is used to account for transportation services provided to school children on behalf of certain local districts.

Additionally, the School District reports the following fund types:

The Hot Lunch Special Revenue Fund is used to account for activities relating to the operation of the cafeteria.

The General and Special Education Capital Project Funds are used to record transfers from other funds and other revenue and the disbursement of funds specifically designated for acquiring equipment and for major remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.

The debt service Fund is used to record state source revenue and the payment of interest, principal, and other expenditures on long-term debt related to the Durant Non-Plaintiff settlement.

The Business Services Fund Enterprise Fund is supported by user fees and provides software support services and fiscal services to local districts.

The internal service fund accounts for payments of self-insured health insurance services provided to other departments of the School District on a cost-reimbursement basis.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies (Continued)

The School District has 35 taxing entities in which property taxes are levied and become a lien as of July 1 and December 1, and are due between August 1 and September 14 and between January 1 and February 1, respectively. An allowance has been established based on past collection history to provide for taxes that may be ultimately uncollectible. The revenue related to property taxes not collected within 60 days has been deferred in the accompanying financial statements.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, vehicles, and computer software and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the applicable enterprise fund in the proprietary funds financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and building improvements	20 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years
Computer software and equipment	5 years

Compensated Absences - The liability for compensated absences reported in the government-wide and propriety fund statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting methods as outlined in the contractual agreements, including any liability limitations. The leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets (deficit). Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. 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 on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The School District implemented Statement No. 54 during the year.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the assistant superintendent, business services, who is authorized by resolution approved by the Board of Education to make assignments

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

- Unassigned: Includes the residual classification for the School District's General Fund and includes all spendable amounts not contained in the other classifications

Upcoming Accounting Pronouncement - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the School District's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District amended budgeted amounts during the year in response to changes in budgeted expectations.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end, if any, are reported as assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Fund Deficits - The School District has an accumulated fund balance deficit in the Transportation Fund Enterprise Fund. This deficit will be eliminated through future charges for services.

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated 16 bank accounts for the deposit of its funds.

The investment policy adopted by the board in accordance with state statutes has authorized investment in bonds and securities of the United States government and bank accounts and CDs, as well as the remainder of state statutory authority as listed above.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$9,706,364 had \$8,701,785 of bank deposits that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy.

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of 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; 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 School District's cash requirements.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Liquid Asset Fund MAX Class	\$ 9,838,556	AAAm	Standard & Poor's
Michigan Liquid Asset Fund Cash Mgmt Class	<u>21,190,208</u>	AAAm	Standard & Poor's
Total investments	<u>\$ 31,028,764</u>		

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds	
	Unavailable	Unearned
Delinquent property taxes	\$ 415,672	\$ -
Grant and categorical aid payments received prior to meeting all eligibility requirements	-	257,687
Other local revenue	-	316,460
Total	<u>\$ 415,672</u>	<u>\$ 574,147</u>

Note 5 - Capital Assets

Capital asset activity of the School District's governmental and business-type activities was as follows:

	Balance July 1, 2010	Additions	Disposals and Adjustments	Balance June 30, 2011
Governmental Activities				
Capital assets not being depreciated - Land	\$ 93,670	\$ -	\$ -	\$ 93,670
Capital assets being depreciated:				
Land improvements	865,858	17,500	-	883,358
Buildings and improvements	15,210,680	18,389	-	15,229,069
Furniture and equipment	2,703,287	184,956	13,573	2,874,670
Buses and other vehicles	38,083	-	-	38,083
Subtotal	18,817,908	220,845	13,573	19,025,180
Accumulated depreciation:				
Land improvements	355,882	44,059	-	399,941
Buildings and improvements	7,581,869	426,737	-	8,008,606
Furniture and equipment	1,880,477	135,364	10,300	2,005,541
Buses and other vehicles	26,497	2,260	-	28,757
Subtotal	9,844,725	608,420	10,300	10,442,845
Net capital assets being depreciated	8,973,183	(387,575)	3,273	8,582,335
Net capital assets	<u>\$ 9,066,853</u>	<u>\$ (387,575)</u>	<u>\$ 3,273</u>	<u>\$ 8,676,005</u>

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note 5 - Capital Assets (Continued)

	Balance July 1, 2010	Additions	Disposals and Adjustments	Balance June 30, 2011
Business-type Activities				
Capital assets being depreciated - Computer software and equipment	\$ 339,767	\$ 104,656	\$ -	\$ 444,423
Accumulated depreciation - Computer software and equipment	138,741	83,942	-	222,683
Net capital assets	\$ 201,026	\$ 20,714	\$ -	\$ 221,740

Depreciation expense for the year ended June 30, 2011 totaled \$608,420 for the governmental activities and \$83,942 for the business-type activities, none of which was charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From						Total
	General Fund	Special Education Fund	Hot Lunch Fund	Cooperative Activities Fund	Transportation Fund	Business Services Fund	
General Fund	\$ -	\$ 1,118	\$ -	\$ 19,482	\$ 99,075	\$ 135,059	\$ 254,734
Special Education Fund	10,147	-	22	20,927	1,434,467	51	1,465,614
Internal Service Fund	17,854	110,070	342	2,068	10,342	796	141,472
Transportation Fund	-	10,821	-	571	-	-	11,392
Total	\$ 28,001	\$ 122,009	\$ 364	\$ 43,048	\$ 1,543,884	\$ 135,906	\$ 1,873,212

Interfund balances represent routine and temporary cash flow assistance.

Interfund transfers include a subsidy from the Special Education Fund to the Hot Lunch Fund. Other transfers during the year were not significant.

Note 7 - Long-term Debt

The Durant Non-Plaintiff Bond, including interest, was issued to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (state aid payments). Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources.

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note 7 - Long-term Debt (Continued)

Compensated absences include the School District's liability for anticipated unused sick and vacation pay benefits to be paid to employees.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Durant Non-Plaintiff Bond	\$ 649,022	\$ -	\$ 83,189	\$ 565,833	\$ 87,145
Risk liabilities	-	1,707,841	1,566,369	141,472	141,472
Compensated absences	536,128	3,266	-	539,394	10,000
Total governmental activities	<u>\$ 1,185,150</u>	<u>\$ 1,711,107</u>	<u>\$ 1,649,558</u>	<u>\$ 1,246,699</u>	<u>\$ 238,617</u>
Business-type Activities					
Compensated absences	\$ -	\$ 46,903	\$ -	\$ 46,903	\$ 10,000

The Durant Non-Plaintiff Bond is comprised of a \$1,362,032 School Improvement Bond, Series 1998, due in annual principal installments of \$87,145 to \$478,688 through May 15, 2013, with interest at 4.76 percent.

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2012	\$ 87,145	\$ 8,496	\$ 95,641
2013	478,688	163,940	642,628
Total	<u>\$ 565,833</u>	<u>\$ 172,436</u>	<u>\$ 738,269</u>

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for errors and omissions. The School District also participates in the MASB/SEG risk pool for claims relating to all risks related to property and liability coverage on owned buildings and contents, umbrella liability, bus and auto fleet, travel accident, workers' disability, and other miscellaneous coverage. The School District is uninsured for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note 8 - Risk Management (Continued)

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District became self-insured for medical claims during the year ended June 30, 2011. The School District estimates the liability for medical claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the fiscal year are as follows:

Estimated liability - Beginning of year	\$ -
Estimated claims incurred - Including changes in estimates	1,707,841
Claim payments	<u>(1,566,369)</u>
Unpaid claims - End of year	<u>\$ 141,472</u>

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

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

Washtenaw Intermediate School District

Notes to Financial Statements June 30, 2011

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate for basic plan members was 10.13 percent of covered payroll for the period from July 1, 2010 through September 30, 2010 and 12.16 percent for the period from October 1, 2010 through June 30, 2011. The employer contribution rate for pension plus plan members was 10.66 percent in October 1, 2010 and 10.66 percent for the period from November 1, 2010 through June 30, 2011. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 to 4.3 percent of gross wages, or up to 6.4 percent of gross wages for members entering the MIP Plus plan on or after July 1, 2008. Pension plus plan members contribute at rates ranging from 6 percent to 9.4 percent of gross wages for members who first work on or after July 1, 2010. The School District's required and actual contributions to the plan for the years ended June 30, 2011, 2010, and 2009 were approximately \$1,740,000, \$1,083,000, and \$1,051,000, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.81 percent of covered payroll for the period from July 1, 2010 through September 30, 2010, 7.25 percent for the period from October 1, 2010 through October 31, 2010, and 8.50 percent for the period from November 1, 2010 through June 30, 2011. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2011, 2010, and 2009 were approximately \$1,279,000, \$736,000, and \$719,000, respectively.

Required Supplemental Information

Washtenaw Intermediate School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 1,914,568	\$ 1,898,791	\$ 1,827,579	\$ (71,212)
State sources	1,715,273	2,366,392	2,102,611	(263,781)
Federal sources	1,436,553	2,426,757	2,218,125	(208,632)
Interdistrict sources	<u>3,347,599</u>	<u>1,529,023</u>	<u>1,447,343</u>	<u>(81,680)</u>
Total revenue	8,413,993	8,220,963	7,595,658	(625,305)
Expenditures				
Current:				
Instruction:				
Basic program	218,122	222,163	214,772	(7,391)
Added needs	<u>1,260,421</u>	<u>34,090</u>	<u>9,319</u>	<u>(24,771)</u>
Total instruction	1,478,543	256,253	224,091	(32,162)
Support services:				
Pupil	295,321	295,963	206,683	(89,280)
Instructional staff	2,375,108	3,520,372	3,100,939	(419,433)
General administration	394,287	436,560	389,506	(47,054)
Business	229,255	168,113	160,780	(7,333)
Operations and maintenance	434,327	340,486	297,554	(42,932)
Pupil transportation services	147,441	183,073	150,082	(32,991)
Central	<u>1,723,432</u>	<u>1,718,766</u>	<u>1,641,589</u>	<u>(77,177)</u>
Total support services	5,599,171	6,663,333	5,947,133	(716,200)
Community services	104,107	201,043	85,303	(115,740)
Intergovernmental transfers	<u>2,153,624</u>	<u>1,218,151</u>	<u>1,060,206</u>	<u>(157,945)</u>
Total expenditures	9,335,445	8,338,780	7,316,733	(1,022,047)
Other Financing Sources (Uses)				
Transfers in	-	18,605	18,605	-
Transfers out	<u>-</u>	<u>(127,926)</u>	<u>(20,016)</u>	<u>107,910</u>
Total other financing sources (uses)	<u>-</u>	<u>(109,321)</u>	<u>(1,411)</u>	<u>107,910</u>
Net Change in Fund Balance	(921,452)	(227,138)	277,514	504,652
Fund Balance - Beginning of year	<u>3,183,728</u>	<u>3,183,728</u>	<u>3,183,728</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 2,262,276</u></u>	<u><u>\$ 2,956,590</u></u>	<u><u>\$ 3,461,242</u></u>	<u><u>\$ 504,652</u></u>

Washtenaw Intermediate School District

Required Supplemental Information Budgetary Comparison Schedule - Special Education Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 54,500,554	\$ 55,398,066	\$ 56,832,932	\$ 1,434,866
State sources	7,094,700	7,271,217	4,681,548	(2,589,669)
Federal sources	17,191,948	19,935,405	17,890,939	(2,044,466)
Interdistrict sources	209,720	305,574	304,331	(1,243)
Total revenue	<u>78,996,922</u>	<u>82,910,262</u>	<u>79,709,750</u>	<u>(3,200,512)</u>
Expenditures				
Current - Instruction - Added needs	6,433,598	5,971,030	5,721,131	(249,899)
Support services:				
Pupil	5,199,702	5,321,866	5,088,455	(233,411)
Instructional staff	1,571,510	1,661,943	1,541,894	(120,049)
General administration	205,000	362,746	326,710	(36,036)
School administration	153,650	1,800	1,711	(89)
Business	1,406,611	1,442,639	1,494,156	51,517
Operations and maintenance	1,666,227	1,456,303	1,340,819	(115,484)
Pupil transportation services	92,246	64,193	35,703	(28,490)
Central	1,787,262	2,053,132	1,906,439	(146,693)
Total support services	<u>12,082,208</u>	<u>12,364,622</u>	<u>11,735,887</u>	<u>(628,735)</u>
Community services	200,377	246,507	222,902	(23,605)
Intergovernmental transfers	75,723,125	69,028,138	63,342,789	(5,685,349)
Total expenditures	<u>94,439,308</u>	<u>87,610,297</u>	<u>81,022,709</u>	<u>(6,587,588)</u>
Excess of Expenditures Over Revenue	(15,442,386)	(4,700,035)	(1,312,959)	3,387,076
Other Financing Sources (Uses)				
Transfers in	-	18,605	18,605	-
Transfers out	(118,735)	(136,115)	(115,000)	21,115
Total other financing uses	<u>(118,735)</u>	<u>(117,510)</u>	<u>(96,395)</u>	<u>21,115</u>
Net Change in Fund Balance	(15,561,121)	(4,817,545)	(1,409,354)	3,408,191
Fund Balance - Beginning of year	<u>21,724,197</u>	<u>21,724,197</u>	<u>21,724,197</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 6,163,076</u>	<u>\$ 16,906,652</u>	<u>\$ 20,314,843</u>	<u>\$ 3,408,191</u>

Washtenaw Intermediate School District

Required Supplemental Information Budgetary Comparison Schedule - Cooperative Activities Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 2,000	\$ 3,896,068	\$ 3,894,253	\$ (1,815)
Federal sources	-	76,038	75,752	(286)
Interdistrict sources	4,303,724	4,303,724	4,303,725	1
Total revenue	4,305,724	8,275,830	8,273,730	(2,100)
Expenditures				
Current:				
Instruction	2,692,274	2,669,774	2,416,104	(253,670)
Support services:				
Pupil	14,000	20,000	17,822	(2,178)
Instructional staff	1,464,657	1,479,657	1,217,432	(262,225)
School administration	-	-	809	809
Operations and maintenance	89,150	89,150	45,160	(43,990)
Pupil transportation services	4,000	4,000	616	(3,384)
Central	104,359	104,359	92,983	(11,376)
Total support services	1,676,166	1,697,166	1,374,822	(322,344)
Community services	5,000	6,500	4,582	(1,918)
Intergovernmental transfers	23,000	3,993,106	3,967,916	(25,190)
Total expenditures	4,396,440	8,366,546	7,763,424	(603,122)
Excess of Revenue (Under) Over Expenditures	(90,716)	(90,716)	510,306	601,022
Other Financing Sources (Uses)				
Transfers in	127,926	127,926	20,016	(107,910)
Transfers out	(37,210)	(37,210)	(37,210)	-
Total other financing sources (uses)	90,716	90,716	(17,194)	(107,910)
Net Change in Fund Balance	-	-	493,112	493,112
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,112</u>	<u>\$ 493,112</u>

Other Supplemental Information

Washtenaw Intermediate School District

Other Supplemental Information Analysis of Property Taxes Levied, Collected, and Receivable Year Ended June 30, 2011

County	Levy Year	Taxes			Taxes	
		Receivable June 30, 2010	Levy	Collections	Adjustments	Receivable June 30, 2011
Washtenaw	2010	\$ -	\$ 53,965,780	\$ 53,346,832	\$ -	\$ 618,948
	2009	516,181	-	458,138	-	58,043
	2008	64,881	-	12,195	-	52,686
	2007	22,263	-	5,302	-	16,961
	2006	23,618	-	15,696	-	7,922
	2005	1,726	-	1,726	-	-
	2004	69,303	-	3,215	(66,088)	-
	Total	697,972	53,965,780	53,843,104	(66,088)	754,560
Jackson	2010	-	151,875	151,800	-	75
	2009	82	-	43	-	39
	2008	81	-	-	-	81
	2007	70	-	-	-	70
	2006	67	-	-	-	67
	2005	64	-	-	-	64
	2004	669	-	-	(669)	-
	Total	1,033	151,875	151,843	(669)	396
Livingston	2010	-	561,291	560,542	-	749
	2009	1,471	-	624	-	847
	2008	921	-	138	-	783
	2007	60	-	-	-	60
	2006	1,354	-	-	-	1,354
	2005	1,614	-	-	-	1,614
	2004	1,180	-	-	(1,180)	-
	Total	6,600	561,291	561,304	(1,180)	5,407
Monroe	2010	-	813,672	813,220	-	452
	2009	864	-	-	-	864
	2008	-	-	-	-	-
	2007	-	-	-	-	-
	2006	-	-	-	-	-
	2005	17,700	-	-	-	17,700
	2004	152	-	-	(152)	-
	Total	18,716	813,672	813,220	(152)	19,016

Washtenaw Intermediate School District

Other Supplemental Information Analysis of Property Taxes Levied, Collected, and Receivable (Continued) Year Ended June 30, 2011

County	Levy Year	Taxes Receivable June 30, 2010	Levy	Collections	Adjustments	Taxes Receivable June 30, 2011
Wayne	2010	\$ -	\$ 665,904	\$ 622,684	\$ -	\$ 43,220
	2009	66,567	-	61,984	-	4,583
	2008	7,405	-	1,509	-	5,896
	2007	-	-	-	-	-
	2006	573	-	573	-	-
	2005	4,102	-	-	-	4,102
	2004	3,480	-	-	(3,480)	-
	Total	<u>82,127</u>	<u>665,904</u>	<u>686,750</u>	<u>(3,480)</u>	<u>57,801</u>
Grand total	<u>\$ 806,448</u>	<u>\$ 56,158,522</u>	<u>\$ 56,056,221</u>	<u>\$ (71,569)</u>	<u>\$ 837,180</u>	

Washtenaw Intermediate School District

Other Supplemental Information Schedule of Outgoing Transfers of Act 18 Tax Revenue to Local Districts Year Ended June 30, 2011

District	Amount
Ann Arbor Learning Community	\$ 85,372
Ann Arbor Public Schools	17,666,561
Central Academy Charter School	72,503
Chelsea Public Schools	2,147,641
Dexter Community Schools	2,746,170
Eastern Washtenaw Multicultural Academy	12,853
Fortis Academy	194,787
Honey Creek Community Schools	126,318
Lincoln Public Schools	5,028,235
Manchester Public Schools	910,002
Milan Area Schools	1,467,367
New Beginnings Charter School	12,598
Saline Area Schools	4,856,492
South Arbor Charter School	226,512
Victory Academy	56,076
Whitmore Lake Public Schools	814,992
Willow Run Community Schools	1,772,031
WTMC	27,455
Ypsilanti Public Schools	8,065,305
Total	<u><u>\$ 46,289,270</u></u>

Washtenaw Intermediate School District

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2011

	Special Revenue Fund - Hot Lunch Fund	Debt Service Fund - Durant Settlement Debt	General Education Capital Projects Fund	Special Education Capital Projects Fund	Total Governmental Funds
Assets					
Cash and investments	\$ 3,352	\$ -	\$ 1,000,102	\$ 1,481,861	\$ 2,485,315
Receivables:					
Accounts receivable	400	-	-	-	400
Due from other governmental units	3,726	-	-	-	3,726
Inventories	8,666	-	-	-	8,666
Prepaid costs and other assets	714	-	-	-	714
Total assets	\$ 16,858	\$ -	\$ 1,000,102	\$ 1,481,861	\$ 2,498,821
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 10,464	\$ -	\$ -	\$ -	\$ 10,464
Accrued payroll-related liabilities	867	-	-	-	867
Due to other funds	364	-	-	-	364
Total liabilities	11,695	-	-	-	11,695
Fund Balances					
Nonspendable:					
Inventory	8,666	-	-	-	8,666
Prepaid assets	714	-	-	-	714
Restricted - Capital projects	-	-	-	1,481,861	1,481,861
Assigned - Capital projects	-	-	1,000,102	-	1,000,102
Unassigned	(4,217)	-	-	-	(4,217)
Total fund balances	5,163	-	1,000,102	1,481,861	2,487,126
Total liabilities and fund balances	\$ 16,858	\$ -	\$ 1,000,102	\$ 1,481,861	\$ 2,498,821

Washtenaw Intermediate School District

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2011

	Special Revenue Fund - Hot Lunch Fund	Debt Service Fund - Durant Settlement Debt	General Education Capital Projects Fund	Special Education Capital Projects Fund	Total Governmental Funds
Revenue					
Local sources	\$ 41,897	\$ -	\$ 102	\$ 250	\$ 42,249
State sources	999	95,646	-	-	96,645
Federal sources	66,243	-	-	-	66,243
Total revenue	109,139	95,646	102	250	205,137
Expenditures					
Current - Food services	223,351	-	-	-	223,351
Debt service:					
Principal	-	83,189	-	-	83,189
Interest	-	12,457	-	-	12,457
Capital outlay	-	-	-	18,389	18,389
Total expenditures	223,351	95,646	-	18,389	337,386
Excess of Revenue (Under) Over Expenditures	(114,212)	-	102	(18,139)	(132,249)
Other Financing Sources - Transfers in	115,000	-	-	-	115,000
Net Change in Fund Balances	788	-	102	(18,139)	(17,249)
Fund Balances - Beginning of year	4,375	-	1,000,000	1,500,000	2,504,375
Fund Balances - End of year	<u>\$ 5,163</u>	<u>\$ -</u>	<u>\$ 1,000,102</u>	<u>\$ 1,481,861</u>	<u>\$ 2,487,126</u>