

**Mattawan Consolidated School
Mattawan, Michigan**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2005

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Independent Auditors' Report

To the Board of Education
Mattawan Consolidated School
Mattawan, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mattawan Consolidated School as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mattawan Consolidated School'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mattawan Consolidated School as of June 30, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 4, 2005 on our consideration of the Mattawan Consolidated School' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mattawan Consolidated School's basic financial statements. The combining and individual major and nonmajor fund financial statements and the schedules of bond indebtedness are presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements have 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. The schedules of bond indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

August 4, 2005

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2005**

This section of Mattawan Consolidated School's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2005. 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 Mattawan Consolidated School financially as a whole. The district-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 district-wide financial statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2005**

Reporting the School District as a Whole – District-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 and the statement of activities, which appear first in the School District's financial statements, report information about 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 revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – is 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 revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

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 many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All 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 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 and the statement of activities) and governmental funds in reconciliation.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2005**

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 separate statements 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 provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2005 and 2004.

TABLE 1

	<u>Governmental Activities</u>	
	(in millions)	
	<u>2005</u>	<u>2004</u>
Assets		
Current and other assets	\$ 9.1	\$ 10.8
Capital assets	<u>26.0</u>	<u>26.6</u>
Total assets	<u>35.1</u>	<u>37.4</u>
Liabilities		
Current liabilities	4.1	4.2
Long-term liabilities	<u>27.1</u>	<u>30.0</u>
Total liabilities	<u>31.2</u>	<u>34.2</u>
Net Assets		
Invested in property and equipment – net of related debt	(2.5)	(4.9)
Restricted	0.7	2.6
Unrestricted	<u>5.7</u>	<u>5.5</u>
Total net assets	<u>\$ 3.9</u>	<u>\$ 3.2</u>

The above analysis focuses on the net assets (see TABLE 1). The change in net assets (see TABLE 2) of the School District's governmental activities is discussed below. The net assets were \$3.9 million at June 30, 2005. Capital assets, net of related debt totaling (\$2.5) million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$5.7 million was unrestricted.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2005**

The \$5.7 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past year's 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 (TABLE 2), which shows the changes in net assets for fiscal year 2005 and 2004.

TABLE 2

	<u>Governmental Activities</u>	
	(in millions)	
	<u>2005</u>	<u>2004</u>
Revenue		
Program revenue		
Charges for services	\$ 0.8	\$ 0.8
Federal grants and entitlements	0.4	0.4
State categoricals	0.5	0.3
General revenue		
Property taxes	4.5	4.9
State foundation allowance	22.1	26.9
Other	<u>0.1</u>	<u>0.1</u>
Total Revenue	<u>28.4</u>	<u>28.4</u>
Functions/Program Expenses		
Instruction	15.2	15.1
Support services	8.9	9.2
Food services	1.0	0.9
Athletics	0.1	0.1
Interest on long-term debt	1.4	1.6
Miscellaneous	0.1	0.0
Depreciation (unallocated)	<u>0.9</u>	<u>0.9</u>
Total Expenses	<u>27.6</u>	<u>27.8</u>
Increase in net assets	\$ <u>0.8</u>	\$ <u>0.6</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$27.6 million. Certain activities were partially funded from those who benefited from the programs (\$0.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$0.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$4.5 million in taxes, \$22.1 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The School District experienced an increase in net assets of \$0.8 million. A key reason for the change in net assets was the refinancing of two debt issues.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2005**

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 School 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 \$6.7 million, which is a decrease of \$1.8 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund remained stable from the prior years, showing a slight increase of approximately \$37,000.

General Fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Funds remained stable from the prior years, showing a net decrease of approximately \$60,000.

Combined, the Debt Service Funds showed a balance decrease of approximately \$1.3 million. Millage rates were reduced in order to adjust the Debt Service Funds fund balances. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual State appropriation and no fund balance exists at year end. Debt Service Funds balances are reserved since they can only be used to pay debt service obligations.

The Capital Projects Fund balance decreased as the School District continued construction related to the 2000 bond issue. The construction project was completed by June 30, 2005.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues 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 yearend. A schedule showing the School District's original and final budget amounts, compared with amounts actually paid and received, is provided in required supplementary information of these financial statements.

There were revisions made to the 2004-2005 General Fund original budget. Budgeted revenues were increased \$436,000 due to an unexpected change in certain categorical revenue from the State.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2005**

Budgeted expenditures were also increased \$250,000 to account for the increase in salaries and purchased professional services resulting from the School District's revised operating plan due to the fluctuations in revenue.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2005, the School District had \$26 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment, net of accumulated depreciation. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$0.1 million from last year.

	<u>2005</u>	<u>2004</u>
Land	\$ 740,429	\$ 740,429
Building and building improvements	32,773,148	32,517,999
Buses and other vehicles	2,745,376	2,752,796
Furniture and equipment	<u>1,775,399</u>	<u>1,733,336</u>
Total capital assets	<u>\$ 37,293,923</u>	<u>\$ 37,744,560</u>

This year's additions of \$307,000 included (vehicles, cafeteria equipment, technology, building renovations, new school construction, and buses).

Several major capital projects are planned for the 2005-2006 fiscal year. We anticipate capital additions will be less than the 2004-2005 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$29 million in bonds outstanding versus \$29.9 million in the previous year – a change of 3 percent. Those bonds consisted of the following:

	<u>2005</u>	<u>2004</u>
General Obligation Bonds	<u>\$ 28,979,894</u>	<u>\$ 29,874,894</u>

The School District's general obligation bond rating is AAA. 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. Other obligations include early retirement incentives. We present more detailed information about our long-term liabilities in the notes to the financial statements.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2005**

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2005/06 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2005/06 fiscal year is 25 percent and 75 percent of the February 2004 and September 2005 student counts, respectively. The 2005/06 budget was adopted in June 2005 based on an estimate of students that would be enrolled in September 2005. Approximately 92 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2005 school year, we anticipate that the fall student count will be above the estimates used in creating the 2005/06 budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

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 revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Operations and Human Resources at 56720 Murray Street, Mattawan, Michigan 49071.

Mattawan Consolidated Schools
Statement of Net assets
June 30, 2005

		Governmental Activities
Assets		
Current assets		
Cash and investments	\$	4,932,534
Receivables, net		4,199,247
Total current assets		9,131,781
Noncurrent assets		
Capital assets, net		26,003,914
Total assets		35,135,695
Liabilities		
Current liabilities		
Accounts payable		6,374
Current portion of long term debt		1,467,569
Accrued payroll and other liabilities		2,391,066
Due to other governments		1,326
Accrued interest		211,718
Total current liabilities		4,078,053
Noncurrent liabilities		
Bonds payable - long term portion		27,109,325
Total liabilities		31,187,378
Net Assets		
Invested in capital assets, net of related debt		
Restricted:		(2,422,980)
Debt service		680,380
Unrestricted		5,690,917
Total net assets	\$	3,948,317

Mattawan Consolidated Schools
Statement of Activities
Year Ended June 30, 2005

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Functions/Programs		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 15,253,908	\$ 13,342	\$ 516,522	\$ (14,724,044)
Support services	8,900,117	-	74,501	(8,825,616)
Community services	982	-	-	(982)
Food services	1,001,944	683,002	261,364	(57,578)
Athletics	80,981	80,532	-	(449)
Interest on long-term debt	1,442,728	-	-	(1,442,728)
Miscellaneous	69,138	-	-	(69,138)
Depreciation - unallocated	855,273	-	-	(855,273)
	<u>\$ 27,605,071</u>	<u>\$ 776,876</u>	<u>\$ 852,387</u>	<u>(25,975,808)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,512,234
Property taxes, levied for debt service				3,000,559
State aid not restricted to specific purposes				22,115,406
Interest and investment earnings				63,190
Loss on asset disposal				(1,720)
Other				79,520
				<u>26,769,189</u>
Total general revenues				<u>26,769,189</u>
Change in net assets				793,381
Net assets - beginning				<u>3,154,936</u>
Net assets - ending				<u>\$ 3,948,317</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated Schools
Balance Sheet - Governmental Funds
June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 3,982,097	\$ 950,437	\$ 4,932,534
Receivables, net	4,128,107	71,140	4,199,247
Total assets	<u>\$ 8,110,204</u>	<u>\$ 1,021,577</u>	<u>\$ 9,131,781</u>
Liabilities			
Accounts payable	\$ -	\$ 6,374	\$ 6,374
Accrued payroll and other liabilities	2,375,119	15,947	2,391,066
Due to other governments	1,326	-	1,326
Total liabilities	2,376,445	22,321	2,398,766
Fund Balance			
Reserved for debt service	-	892,098	892,098
Undesignated, reported in:			
General Fund	5,733,759	-	5,733,759
Special Revenue Funds	-	107,158	107,158
Total fund balance	<u>5,733,759</u>	<u>999,256</u>	<u>6,733,015</u>
Total liabilities and fund balance	<u>\$ 8,110,204</u>	<u>\$ 1,021,577</u>	<u>\$ 9,131,781</u>

Mattawan Consolidated Schools
Reconciliation of the Balance Sheet - Governmental Funds to the
Statement of Net Assets
June 30, 2005

Total fund balances for governmental funds \$ 6,733,015

Total net assets reported for governmental activities in the statement of net assets is different because:

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

The cost of capital assets is	\$ 38,034,352	
Accumulated depreciation is	<u>(12,030,438)</u>	26,003,914

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Balances as of June 30, 2005 are as follows:

Early retirement incentives	(150,000)	
Bonds payable	(28,426,894)	
Accrued interest payable	<u>(211,718)</u>	<u>(28,788,612)</u>

Net assets of governmental activities \$ 3,948,317

Mattawan Consolidated Schools
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 1,648,377	\$ 3,807,174	\$ 5,455,551
State sources	22,341,081	42,285	22,383,366
Federal sources	224,588	219,079	443,667
Interdistrict sources	117,589	-	117,589
Total revenues	<u>24,331,635</u>	<u>4,068,538</u>	<u>28,400,173</u>
Expenditures			
Current			
Instruction	15,285,854	-	15,285,854
Support services	8,990,117	-	8,990,117
Food services	-	1,001,944	1,001,944
Athletics	-	80,981	80,981
Debt service:			
Principal	-	2,386,754	2,386,754
Interest	-	1,718,156	1,718,156
Other	-	246,212	246,212
Community recreation	982	-	982
Intergovernmental transfers	9,457	-	9,457
Capital outlay, not classified above	8,091	440,046	448,137
Total expenditures	<u>24,294,501</u>	<u>5,874,093</u>	<u>30,168,594</u>
Excess (deficiency) of revenues over expenditures	37,134	(1,805,555)	(1,768,421)
Other financing sources (uses)			
Proceeds from debt refinancing	-	18,296,498	18,296,498
Payments to bond escrow agent	-	(18,273,315)	(18,273,315)
Transfers in	-	638,150	638,150
Transfers out	-	(638,150)	(638,150)
Total other financing sources (uses)	<u>-</u>	<u>23,183</u>	<u>23,183</u>
Net change in fund balance	37,134	(1,782,372)	(1,745,238)
Fund balance - beginning	<u>5,696,625</u>	<u>2,781,628</u>	<u>8,478,253</u>
Fund balance - ending	<u>\$ 5,733,759</u>	<u>\$ 999,256</u>	<u>\$ 6,733,015</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated Schools
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (1,745,238)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (855,273)	
Capital outlay	<u>306,992</u>	(548,281)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (1,720)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 223,866

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued from refunding	(17,620,000)	
Premium on debt refinancing	(676,498)	
Repayments of long - term debt	2,641,754	
Repayments of long - term debt from refunding	17,290,000	
Deferred amount on refunding	<u>1,229,498</u>	

Change in net assets of governmental activities \$ 793,381

Mattawan Consolidated Schools
Statement of Fiduciary Assets and Liabilities
June 30, 2005

	Student Activities Agency Funds
Assets	
Cash and investments	\$ 273,734
Liabilities	
Due to student groups	\$ 273,734

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Mattawan Consolidated School (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-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. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2005

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

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.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenues sources that are restricted to expenditures for specified purposes. The School District maintains two governmental Special Revenue Funds, which account for the food service and athletics activities. Any operating deficit generated by these activities is the responsibility of the General Fund.

Capital Projects Fund – Capital Projects Funds are used to account for resources for the acquisition or construction of capital facilities or equipment by the school district.

Debt Service Funds – The School District maintains eight governmental Debt Service Funds, which account for property tax and other revenue legally restricted for payment of long-term debt.

Agency Fund – The School District presently maintains the Student Activities Agency Fund to record the transactions of student groups for the school and school-related purposes. The funds are segregated and held in trust for the students.

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2005

Assets, Liabilities and Equity

Deposits and Investments – Cash includes 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 based on a quoted market price. Certificates of deposit are stated at cost which approximates fair market value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other trades receivable are shown net of an allowance for uncollectible amounts.

Property taxes are levied on December 1 and payable through March 15. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Van Buren and Kalamazoo and remitted to the School District by May 15.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

Early Retirement Incentives – The liability for early retirement incentives reported in the district-wide statements consists of earned but unpaid termination benefits. An expenditure for these amounts is reported in governmental funds as it comes due for payment.

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

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

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2005

Comparative Data

Comparative data is not included in the School District's financial statements.

Economic Dependency

The School District received approximately 92% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the School District is considered to be economically dependent on the Michigan Department of Education.

Concentrations

Approximately 50% of the School District's employees work under collective bargaining agreements. Unions whose existing agreements will expire in fiscal year 2005-06 represent approximately 100% of these employees.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Appropriations lapse at yearend and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2005, the School District had the following investments:

Investment	Maturities	Fair Value
Michigan Liquid Asset Fund - MAX	6 Mos. Avg.	\$ 3,252,657

Interest Rate Risk – In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting investments to a maturity of three years or less.

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2005

Credit Risk - State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, and credit unions that have an office 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. As of June 30, 2005, the School District's investment in the Michigan Liquid Asset Fund was rated AAA by Standard and Poor's.

Custodial Credit Risk – Deposits – In the case of deposits, this 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 does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$1,733,134 of the School District's bank balance of \$2,033,134 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments – For an investment, this is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside third party. Of the investment in the Michigan Liquid Asset Fund of \$3,252,657 the government has custodial credit risk exposure of \$3,252,657 because the related investment is uncollateralized and uninsured.

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Assets not being depreciated				
Land	\$ 740,429	\$ -	\$ -	\$ 740,429
Other capital assets				
Buildings and building improvements	32,517,999	255,149	-	32,773,148
Buses and other vehicles	2,752,796	9,780	(17,200)	2,745,376
Furniture and equipment	1,733,336	42,063	-	1,775,399
Subtotal	<u>37,004,131</u>	<u>306,992</u>	<u>(17,200)</u>	<u>37,293,923</u>
Accumulated depreciation				
Buildings and building improvements	9,168,017	525,792	-	9,693,809
Buses and other vehicles	1,218,502	215,450	(15,480)	1,418,472
Furniture and equipment	804,126	114,031	-	918,157
Subtotal	<u>11,190,645</u>	<u>855,273</u>	<u>(15,480)</u>	<u>12,030,438</u>
Net capital assets being depreciated	<u>25,813,486</u>	<u>(548,281)</u>	<u>(1,720)</u>	<u>25,263,485</u>
Net governmental capital assets	<u>\$ 26,553,915</u>	<u>\$ (548,281)</u>	<u>\$ (1,720)</u>	<u>\$ 26,003,914</u>

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2005

Depreciation for the fiscal year ended June 30, 2005 amounted \$855,273. School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

The School District had no outstanding interfund receivables or payables as of June 30, 2005.

Interfund transfers were made during the year ended June 30, 2005 between the Debt Funds totaling \$638,150. These transfers were made to close out a few of the Debt Funds.

NOTE 6 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include early retirement incentives.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Government obligation bonds	\$ 29,874,894	\$ 17,620,000	\$ 18,515,000	\$ 28,979,894	\$ 1,317,569
Premium on bonds refunded	-	676,498	-	676,498	-
Less deferred amounts	-	<u>1,229,498</u>	-	<u>1,229,498</u>	-
Total bonds	29,874,894	17,067,000	18,515,000	28,426,894	1,317,569
School Bond Loan Fund	1,161,754	-	1,161,754	-	-
Early retirement incentives	<u>405,000</u>	-	<u>255,000</u>	<u>150,000</u>	<u>150,000</u>
Total	<u>\$ 31,441,648</u>	<u>\$ 17,067,000</u>	<u>\$ 19,931,754</u>	<u>\$ 28,576,894</u>	<u>\$ 1,467,569</u>

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2005

General obligation bonds payable at June 30, 2005 consists of the following:

\$16,500,000 2000 School Building and Site serial bond due in annual installments of \$160,000 to \$465,000, through 2010, 4.90 percent to 5.75 percent interest	\$ 1,630,000
\$12,110,000 2002 Refunding serial bonds, due in annual installments of \$440,000 to \$945,000, through 2017; 2.80 percent to 4.75 percent interest	9,630,000
\$3,060,000 2004 Refunding serial bonds, due in annual installments of \$135,000 to \$260,000, through 2021; 2.00 percent to 4.20 percent interest	3,060,000
\$14,560,000 2005 Refunding serial bonds, due in annual installments of \$50,000 to \$1,050,000, through 2025; 3.00 percent to 5.00 percent interest	14,560,000
\$156,362 1998 Durant Non-Plaintiff serial bonds, due in periodic installments of \$7,568 to \$36,942, through 2013; 4.76 percent interest	99,894
Plus: premium on bonds refunded	676,498
Less: amount deferred on refunding and unamortized bond issuance costs	<u>(1,229,498)</u>
Total bonded debt	<u><u>\$ 28,426,894</u></u>

Early retirement incentives are for various individuals, payable over two years. The total balance of \$150,000 at June 30, 2005 is due in 2006.

Future principal and interest requirements for the above bonded debt and early retirement incentives are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 1,467,569	\$ 1,260,871	\$ 2,728,440
2007	1,412,927	1,224,277	2,637,204
2008	1,468,306	1,173,143	2,641,449
2009	1,528,702	1,118,429	2,647,131
2010	1,594,116	1,057,180	2,651,296
2011-2015	9,023,274	4,274,776	13,298,050
2016-2020	7,225,000	2,250,333	9,475,333
2021-2025	<u>5,410,000</u>	<u>746,770</u>	<u>6,156,770</u>
	<u>\$ 29,129,894</u>	<u>\$ 13,105,779</u>	<u>\$ 42,235,673</u>

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2005

Durant Non-Plaintiff Bond

Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$10,978 to \$51,816 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.

State School Bond Loan

The State School Bond Loan payable represents note payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for purposes of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate for the current year ranged from 2.625 to 3.125 percent. Repayment is required when the assessed valuation is sufficient to fund the payment of the bonds and the amounts borrowed from the Michigan School Bond Loan Fund. The Bond was paid in full as of June 30, 2005.

Defeased Debt

On November 9, 2004 the School District issued Unlimited Tax General Obligation Bonds of \$3,060,000 with an interest rate of 2.50% - 4.20% to advance refund 1995 School Building and Site Bonds with an interest rate of 4.85% and a total par value of \$5,820,000. The proceeds from the issuance were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the original bonds are due, beginning May 1, 2006. The advance refunding met the requirements of an insubstance debt defeasance and the term bonds were removed from the School District's long-term debt.

On May 5, 2005 the School District issued Unlimited Tax General Obligation Bonds of \$14,560,000 with an interest rate of 3.00% - 5.00% to advance refund 2000 School Building and Site Bonds with an interest rate of 4.90% to 5.75% and a total par value of \$16,500,000. The proceeds from the issuance were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the original bonds are due, beginning May 1, 2007. The advance refunding met the requirements of an insubstance debt defeasance and the term bonds were removed from the School District's long-term debt.

As a result of the two advanced refunding, the School District reduced its total debt service requirements by \$1,719,398, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,120,606.

NOTE 7 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2005

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had \$41,349 of unemployment compensation expense for the year ended June 30, 2005. No provision has been made for possible future claims.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to:

Office of Retirement Services
P.O. Box 30171
Lansing, Michigan 48909-7671
800-381-5111

Funding Policy

Employer contributions to the 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, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 12.99% to 14.87% for the period from July 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS plan for the years ended June 30, 2005, 2004, and 2003 were approximately \$2,243,000, \$2,003,000, and \$1,900,500, respectively.

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2005

Trend Information

Ten-year historical trend information is presented in the September 30, 2004 PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2003, the latest date for which information is available, approximates \$44.8 billion and \$38.7 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2004.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2004, statewide expenditures of \$666 million were recognized for post-retirement health care, dental and vision. This represented approximately 22% of the total expenditures of the Michigan Public School Employees Retirement System.

NOTE 9 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Mattawan Consolidated Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
Revenues				
Local sources	\$ 1,376,200	\$ 1,649,750	\$ 1,648,377	\$ (1,373)
State sources	22,153,275	22,278,997	22,341,081	62,084
Federal sources	201,000	205,660	224,588	18,928
Interdistrict sources	83,000	115,276	117,589	2,313
Total revenues	<u>23,813,475</u>	<u>24,249,683</u>	<u>24,331,635</u>	<u>81,952</u>
Expenditures				
Instruction				
Basic programs	14,170,324	14,163,388	13,936,834	226,554
Added needs	1,215,361	1,341,553	1,349,020	(7,467)
Support services				
Pupil	1,034,490	1,089,248	1,070,113	19,135
Instructional staff	1,319,032	1,304,440	1,264,848	39,592
General administration	457,313	432,309	430,774	1,535
School administration	1,816,008	1,712,536	1,726,612	(14,076)
Business services	363,959	366,552	363,648	2,904
Operations and maintenance	2,038,373	1,946,466	1,965,664	(19,198)
Transportation	1,274,728	1,359,248	1,356,760	2,488
Human resources	229,914	181,832	159,752	22,080
Data processing	267,352	647,469	649,946	(2,477)
Other	-	2,000	2,000	-
Community recreation	2,573	1,225	982	243
Interdistrict tuition	1,000	500	9,457	(8,957)
Capital outlay	200,000	100,000	8,091	91,909
Total expenditures	<u>24,390,427</u>	<u>24,648,767</u>	<u>24,294,501</u>	<u>354,266</u>
Other financing sources (uses)				
Transfers out	<u>(41,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(617,952)	(399,084)	37,134	436,218
Fund balance - beginning	<u>5,696,625</u>	<u>5,696,625</u>	<u>5,696,625</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,037,673</u>	<u>\$ 5,297,541</u>	<u>\$ 5,733,759</u>	<u>\$ 436,218</u>

Mattawan Consolidated Schools
Other Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds		Debt Service Funds				Nonmajor Governmental Funds
	Food Services	Athletics	2002 Bond Issue	2000 Bond Issue	2004 Bond Issue	2005 Bond Issue	
Assets							
Cash and investments	\$ 92,908	\$ 29,436	\$ 309,303	\$ 71,788	\$ 91,948	\$ 355,054	\$ 950,437
Receivables - net:							
Taxes	-	-	42,295	13,576	4,156	3,978	64,005
Accounts	7,135	-	-	-	-	-	7,135
Total assets	<u>\$ 100,043</u>	<u>\$ 29,436</u>	<u>\$ 351,598</u>	<u>\$ 85,364</u>	<u>\$ 96,104</u>	<u>\$ 359,032</u>	<u>\$ 1,021,577</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ 1,279	\$ 5,095	\$ -	\$ -	\$ -	\$ -	\$ 6,374
Salaries and other accrued liabilities	15,947	-	-	-	-	-	15,947
Total liabilities	17,226	5,095	-	-	-	-	22,321
Fund Balance							
Reserved for debt service	-	-	351,598	85,364	96,104	359,032	892,098
Unreserved:							
Undesignated, reported in:							
Special revenue funds	82,817	24,341	-	-	-	-	107,158
Total fund balance	<u>82,817</u>	<u>24,341</u>	<u>351,598</u>	<u>85,364</u>	<u>96,104</u>	<u>359,032</u>	<u>999,256</u>
Total liabilities and fund balance	<u>\$ 100,043</u>	<u>\$ 29,436</u>	<u>\$ 351,598</u>	<u>\$ 85,364</u>	<u>\$ 96,104</u>	<u>\$ 359,032</u>	<u>\$ 1,021,577</u>

Mattawan Consolidated Schools
Other Supplemental Information
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balance - Nonmajor Governmental Funds
Year Ended June 30, 2005

	Special Revenue Funds		Debt Service Funds			
	Food Services	Athletics	1968 Bond Issue	1976 Bond Issue	1988 Bond Issue	2002 Bond Issue
Revenues						
Local	\$ 683,002	\$ 80,533	\$ 7	\$ 12	\$ 19	\$ 2,076,928
State	42,285	-	-	-	-	-
Federal	219,079	-	-	-	-	-
Total revenues	944,366	80,533	7	12	19	2,076,928
Expenditures						
Current:						
Food services	1,001,944	-	-	-	-	-
Athletics	-	80,981	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	1,921,754
Interest	-	-	-	-	-	674,729
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	1,001,944	80,981	-	-	-	2,596,483
Excess (deficiency) of revenue over expenditures	(57,578)	(448)	7	12	19	(519,555)
Other financing sources (uses)						
Proceeds from debt refinancing	-	-	-	-	-	-
Payments to bond escrow agent	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(5,422)	(8,702)	(15,012)	-
Net change in fund balance	(57,578)	(448)	(5,415)	(8,690)	(14,993)	(519,555)
Fund balance - beginning	140,395	24,789	5,415	8,690	14,993	871,153
Fund balance - ending	\$ 82,817	\$ 24,341	\$ -	\$ -	\$ -	\$ 351,598

Debt Service Funds				Capital Projects	Nonmajor Governmental Funds
1995 Bond Issue	2000 Bond Issue	2004 Bond Issue	2005 Bond Issue	2000 Capital Projects	
\$ 185,346	\$ 658,850	\$ 112,683	\$ 8,029	\$ 1,765	\$ 3,807,174
-	-	-	-	-	42,285
-	-	-	-	-	219,079
<u>185,346</u>	<u>658,850</u>	<u>112,683</u>	<u>8,029</u>	<u>1,765</u>	<u>4,068,538</u>
-	-	-	-	-	1,001,944
-	-	-	-	-	80,981
305,000	160,000	-	-	-	2,386,754
96,751	895,115	51,561	-	-	1,718,156
-	-	75,264	170,948	-	246,212
-	-	-	-	440,046	440,046
<u>401,751</u>	<u>1,055,115</u>	<u>126,825</u>	<u>170,948</u>	<u>440,046</u>	<u>5,874,093</u>
(216,405)	(396,265)	(14,142)	(162,919)	(438,281)	(1,805,555)
-	-	3,074,550	15,221,948	-	18,296,498
-	-	(3,064,315)	(15,209,000)	-	(18,273,315)
29,136	-	100,011	509,003	-	638,150
<u>(122,683)</u>	<u>(486,331)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(638,150)</u>
(309,952)	(882,596)	96,104	359,032	(438,281)	(1,782,372)
<u>309,952</u>	<u>967,960</u>	<u>-</u>	<u>-</u>	<u>438,281</u>	<u>2,781,628</u>
<u>\$ -</u>	<u>\$ 85,364</u>	<u>\$ 96,104</u>	<u>\$ 359,032</u>	<u>\$ -</u>	<u>\$ 999,256</u>

Mattawan Consolidated Schools
Other Supplemental Information
Statement of Bonded Indebtedness
June 30, 2005

June 30	Durant Principal	2000 Debt Principal	2002 Debt Principal	2004 Debt Principal	2005 Debt Principal
2006	\$ 7,568	\$ 260,000	\$ 790,000	\$ 260,000	\$ -
2007	7,927	275,000	945,000	135,000	50,000
2008	8,306	290,000	925,000	195,000	50,000
2009	36,942	340,000	900,000	225,000	55,000
2010	9,116	465,000	875,000	190,000	55,000
2011	9,550		855,000	180,000	610,000
2012	10,004		830,000	180,000	705,000
2013	10,481		825,000	180,000	780,000
2014			810,000	175,000	880,000
2015			730,000	200,000	1,025,000
2016			705,000	200,000	1,025,000
2017			440,000	195,000	1,025,000
2018				195,000	1,025,000
2019				185,000	1,025,000
2020				180,000	1,025,000
2021				185,000	1,025,000
2022					1,050,000
2023					1,050,000
2024					1,050,000
2025					1,050,000
	<u>\$ 99,894</u>	<u>\$ 1,630,000</u>	<u>\$ 9,630,000</u>	<u>\$ 3,060,000</u>	<u>\$ 14,560,000</u>
Principal payments due	May 15	May 1	May 1	May 1	May 1
Interest payments due	May 15	May 1 and November 1			
Interest rate	4.76%	4.90% to 5.75%	2.80% to 4.75%	2.00% to 4.20%	3.00% to 5.00%
Original issue	<u>\$ 156,362</u>	<u>\$ 16,500,000</u>	<u>\$ 12,110,000</u>	<u>\$ 3,060,000</u>	<u>\$ 14,560,000</u>

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Education
Mattawan Consolidated School
Mattawan, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mattawan Consolidated School, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Mattawan Consolidated School' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Yeo & Yeo, P.C.

Kalamazoo, Michigan

August 4, 2005