

**Mattawan Consolidated School
Mattawan, Michigan**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2010

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Mattawan Consolidated School
Members of the Board of Education and Administration
June 30, 2010

Members of the Board of Education

Zbigniew Srodulski - President

Alan Koenig - Vice President

Jeff Dufon - Treasurer

Heidi Pfannes - Secretary

Grace Borgfjord - Trustee

Bruce Miller - Trustee

Kristine Kounelis - Trustee

Administration

Patrick D. Bird, PhD - Superintendent

William Disch, CPA - Director of Finance, Operations, and Human Resources

Brenda Graham, CPA - Business Manager



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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, 2010, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mattawan Consolidated School as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2010, on our consideration of the Mattawan Consolidated School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information 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 the Mattawan Consolidated School's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
September 29, 2010

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2010**

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, 2010. 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

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.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2010**

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.

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.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2010**

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, 2010 and 2009.

TABLE 1	<u>Governmental Activities</u> (in millions)	
	<u>2010</u>	<u>2009</u>
Assets		
Current and other assets	\$ 7.6	\$ 8.1
Capital assets	25.6	25.6
Total assets	33.2	33.7
Liabilities		
Current liabilities	6.1	4.9
Long-term liabilities	21.9	23.7
Total liabilities	28.0	28.6
Net Assets		
Invested in property and equipment – net of related debt	0.3	0.3
Restricted	0.8	0.9
Unrestricted	4.1	3.9
Total net assets	\$ 5.2	\$ 5.1

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 \$5.2 million at June 30, 2010. Capital assets, net of related debt totaling \$0.3 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 \$4.1 million was unrestricted.

The \$4.1 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.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2010**

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 2010 and 2009.

TABLE 2	Governmental Activities (in millions)	
	<u>2010</u>	<u>2009</u>
Revenue		
Program revenue		
Charges for services	\$ 1.0	\$ 1.0
Federal grants and entitlements	1.7	2.1
State categoricals	0.6	0.4
General revenue		
Property taxes	4.9	4.8
State foundation allowance	25.0	24.3
Other	<u>0.1</u>	<u>0.2</u>
Total revenue	<u>33.3</u>	<u>32.8</u>
Functions/Program Expenses		
Instruction	19.1	18.0
Support services	9.7	10.5
Food services	1.3	1.1
Athletics	0.4	0.1
Interest on long-term debt	1.2	1.3
Depreciation (unallocated)	<u>1.5</u>	<u>1.3</u>
Total Expenses	<u>33.2</u>	<u>32.3</u>
Increase in net assets	<u>\$ 0.1</u>	<u>\$ 0.5</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$33.2 million. Certain activities were partially funded from those who benefited from the programs (\$1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$4.9 million in taxes, \$25.0 million in State foundation allowance, and with our other revenues (.1 million), i.e., interest and general entitlements.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2010**

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 \$4.3 million, which is a decrease of approximately \$1.4 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, showed a slight increase of approximately \$24,000.

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 an increase of about \$93,000.

The 2008 and 2010 Capital Projects Funds were decreased \$668,000 and \$732,000 respectively due to expenditures for technology, busses and equipment. Expenditures which are allowed under these voter approved bond issues.

Combined, the Debt Service Funds remained stable from the prior year, showing a slight decrease of \$72,000. 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.

Student Enrollment

The School District's student enrollment for the fall count of 2009-2010 was 3,824 students. The School District's enrollment increased by 68 full time equated (FTE) students from the prior school year's student count. The following summarizes fall student enrollments in the past several years:

	<u>Student FTE</u>	<u>Change from Prior Year</u>
2009-2010	3,824	68
2008-2009	3,756	35
2007-2008	3,721	78
2006-2007	3,643	9
2005-2006	3,634	135

Subsequent to the year ended June 30, 2010, preliminary student enrollments for the 2010-2011 school year are projected to be about 3,860 FTE, which indicates an enrollment increase of 36 students from 2009-2010.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2010**

Property Valuations

In accordance with Act 539, Public Acts of Michigan, 1982, as amended, and Article IX, Section 3 of the Michigan Constitution, the ad valorem State Equalized Valuation (SEV) represents 50% of true cash value. SEV does not include any value of tax exempt property (e.g. churches, governmental property) or property granted tax abatements under Act 198, Public Acts of Michigan, 1974, as amended. As a result of Proposal A, ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps.

Taxable property in the School District is assessed by the local municipal assessor and is subject to review by the County Equalization Department.

Historical Valuations

<u>Year</u>	<u>Homestead</u>	<u>Non-Homestead</u>	<u>Total Valuation</u>
2010	\$ 599,304,772	\$ 93,523,344	\$ 692,828,116
2009	611,485,378	103,468,893	714,954,271
2008	590,675,175	99,044,063	689,719,238
2007	540,762,025	121,412,742	662,174,767
2006	500,586,789	106,285,425	606,872,214

Foundation Allowance per Pupil

The following table shows a history and current estimate of the School District's Foundation Allowance per Pupil:

	<u>Per Pupil Amount</u>
2009-2010	\$ 7,151
2008-2009	7,316
2007-2008	7,204
2006-2007	7,085
2005-2006	6,875

The projected Foundation Allowance per Pupil amount for the 2010-2011 school year is \$7,162.

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.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2010**

There were revisions made to the 2009-2010 General Fund original budget. Budgeted revenues were increased by \$778,000 due mainly to enrolling thirty nine additional students over projections, receiving additional funding for Title 1 from the Federal government, and receiving additional funding for special education from Van Buren Intermediate School District.

Budgeted expenditures were also increased \$584,000 due mainly to the hiring of additional staff, and related costs associated with the receipt of additional federal funds for Title 1 and Special Education

During the year, the School District incurred significant variances between the original budget and final budget amounts, as follows:

	Original Budget	Final Budget	Variance
Revenues	\$ 28,235,783	\$ 29,014,000	\$ 778,217
Expenditures	28,318,698	28,902,265	583,567

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2010, the School District had \$25.6 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 increase (including additions, disposals, and depreciation) of approximately \$0.016 million from last year.

	<u>2010</u>	<u>2009</u>
Land	\$ 740,429	\$ 740,429
Building and building improvements	33,310,417	33,310,417
Buses and other vehicles	2,993,327	2,740,061
Furniture and Equipment	<u>5,870,978</u>	<u>4,730,489</u>
 Total Capital assets	 <u>\$ 42,915,151</u>	 <u>\$ 41,521,396</u>

This year's additions of \$1,533,327 were made up primarily of technology replacement and improvements and buses.

We present more detailed information about our capital assets in the notes to the financial statements.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2010**

Debt

At the end of this year, the School District had \$23.6 million in bonds outstanding versus \$25.6 million in the previous year – a change of about 8%. Those bonds consisted of the following:

	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$ <u>23,630,000</u>	\$ <u>25,635,000</u>

The School District's general obligation bond rating is AA-. 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.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2010/11 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 2009/10 fiscal year is 25 percent and 75 percent of the February 2009 and September 2009 student counts, respectively. The 2009/10 budget was adopted in July 2009 based on an estimate of students that would be enrolled in September 2009. Approximately 86 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 2009 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2009/10 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 School
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Cash	\$ 2,630,629
Taxes receivable	25,709
Accounts receivable	63,833
Due from other governmental units	4,808,709
Inventory	22,134
Prepaid items	82,081
Other assets	
Capital assets not being depreciated	740,429
Capital assets - net of accumulated depreciation	24,887,252
Total assets	33,260,776
Liabilities	
State aid anticipation note payable	342,000
Accrued expenditures	1,702,307
Accrued salaries payable	1,420,242
Deferred revenue	30,988
Noncurrent liabilities	
Due within one year	2,612,455
Due in more than one year	21,947,288
Total liabilities	28,055,280
Net Assets	
Invested in capital assets, net of related debt	302,938
Restricted for:	
Debt service	823,002
Unrestricted	4,079,556
Total net assets	\$ 5,205,496

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Statement of Activities
For the Year Ended June 30, 2010

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs				
Governmental activities				
Instruction	\$ 19,073,485	\$ 2,500	\$ 1,687,605	\$ (17,383,380)
Supporting services	9,738,714	-	155,535	(9,583,179)
Food services	1,217,324	909,701	410,241	102,618
Athletic activities	401,620	85,063	-	(316,557)
Community services	733	-	-	(733)
Interest on long-term debt	1,182,986	-	-	(1,182,986)
Depreciation - unallocated	1,535,601	-	-	(1,535,601)
Total governmental activities	\$ 33,150,463	\$ 997,264	\$ 2,253,381	(29,899,818)
General revenues				
Property taxes, levied for general purposes				1,788,913
Property taxes, levied for debt service				3,074,879
State aid - unrestricted				25,056,472
Interest and investment earnings				7,085
Gain on sale of capital assets				3,890
Other				77,288
Total general revenues				30,008,527
Change in net assets				108,709
Net assets - beginning				5,096,787
Net assets - ending				\$ 5,205,496

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Governmental Funds
Balance Sheet
June 30, 2010

	General Fund	2010 Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,655,157	\$ -	\$ 975,472	\$ 2,630,629
Taxes receivable	24,751	-	958	25,709
Accounts receivable	61,921	-	1,912	63,833
Due from other governmental units	4,800,823	-	7,886	4,808,709
Inventory	-	-	22,134	22,134
Prepaid items	17,081	-	65,000	82,081
Total assets	\$ 6,559,733	\$ -	\$ 1,073,362	\$ 7,633,095
Liabilities and Fund Balance				
Liabilities				
State aid anticipation note payable	\$ 342,000	\$ -	\$ -	\$ 342,000
Accrued expenditures	759,138	731,788	34,733	1,525,659
Accrued salaries payable	1,420,242	-	-	1,420,242
Deferred revenue	3,000	-	27,988	30,988
Total liabilities	2,524,380	731,788	62,721	3,318,889
Fund Balance (Deficit)				
Reserved for inventory	-	-	22,134	22,134
Reserved for prepaid items	17,081	-	65,000	82,081
Reserved for debt service	-	-	823,002	823,002
Other undesignated	4,018,272	(731,788)	100,505	3,386,989
Total fund balance (deficit)	4,035,353	(731,788)	1,010,641	4,314,206
Total liabilities and fund balance	\$ 6,559,733	\$ -	\$ 1,073,362	\$ 7,633,095

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2010

Total fund balances for governmental funds	\$ 4,314,206
Total net assets 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.	
Capital assets not being depreciated	740,429
Capital assets - net of accumulated depreciation	24,887,252
Other long-term assets are not deferred in the governmental funds.	400,315
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(176,648)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(23,704,508)
Other loans payable and liabilities	<u>(1,255,550)</u>
Net assets of governmental activities	<u>\$ 5,205,496</u>

Mattawan Consolidated School
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2010

	General Fund	2010 Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 1,923,713	\$ -	\$ 4,082,257	\$ 6,005,970
State sources	24,666,915	-	50,219	24,717,134
Federal sources	1,945,868	-	360,022	2,305,890
Interdistrict sources	226,288	-	-	226,288
	<u>28,762,784</u>	<u>-</u>	<u>4,492,498</u>	<u>33,255,282</u>
Total revenues				
Expenditures				
Current				
Education				
Instruction	18,308,485	-	-	18,308,485
Supporting services	9,862,018	-	-	9,862,018
Food services	-	-	1,217,324	1,217,324
Athletic activities	-	-	401,620	401,620
Community services	733	-	-	733
Capital outlay	80,916	731,788	667,826	1,480,530
Debt service				
Principal	163,088	-	2,014,116	2,177,204
Interest and other expenditures	21,059	-	1,145,172	1,166,231
	<u>28,436,299</u>	<u>731,788</u>	<u>5,446,058</u>	<u>34,614,145</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>\$ 326,485</u>	<u>\$ (731,788)</u>	<u>\$ (953,560)</u>	<u>\$ (1,358,863)</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2010

	General Fund	2010 Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ 3,890	\$ -	\$ -	\$ 3,890
Transfers in	-	-	374,714	374,714
Transfers out	<u>(306,826)</u>	<u>-</u>	<u>(67,888)</u>	<u>(374,714)</u>
 Total other financing sources (uses)	 <u>(302,936)</u>	 <u>-</u>	 <u>306,826</u>	 <u>3,890</u>
 Net change in fund balance	 23,549	 (731,788)	 (646,734)	 (1,354,973)
 Fund balance - beginning	 <u>4,011,804</u>	 <u>-</u>	 <u>1,657,375</u>	 <u>5,669,179</u>
 Fund balance (deficit) - ending	 <u>\$ 4,035,353</u>	 <u>\$ (731,788)</u>	 <u>\$ 1,010,641</u>	 <u>\$ 4,314,206</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances - Total governmental funds \$ (1,354,973)

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	(1,535,601)
Capital outlay	1,533,327
Sale of capital assets (net book value)	(13,956)

Expenses are recorded when incurred in the statement of activities.

Interest	13,782
Special termination benefits	(765,000)

Bond and note proceeds and capital leases are reported as financing sources in the thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term governmental funds and 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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayments of long-term debt	2,261,667
Defer bond issuance costs	(66,285)
Amortization of premiums	<u>35,748</u>

Change in net assets of governmental activities \$ 108,709

Mattawan Consolidated School
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2010

	<u>Student Activities Agency Funds</u>
Assets	
Cash	\$ <u>307,760</u>
Liabilities	
Due to agency fund activities	\$ <u>307,760</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2010

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 and certain intergovernmental revenues). 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 sources 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.

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

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2010

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 used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2010 Capital Project Fund – The fund is used to record the payment for large equipment expenditures by the School District.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Project Funds – Capital Project Funds are used to record bond and other revenues and the payments for building construction and improvement and large equipment expenditures by the School District.

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.

Assets, Liabilities and Equity

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 receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended 6/30/2010, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence exemption	18.00000
Commercial personal property	6.00000
 Debt Service Funds	
	 4.30000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2010

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.

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

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 additions	20-50 years
Equipment and furniture	5-10 years
Buses and other vehicles	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. 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. 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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.

Comparative Data

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

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Upcoming Accounting and Reporting Change

The Government Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The new definition

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2010

of special revenue funds will affect which activities the District can report in special revenue funds, as the Athletics Fund will no longer meet the definition for a special revenue fund. This statement is effective for the year ending June 30, 2011.

Note 2 - Stewardship, Compliance, 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, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

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.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

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.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs	\$ 2,243,989	\$ 2,291,900	\$ 47,911
School administration	2,007,965	2,018,062	10,097
Food service Fund	1,253,148	1,217,324	(35,824)
Athletics Fund	401,476	401,620	144

Compliance - Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 2004. The following is a summary of the revenue and expenditures in the 2008 Capital Projects Funds from inception through the current fiscal year:

	<u>2008 Fund</u>
Revenues	\$ 1,505,627
Expenditures	1,505,627

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 2,630,629</u>	<u>\$ 307,760</u>	<u>\$ 2,938,389</u>

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2010

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 2,937,189
Petty cash and cash on hand	1,200
Total	\$ 2,938,389

Interest rate risk – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

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, credit unions, and savings and loan associations 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.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, all of the District’s bank balance of \$ 3,642,263 were collateralized or insured.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 740,429	\$ -	\$ -	\$ 740,429
Capital assets being depreciated				
Buildings and additions	33,310,417	-	-	33,310,417
Equipment and furniture	4,730,489	1,140,489	-	5,870,978
Computer software	-	-	-	-
Buses and other vehicles	2,740,061	392,838	139,572	2,993,327
Total capital assets being depreciated	40,780,967	1,533,327	139,572	42,174,722
Less accumulated depreciation for				
Buildings and additions	11,931,295	561,072	-	12,492,367
Equipment and furniture	2,308,706	772,285	-	3,080,991
Computer software	-	-	-	-
Buses and other vehicles	1,637,484	202,244	125,616	1,714,112
Total accumulated depreciation	15,877,485	1,535,601	125,616	17,287,470
Net capital assets being depreciated	24,903,482	(2,274)	13,956	24,887,252
Net capital assets	\$ 25,643,911	\$ (2,274)	\$ 13,956	\$ 25,627,681

Depreciation for the fiscal year ended June 30, 2010 amounted \$1,535,601. The 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, Payable, Transfers

The General Fund transferred \$306,826 to the Athletic Fund during the year. These transfers were made to cover the costs of the School District’s programs that were in excess of revenues generated from those activities

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2010

Note 6 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 337,671	\$ 3,000,000	\$ 2,995,671	\$ 342,000

The state aid anticipation note agreement includes irrevocable set-aside payments totaling \$2,700,000 at yearend that is considered defeased debt and not included in the ending balance.

Note 7 - Leases

Capital Leases

The School District has a capital lease for computers. The future minimum lease payments are as follows:

Year ending June 30,	
2011	\$ 170,322
Total minimum lease payments	170,322
Less amount representing interest	5,576
Present value of minimum lease payments	\$ 164,746

The assets acquired through capital leases are as follows:

Assets	
Machinery and equipment	\$ 816,579
Less accumulated depreciation	734,921
Total	\$ 81,658

The School District has a capital lease for copiers. The future minimum lease payments are as follows:

Year ending June 30,	
2011	\$ 100,416
2012	100,416
2013	100,416
2014	50,208
Total minimum lease payments	351,456
Less amount representing interest	25,652
Present value of minimum lease payments	\$ 325,804
Assets	
Machinery and equipment	\$ 451,162
Less accumulated depreciation	135,349
Total	\$ 315,813

Note 8 - 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.

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2010

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 25,635,000	\$ -	\$ 2,005,000	\$ 23,630,000	\$ 2,095,000
Other bonds	83,624	-	9,116	74,508	9,550
Note payable - equipment	327,834	-	163,088	164,746	164,746
Capital lease - equipment	410,267	-	84,463	325,804	88,159
Retirement incentives	-	765,000	-	765,000	255,000
Premium on bonds	533,506	-	35,748	497,758	-
Deferred amount on refunding	(964,358)	-	(66,285)	(898,073)	-
Total	<u>\$ 26,025,873</u>	<u>\$ 765,000</u>	<u>\$ 2,231,130</u>	<u>\$ 24,559,743</u>	<u>\$ 2,612,455</u>

For governmental activities, retirement incentives are primarily liquidated by the general fund.

General obligation bonds payable at yearend, consists of the following:

\$12,110,000 2002 Refunding serial bond due in annual installments of \$440,000 to \$945,000, through 2017, interest at 2.80% to 4.75%.	\$ 5,195,000
\$3,060,000 2004 Refunding serial bond due in annual installments of \$135,000 to \$260,000 through 2021, interest at 2.00% to 4.20%.	2,055,000
\$14,560,000 2005 Refunding serial bond due in annual installments of \$50,000 to \$1,050,000 through 2025, interest at 3.00% to 5.00%.	14,350,000
\$1,750,000 2007 School Building and Site Serial bond due in annual installments of \$225,000 to \$450,000 through 2013, interest at 4.00% to 4.25%.	725,000
\$1,500,000 2008 School Building and Site Serial bond due in annual installments of \$195,000 to \$420,000 through 2014, interest at 3.00% to 3.25%.	<u>1,305,000</u>
Total general obligation bonded debt	<u>\$ 23,630,000</u>

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2010

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 2,095,000	\$ 1,059,885	\$ 3,154,885
2012	2,290,000	981,295	3,271,295
2013	2,370,000	895,085	3,265,085
2014	2,285,000	799,735	3,084,735
2015	1,955,000	699,478	2,654,478
2016-2020	7,225,000	2,250,333	9,475,333
2021-2025	5,410,000	746,770	6,156,770
Total	<u>\$ 23,630,000</u>	<u>\$ 7,432,581</u>	<u>\$ 31,062,581</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 823,002 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 74,508</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 9,550	\$ 1,430	\$ 10,980
2012	10,004	975	10,979
2013	54,954	18,820	73,774
Total	<u>\$ 74,508</u>	<u>\$ 21,225</u>	<u>\$ 95,733</u>

Retirement Benefits

The School District offered a voluntary severance incentive plan to employees to be paid over a three year period ending in 2013. The balance as of year end was \$765,000.

Future payments are as follows:

Year Ending June 30,	
2011	\$ 255,000
2012	255,000
2013	<u>255,000</u>
Total	<u>\$ 765,000</u>

Interest expenditures for the fiscal year in the General Fund and Debt Service Fund were \$56,067 and \$1,144,015 respectively.

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. The new debt was issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2010

deceased. Accordingly, the trust account assets and liability for the deceased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2025. As of year end, the amount of deceased debt outstanding but removed from the School District's financial statements is as follows:

2002 Issue refunded	\$ 5,780,000
2004 Issue refunded	2,100,000
2005 Issue refunded	<u>14,310,000</u>
Total	<u>\$ 22,190,000</u>

Note 9 - 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.

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. The School District had \$7,178 of unemployment compensation expense for the year ended June 30, 2010. No provision has been made for possible future claims.

The School District has elected to pay for dental insurance on a self-insured basis but has an independent third party that acts as the administrator on its behalf. Under this method, the School District pays based on actual claims against the plan. At June 30, 2010 the School District has recorded a reserve in the amount of \$38,066

which represents incurred but not reported claims at that date. For governmental activities, the liability for dental benefits is primarily liquidated by the general fund.

Note 10 - 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 multiple-employer 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. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

Funding Policy

The School is required by the School Finance Reform Act to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. The School's actual contributions match the required contributions. Additionally, employees participating in the Member Investment Plan contributed 3% to 6.4% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2010

pertinent information relative to MPSERS pension funding for the three-year period beginning July 1, 2007 through June 30, 2010.

	2010	2009	2008
Funding percentage range	9.73-10.13%	9.73-10.17%	10.17-11.19%
School pension contributions	\$ 1,764,200	\$ 1,706,700	\$ 1,718,400

Trend Information

Ten-year historical trend information is presented in the September 30, 2009, 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, 2009, the latest date for which information is available, approximates \$ 41.8 billion and \$ 35.2 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, 2009.

Post Employment Benefits

In addition to the pension benefits described above, the School Finance Reform Act requires the School District to provide post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (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 care, dental and vision coverage at the time of receiving the benefits. The School's actual contributions match the required contributions.

The following table discloses pertinent information relative to MPSERS post employment benefits funding for the three-year period beginning July1, 2007 through June 30, 2010.

	2010	2009	2008
Funding percentage range	6.81%	6.55-6.81%	6.55%
School post employment pension contributions	\$ 1,197,800	\$ 1,147,300	\$ 1,079,600

Note 11 - 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.

Note 12 - Subsequent Events

On August 5, 2010, the School District issued \$1,625,000 2010 School Building and Equipment Bonds, Series III due in annual installments of \$50,000 to \$600,000 through 2016, interest at 0.7% to 2.35%.

On August 20, 2010, the School District borrowed \$2,500,000 in short-term state aid anticipation notes for the 2010/11 year through the Michigan Municipal Bond Authority. The interest rate on this note is .80%.

Mattawan Consolidated School
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 2,013,978	\$ 2,159,191	\$ 1,923,713	\$ (235,478)
State sources	24,965,814	24,704,800	24,666,915	(37,885)
Federal sources	1,034,852	1,958,460	1,945,868	(12,592)
Interdistrict sources	<u>212,139</u>	<u>187,659</u>	<u>226,288</u>	<u>38,629</u>
Total revenues	<u>28,226,783</u>	<u>29,010,110</u>	<u>28,762,784</u>	<u>(247,326)</u>
Expenditures				
Instruction				
Basic programs	15,789,097	16,046,696	16,016,585	(30,111)
Added needs	2,161,344	2,243,989	2,291,900	47,911
Supporting services				
Pupil	1,031,537	1,052,503	1,052,126	(377)
Instructional staff	1,335,652	1,431,759	1,403,842	(27,917)
General administration	451,105	430,184	425,751	(4,433)
School administration	1,971,854	2,007,965	2,018,062	10,097
Business	483,474	485,951	457,515	(28,436)
Operations and maintenance	2,061,432	2,084,540	2,056,592	(27,948)
Pupil transportation services	1,476,291	1,500,443	1,489,403	(11,040)
Central	939,343	1,011,635	958,727	(52,908)
Community services	1,495	1,495	733	(762)
Capital outlay	100,000	95,364	80,916	(14,448)
Debt service				
Principal	163,316	163,100	163,088	(12)
Interest and fiscal charges	<u>21,349</u>	<u>21,075</u>	<u>21,059</u>	<u>(16)</u>
Total expenditures	<u>27,987,289</u>	<u>28,576,699</u>	<u>28,436,299</u>	<u>(140,400)</u>
Excess of revenues over expenditures	<u>\$ 239,494</u>	<u>\$ 433,411</u>	<u>\$ 326,485</u>	<u>\$ (106,926)</u>

Mattawan Consolidated School
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ 9,000	\$ 3,890	\$ 3,890	\$ -
Transfers out	<u>(331,409)</u>	<u>(325,566)</u>	<u>(306,826)</u>	<u>18,740</u>
Total other financing sources (uses)	<u>(322,409)</u>	<u>(321,676)</u>	<u>(302,936)</u>	<u>18,740</u>
Net change in fund balance	(82,915)	111,735	23,549	(88,186)
Fund balance - beginning	<u>4,011,804</u>	<u>4,011,804</u>	<u>4,011,804</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 3,928,889</u></u>	<u><u>\$ 4,123,539</u></u>	<u><u>\$ 4,035,353</u></u>	<u><u>\$ (88,186)</u></u>

Mattawan Consolidated School
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

	Special Revenue Funds		Debt Service Funds					Capital Projects	Total
	Food Service	Athletics	2002 Bond Issue	2004 Bond Issue	2005 Bond Issue	2007 Bond Issue	2008 Bond Issue	2008 Capital Projects	Nonmajor Governmental Funds
Assets									
Cash	\$ 124,202	\$ 29,226	\$ 288,714	\$ 64,993	\$ 383,530	\$ 51,727	\$ 33,080	\$ -	\$ 975,472
Taxes receivable	-	-	521	85	212	78	62	-	958
Accounts receivable	1,912	-	-	-	-	-	-	-	1,912
Due from other governmental units	7,886	-	-	-	-	-	-	-	7,886
Inventory	22,134	-	-	-	-	-	-	-	22,134
Prepaid items	65,000	-	-	-	-	-	-	-	65,000
Total assets	\$ 221,134	\$ 29,226	\$ 289,235	\$ 65,078	\$ 383,742	\$ 51,805	\$ 33,142	\$ -	\$ 1,073,362
Liabilities and Fund Balance									
Liabilities									
Accrued expenditures	\$ 34,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,733
Deferred revenue	27,988	-	-	-	-	-	-	-	27,988
Total liabilities	62,721	-	-	-	-	-	-	-	62,721
Fund Balance									
Reserved for inventory	22,134	-	-	-	-	-	-	-	22,134
Reserved for prepaid items	65,000	-	-	-	-	-	-	-	65,000
Reserved for debt service	-	-	289,235	65,078	383,742	51,805	33,142	-	823,002
Other undesignated	71,279	29,226	-	-	-	-	-	-	100,505
Total fund balance	158,413	29,226	289,235	65,078	383,742	51,805	33,142	-	1,010,641
Total liabilities and fund balance	\$ 221,134	\$ 29,226	\$ 289,235	\$ 65,078	\$ 383,742	\$ 51,805	\$ 33,142	\$ -	\$ 1,073,362

Mattawan Consolidated School
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2010

	Special Revenue Funds		Debt Service Funds					Capital	Total	
	Food Service	Athletics	2002 Bond Issue	2000 Bond Issue	2004 Bond Issue	2005 Bond Issue	2007 Bond Issue	2008 Bond Issue	2008 Capital Projects	Nonmajor Governmental Funds
Revenues										
Local sources	\$ 909,701	\$ 85,063	\$ 1,169,909	\$ 514,818	\$ 271,820	\$ 679,728	\$ 250,371	\$ 200,560	\$ 287	\$ 4,082,257
State sources	50,219	-	-	-	-	-	-	-	-	50,219
Federal sources	360,022	-	-	-	-	-	-	-	-	360,022
Total revenues	1,319,942	85,063	1,169,909	514,818	271,820	679,728	250,371	200,560	287	4,492,498
Expenditures										
Current										
Education										
Food services	1,217,324	-	-	-	-	-	-	-	-	1,217,324
Athletic activities	-	401,620	-	-	-	-	-	-	-	401,620
Capital outlay	-	-	-	-	-	-	-	-	667,826	667,826
Debt service										
Principal	-	-	884,116	465,000	190,000	55,000	225,000	195,000	-	2,014,116
Interest and other expenditures	-	-	265,292	24,445	86,617	681,405	40,375	47,038	-	1,145,172
Total expenditures	1,217,324	401,620	1,149,408	489,445	276,617	736,405	265,375	242,038	667,826	5,446,058
Excess (deficiency) of revenues over expenditures	\$ 102,618	\$ (316,557)	\$ 20,501	\$ 25,373	\$ (4,797)	\$ (56,677)	\$ (15,004)	\$ (41,478)	\$ (667,539)	\$ (953,560)

Mattawan Consolidated School
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2010

	Special Revenue Funds		Debt Service Funds					Capital	Total	
	Food Service	Athletics	2002 Bond Issue	2000 Bond Issue	2004 Bond Issue	2005 Bond Issue	2007 Bond Issue	2008 Bond Issue	2008 Capital Projects	Nonmajor Governmental Funds
Other Financing Sources (Uses)										
Transfers in	-	306,826	67,888	-	-	-	-	-	-	374,714
Transfers out	-	-	-	(67,888)	-	-	-	-	-	(67,888)
Total other financing sources (uses)	-	306,826	67,888	(67,888)	-	-	-	-	-	306,826
Net change in fund balance	102,618	(9,731)	88,389	(42,515)	(4,797)	(56,677)	(15,004)	(41,478)	(667,539)	(646,734)
Fund balance - beginning	55,795	38,957	200,846	42,515	69,875	440,419	66,809	74,620	667,539	1,657,375
Fund balance - ending	<u>\$ 158,413</u>	<u>\$ 29,226</u>	<u>\$ 289,235</u>	<u>\$ -</u>	<u>\$ 65,078</u>	<u>\$ 383,742</u>	<u>\$ 51,805</u>	<u>\$ 33,142</u>	<u>\$ -</u>	<u>\$ 1,010,641</u>

Mattawan Consolidated School
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2010

Year Ending June 30,	Durant Principal	2002 Debt Principal	2004 Debt Principal	2005 Debt Principal	2007 Debt Principal	2008 Debt Principal	Total
2011	\$ 9,550	\$ 855,000	\$ 180,000	\$ 610,000	\$ 225,000	\$ 225,000	\$ 2,104,550
2012	10,004	830,000	180,000	705,000	250,000	325,000	2,300,004
2013	54,954	825,000	180,000	780,000	250,000	335,000	2,424,954
2014		810,000	175,000	880,000		420,000	2,285,000
2015		730,000	200,000	1,025,000			1,955,000
2016		705,000	200,000	1,025,000			1,930,000
2017		440,000	195,000	1,025,000			1,660,000
2018			195,000	1,025,000			1,220,000
2019			185,000	1,025,000			1,210,000
2020			180,000	1,025,000			1,205,000
2021			185,000	1,025,000			1,210,000
2022				1,050,000			1,050,000
2023				1,050,000			1,050,000
2024				1,050,000			1,050,000
2025				1,050,000			1,050,000
Total	<u>\$ 74,508</u>	<u>\$ 5,195,000</u>	<u>\$ 2,055,000</u>	<u>\$ 14,350,000</u>	<u>\$ 725,000</u>	<u>\$ 1,305,000</u>	<u>\$ 23,704,508</u>
Principal payments due	May 15	May 1	May 1	May 1	May 1	May 1	
Interest payments due	May 15	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	4.76%	2.80% to 4.75%	2.00% to 4.20%	3.00% to 5.00%	4.00% to 4.25%	3.00% to 3.25%	
Original issue	<u>\$156,362</u>	<u>\$ 12,110,000</u>	<u>\$ 3,060,000</u>	<u>\$ 14,560,000</u>	<u>\$ 1,750,000</u>	<u>\$ 1,500,000</u>	

**Mattawan Consolidated School
Mattawan, Michigan**

Single Audit Report

June 30, 2010

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Independent Auditors' 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*

Members of the Board of Education
Mattawan Consolidated School

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, 2010, which collectively comprise Mattawan Consolidated School's basic financial statements and have issued our report thereon dated September 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Mattawan Consolidated School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mattawan Consolidated School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mattawan Consolidated School's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Mattawan Consolidated School in a separate letter dated September 29, 2010.

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

Yeo & Yeo, P.C.

Kalamazoo, Michigan
September 29, 2010

**Independent Auditors' Report on Compliance with Requirements That Could Have
a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Board of Education
Mattawan Consolidated School

Compliance

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

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

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

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mattawan Consolidated School as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Mattawan Consolidated School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Yeo & Yeo, P.C.

Kalamazoo, Michigan
September 29, 2010

Mattawan Consolidated Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2009	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2010
U.S. Department of Agriculture								
Nutrition Cluster								
Passed through Michigan Department of Education								
Non-cash assistance (commodities)								
Entitlement	10.555	\$ 62,421	\$ -	\$ -	\$ 62,421	\$ 62,421	\$ -	\$ -
Bonus	10.555	2,800	-	-	2,800	2,800	-	-
			-		65,221	65,221	-	-
Cash assistance								
091970 School Breakfast Program	10.553	15,181	-	13,533	1,648	1,648	-	-
101970 School Breakfast Program		23,558	-	-	23,558	23,558	-	-
National School Lunch Program								
091950 Sec 4 total servings	10.555	77,939	-	69,729	8,210	8,210	-	-
091960 Sec 11 Free and reduced		151,633	-	132,463	19,170	19,170	-	-
101950 Sec 4 total servings		73,673	-	-	73,673	73,673	-	-
101960 Sec 11 Free and reduced		168,542	-	-	168,542	168,542	-	-
			-		294,801	294,801	-	-
Total U.S. Department of Agriculture			-		360,022	360,022	-	-
U.S. Department of Education								
Title I Cluster								
Passed through Michigan Department of Education								
0915300809 Title I, Part A	84.010	209,117	98,136	209,117	-	98,136	-	-
1015300910 Title I, Part A		198,595	-	-	198,595	156,962	-	41,633
1015350910 ARRA Title I, Part A	84.389	109,710	-	-	103,488	71,634	-	31,854
Total Title I Cluster			98,136		302,083	326,732	-	73,487
Passed through Calhoun ISD								
0928060809 Safe and Drug Free Schools	84.186	6,384	6,384	6,384	-	6,384	-	-
1028060910 Safe and Drug Free Schools		6,534	-	-	6,534	-	-	6,534
			6,384		6,534	6,384	-	6,534

Mattawan Consolidated Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2009	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2010
Passed through Michigan Department of Education								
0905200809 Improving Teacher Quality	84.367	\$ 86,092	\$ 31,518	\$ 86,092	\$ -	\$ 31,518	\$ -	\$ -
1005200910 Improving Teacher Quality		85,389	-	-	70,046	40,604	-	29,442
			<u>31,518</u>		<u>70,046</u>	<u>72,122</u>	<u>-</u>	<u>29,442</u>
Passed through Michigan Department of Education								
1042950910 ARRA Education Technology State Grants	84.386	4,035	-	-	4,035	-	-	4,035
Passed through Van Buren Intermediate School District								
1004550910 ARRA IDEA Flowthrough	84.391A	605,075	-	-	478,075	365,482	-	112,593
Passed through Michigan Department of Education								
0925250809 ARRA State Fiscal Stabilization Fund	84.394	1,392,070	1,392,070	1,392,070	-	1,392,070	-	-
1025250910 ARRA State Fiscal Stabilization Fund		1,049,734	-	-	1,049,734	1,049,734	-	-
			<u>1,392,070</u>		<u>1,049,734</u>	<u>2,441,804</u>	<u>-</u>	<u>-</u>
Total Department of Education			<u>1,528,108</u>		<u>1,910,507</u>	<u>3,212,524</u>	<u>-</u>	<u>226,091</u>
Department of Health and Human Services								
Passed through the Van Buren Intermediate School District								
Medicaid Outreach	93.778	35,361	-	-	35,361	35,361	-	-
Total Department of Health and Human Services			<u>-</u>		<u>35,361</u>	<u>35,361</u>	<u>-</u>	<u>-</u>
Total Federal Programs			<u>\$ 1,528,108</u>		<u>\$ 2,305,890</u>	<u>\$ 3,607,907</u>	<u>\$ -</u>	<u>\$ 226,091</u>

Mattawan Consolidated School
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2010.
3. The federal amounts reported on the Form R-7120 "Grant Sections Auditors Report" and the CMS Grant Auditor Report are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Reports agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

**Mattawan Consolidated School
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010 & 84.389	Title I Cluster
84.391A	ARRA – IDEA Flow through
84.394	ARRA – State Fiscal Stabilization Fund

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

Auditee qualified as a low-risk auditee? X Yes ___ No

**Mattawan Consolidated School
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards for the year ended June 30, 2010.

SECTION III – FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2010.

**Mattawan Consolidated School
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2010**

SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards for the year ended June 30, 2009.

SECTION III – FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2009.



September 29, 2010

Management and the Board of Education Directors
Mattawan Consolidated School
Mattawan, Michigan 49071

Dear Board of Education:

We have completed our audit of the financial statements of Mattawan Consolidated School as of and for the year ended June 30, 2010 and have issued our report dated September 29, 2010. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Management Comments
- III. Other Information

We discussed these matters with various personnel in the organization during the audit. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, and others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.
Kalamazoo, Michigan

Appendix I

Auditor's Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

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

Disclosures in the financial statements are neutral, consistent and clear (unless otherwise noted). Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the 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, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Appendix II Management Comments

In planning and performing our audit of the financial statements of Mattawan Consolidated School as of and for the year ended June 30, 2010, we considered Mattawan Consolidated School's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated date, on the financial statements of Mattawan Consolidated School. Our comments and recommendations regarding those matters are:

Investigate Old Outstanding Checks

We noted that there are some outstanding checks over a year old included on the bank reconciliations. To aid in the preparation of the bank reconciliations and to reflect an accurate cash balance in the financial statement, we recommend that all checks outstanding more than six months should be investigated. To the extent necessary, the old outstanding checks should be handled in accordance with the current State escheat laws. In addition, we suggest that the District establishes a formal, clearly defined policy for the treatment of old outstanding checks.

Major Purchases Approval

During our review of the monthly board minutes, we noted that when a major purchase is approved, the approval and dollar amounts are not always documented in the written minutes. This lack of documentation does not give us verification as to the exact purchase that was approved. We recommend that at a minimum, the board minutes should document all the major purchases that are approved during the school year.

Appendix III Other Information

GASB 54 Changes Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) is at it again. *Fund Balance Reporting and Governmental Fund Type Definitions* includes new fund balance classifications and additional note disclosures. GASB 54 will mean a new look for your governmental funds balance sheet. However, it will not change the total amount of the fund balance.

Why was GASB 54 Created?

There has been inconsistency reporting fund balances. There is widespread confusion about terminology. Restrictions are being placed on the use of some resources, but it is unclear at what level the restrictions have been imposed, and by what authority. Users of the financial statements misunderstand the fund balance components. It is often unclear if any of the reserved or designated fund balances are available or not to help balance a school district's budget.

The purpose of GASB 54 is to improve transparency and eliminate inconsistency. It is intended to eliminate the mismatch between what governments are reporting about fund balance and what the users of the financial statements really need.

Definitions

GASB 54 requires fund balance classifications in a hierarchy that shows the extent to which the school is bound to honor constraints on the specific purposes for which each amount can be spent. **Fund balances are required to be presented based on the most restricted (non-spendable) to the least restricted (unassigned) classification.**

Non-spendable – assets that are not available in a spendable form such as inventory, pre-paid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted – amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or legislation. Examples include bonded capital projects, debt service funds established for voter approved debt millage, school food service revenues associated with national school lunch programs and special education millage.

Committed – amounts constrained on use imposed by the school district itself using its highest level of decision making authority. Resources should be constrained before the school's fiscal year-end, although the exact amount may be determined at a later time. A committed amount can be reversed only by the same manner as it was initiated, and it should be done before the end of the fiscal year. Two examples of this are a school board resolution to move a certain percentage of general fund balance into a capital project fund or a board resolution to maintain a general fund balance of 10% of current expenditures.

Assigned – amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or an authorized school official. Residual amounts in governmental funds other than the general fund are assigned. An appropriation of the existing fund balance to cover current year expenditures is considered an assignment of fund balance.

Unassigned – all other resources; the remaining fund balance after non-spendable, restrictions, commitments and assignments. This class only occurs in the general fund, except for cases of negative fund balances. Those are always reported as Unassigned, no matter which fund.

Note Disclosures

Schools will be required to disclose more information about amounts reported in fund balance, including the following:

1. Description of authority and actions that lead to committed and assigned fund balance.
2. The district's policy regarding order of spending of:
 - a. Restricted vs. unrestricted
 - b. Committed, assigned and unassigned
 - c. Multiple policies
 - d. The "default" policy
 - e. Negative balances – general fund and others
3. Restricted and unrestricted fund balances
4. Committed, assigned and unassigned
5. Encumbrances, if significant, are reported in conjunction with other disclosures of significant commitments.
6. Description of any formally adopted minimum fund balance policies.
 - a. Appropriate level of unrestricted fund balance to be maintained in the general fund
 - b. Circumstances in which unrestricted fund balances can be "spent down"
 - c. Policy for replenishing deficiencies (source of funding and time period)
 - d. Circumstances under which contingencies may be spent should be as specific as possible.
7. The purpose of each major special revenue fund and which revenues or other sources are reported in each of those funds.

Fund Balance Policies

If a school establishes a minimum fund balance policy, it needs to look at their operations and determine what they want their fund balance limits to be. Determining the components of fund balance will be an exercise to perform each year as part of the year-end financial reporting. Consider the following variables when setting the minimum amount of general fund unrestricted fund balance:

- Volatility of operating revenues (state and federal sources)
- Exposure to natural disasters
- Concentration of revenue sources (state and federal funded)
- Timing differences between revenue collections and expenditures

The Next Step

Schools should review their current policies and procedures to determine if resources will meet the definition of committed or assigned, and consider policy changes as they approach adoption of this statement. Additional policies may need to be adopted or revised to be consistent with the new definitions.

GASB 54 will improve the reporting of the fund balance and will help those who use the financial statements. Disaggregating the fund balance into non-spendable, restricted, committed, assigned and unassigned categories will greatly facilitate the understanding of a school's commitment of financial resources. It means we will have to get used to changes in the familiar fund accounting terminology before the end of the 2010-11 school year.