

**Mattawan Consolidated School  
Mattawan, Michigan**

**Annual Financial Statements  
and  
Auditors' Report**

**June 30, 2011**

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**Mattawan Consolidated School**  
**Members of the Board of Education and Administration**  
**June 30, 2011**

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**Members of the Board of Education**

Zbigniew Srodulski - President

Jeff Dufon - Vice President

Kristine Kounelis – Treasurer

Grace Borgfjord – Secretary

Alan Koenig - Trustee

Bruce Miller - Trustee

Heidi Pfannes - Trustee

**Administration**

Patrick D. Bird, PhD - Superintendent

William Disch, CPA – Assistant Superintendent for Business Services

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, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, 2011, 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.

As discussed in Note 1 to the financial statements, the Entity adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended June 30, 2011.

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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mattawan Consolidated School's financial statements as a whole. 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 financial statements. Such information is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, Mattawan Consolidated School's financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated September 29, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mattawan Consolidated School's financial statements as a whole. The 2010 information in the comparative statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 information in the comparative statements is fairly stated in all material respects in relation to the financial statements from which they have been derived.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
September 8, 2011

**Mattawan Consolidated School  
Management's Discussion and Analysis  
June 30, 2011**

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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, 2011. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand 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, 2011**

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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 Fund, for example) 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, 2011**

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**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, 2011 and 2010.

TABLE 1	<u>Governmental Activities</u> (in millions)	
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current and other assets	\$ 8.3	\$ 7.6
Capital assets	24.3	25.6
Total assets	32.6	33.2
<b>Liabilities</b>		
Current liabilities	5.6	6.1
Long-term liabilities	21.0	21.9
Total liabilities	26.6	28.0
<b>Net Assets</b>		
Invested in property and equipment – net of related debt	1.9	0.3
Restricted	1.1	0.8
Unrestricted	3.0	4.1
Total net assets	\$ 6.0	\$ 5.2

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 \$6.0 million at June 30, 2011. Capital assets, net of related debt totaling \$1.9 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 \$3.0 million was unrestricted.

The \$3.0 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, 2011**

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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 2011 and 2010.

TABLE 2	Governmental Activities (in millions)	
	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Program revenue		
Charges for services	\$ 1.2	\$ 1.0
Federal grants and entitlements	1.5	1.7
State categoricals	0.5	0.6
General revenue		
Property taxes	5.0	4.9
State foundation allowance	25.7	25.0
Other	0.1	0.1
Total revenue	34.0	33.3
<b>Functions/Program Expenses</b>		
Instruction	19.0	19.1
Support services	10.3	9.7
Food services	1.3	1.3
Athletics	0.0	0.4
Interest on long-term debt	1.1	1.2
Depreciation (unallocated)	1.5	1.5
Total Expenses	33.2	33.2
<b>Increase in net assets</b>	<b>\$ 0.8</b>	<b>\$ 0.1</b>

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 (\$1.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.0 million). We paid for the remaining "public benefit" portion of our governmental activities with \$5 million in taxes, \$25.7 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, 2011**

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**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 \$5.6 million, which is an increase of approximately \$1.3 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, showed a slight decrease of approximately \$103,000.

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

Our Special Revenue Fund remained stable from the prior years, showing a decrease of about \$8,000.

The 2010 Capital Projects Funds showed a net increase of approximately \$1.4 million. The increase is due to the \$1.625 million in bond issuance revenue and approximately \$240,000 of expenditures for technology, buses and equipment, as allowed under the voter approved bond issue.

Combined, the Debt Service Funds remained stable from the prior year, showing a slight increase of \$31,000. 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 2010-2011 was 3,823 students. The School District's enrollment decreased by 1 full time equated (FTE) student 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>
2010-2011	3,823	(1)
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, 2011, preliminary student enrollments for the 2011-2012 school year are projected to be about 3,823 FTE, which is the same number of students enrolled during the prior fiscal year.

**Mattawan Consolidated School  
Management's Discussion and Analysis  
June 30, 2011**

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**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>
2011	\$ 598,346,800	\$ 92,483,397	\$690,830,197
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>
2010-2011	7,316
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 2011-2012 school year is \$6,846.

**General Fund Budgetary Highlights**

**Mattawan Consolidated School  
Management's Discussion and Analysis  
June 30, 2011**

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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 year end. A schedule showing the School District's original and final budget amounts, compared with amounts actually paid and received, is provided in required supplementary information of these financial statements.

There were revisions made to the 2011-2012 General Fund original budget. Budgeted revenues were increased by about \$957,000 due mainly to receiving additional funding for Edu Jobs funding from the Federal government.

Budgeted expenditures were increased approximately \$947,000 due mainly to the hiring of additional staff, and related costs associated with the receipt of additional federal funds for Edu Jobs.

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	\$ 28,476,466	\$ 29,433,562	\$ 957,096
Expenditures	28,449,073	29,396,118	947,045

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2011, the School District had \$24.3 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment, net of accumulated depreciation. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.3 million from last year.

	<u>2011</u>	<u>2010</u>
Land	\$ 740,429	\$ 740,429
Building and building improvements	33,310,417	33,310,417
Buses and other vehicles	2,768,977	2,993,327
Furniture and Equipment	<u>6,074,939</u>	<u>5,870,978</u>
Total Capital assets	<u>\$ 42,894,762</u>	<u>\$ 42,915,151</u>

This year's additions of \$203,961 were made up primarily of technology replacement, improvements and equipment.

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, 2011**

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**Debt**

At the end of this year, the School District had \$23.7 million in bonds outstanding versus \$23.6 million in the previous year – a change of about .4%. Those bonds consisted of the following:

	<u>2011</u>	<u>2010</u>
General Obligation Bonds	\$ <u>23,110,000</u>	\$ <u>23,630,000</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 2011/12 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 2011/12 fiscal year is 10 percent and 90 percent of the February 2011 and September 2011 student counts, respectively. The 2011/12 budget was adopted in June 2011 based on an estimate of students that would be enrolled in September 2011. 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 2011 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2010/11 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 Assistant Superintendent for Business Services at 56720 Murray Street, Mattawan, Michigan 49071.

**Mattawan Consolidated School**  
**Statement of Net Assets**  
**June 30, 2011**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 3,569,566
Accounts receivable	23,413
Due from other governmental units	4,691,029
Inventory	22,082
Prepaid items	27,097
Other assets	
Capital assets not being depreciated	740,429
Capital assets - net of accumulated depreciation	23,555,829
Total assets	32,629,445
<b>Liabilities</b>	
Accounts payable	133,076
State aid anticipation note payable	334,228
Accrued expenditures	992,121
Accrued salaries payable	1,401,846
Deferred revenue	33,174
Noncurrent liabilities	
Due within one year	2,697,020
Due in more than one year	21,086,147
Total liabilities	26,677,612
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,906,470
Restricted for:	
Food service	150,735
Debt service	858,728
Unrestricted	3,035,900
Total net assets	\$ 5,951,833

See Accompanying Notes to Financial Statements

**Mattawan Consolidated School**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 19,048,538	\$ 4,627	\$ 1,548,685	\$ (17,495,226)
Supporting services	10,255,459	222,951	89,087	(9,943,421)
Food services	1,324,033	953,800	443,485	73,252
Community services	1,152	-	-	(1,152)
Interest on long-term debt	1,126,445	-	-	(1,126,445)
Depreciation - unallocated	1,512,949	-	-	(1,512,949)
Total governmental activities	<u>\$ 33,268,576</u>	<u>\$ 1,181,378</u>	<u>\$ 2,081,257</u>	<u>(30,005,941)</u>
General revenues				
Property taxes, levied for general purposes				1,729,293
Property taxes, levied for debt service				3,265,393
State aid - unrestricted				25,681,331
Interest and investment earnings				2,250
Gain on sale of capital assets				8,250
Other				65,761
Total general revenues				<u>30,752,278</u>
Change in net assets				746,337
Net assets - beginning				<u>5,205,496</u>
Net assets - ending				<u>\$ 5,951,833</u>

See Accompanying Notes to Financial Statements

**Mattawan Consolidated School**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2011**

	General Fund	Nonmajor Govern- mental Funds	Total Govern- mental Funds
<b>Assets</b>			
Cash	\$ 1,834,800	\$ 1,734,766	\$ 3,569,566
Accounts receivable	22,037	1,376	23,413
Due from other governmental units	4,682,616	8,413	4,691,029
Inventory	-	22,082	22,082
Prepaid items	27,097	-	27,097
Total assets	<u>\$ 6,566,550</u>	<u>\$ 1,766,637</u>	<u>\$ 8,333,187</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 61,637	\$ 71,439	\$ 133,076
State aid anticipation note payable	334,228	-	334,228
Accrued expenditures	821,822	603	822,425
Accrued salaries payable	1,400,825	1,021	1,401,846
Deferred revenue	2,100	31,074	33,174
Total liabilities	<u>2,620,612</u>	<u>104,137</u>	<u>2,724,749</u>
<b>Fund Balance</b>			
<b>Non-spendable</b>			
Inventory	-	22,082	22,082
Prepaid items	27,097	-	27,097
<b>Restricted for:</b>			
Food service	-	125,004	125,004
Debt service	-	858,728	858,728
Capital projects	-	653,037	653,037
Assigned	1,550,662	3,649	1,554,311
Unassigned	2,368,179	-	2,368,179
Total fund balance	<u>3,945,938</u>	<u>1,662,500</u>	<u>5,608,438</u>
Total liabilities and fund balance	<u>\$ 6,566,550</u>	<u>\$ 1,766,637</u>	<u>\$ 8,333,187</u>

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, 2011**

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<b>Total fund balances for governmental funds</b>	\$ 5,608,438
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	23,555,829
Other long-term assets are not deferred in the governmental funds.	369,778
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(169,696)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(230,342)
Bonds payable	(23,174,958)
Other loans payable and liabilities	<u>(747,645)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 5,951,833</u></u>

**Mattawan Consolidated School**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2011**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 2,038,877	\$ 4,230,639	\$ 6,269,516
State sources	25,365,843	38,301	25,404,144
Federal sources	1,702,328	405,184	2,107,512
Interdistrict sources	220,616	-	220,616
	<u>29,327,664</u>	<u>4,674,124</u>	<u>34,001,788</u>
<b>Total revenues</b>			
<b>Expenditures</b>			
Current			
Education			
Instruction	19,073,196	-	19,073,196
Supporting services	10,282,365	-	10,282,365
Food services	-	1,324,033	1,324,033
Community services	1,152	-	1,152
Capital outlay	2,510	210,052	212,562
Debt service			
Principal	164,747	2,154,550	2,319,297
Interest and other expenditures	11,515	1,091,345	1,102,860
Bond issuance costs	-	30,216	30,216
	<u>29,535,485</u>	<u>4,810,196</u>	<u>34,345,681</u>
<b>Total expenditures</b>			
Excess (deficiency) of revenues over expenditures	<u>\$ (207,821)</u>	<u>\$ (136,072)</u>	<u>\$ (343,893)</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, 2011**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>			
Proceeds from issuance of bonds	\$ -	\$ 1,625,000	\$ 1,625,000
Premium on issuance of bonds	-	4,875	4,875
Proceeds from sale of capital assets	8,250	-	8,250
Transfers in	80,929	-	80,929
Transfers out	-	(80,929)	(80,929)
	<u>89,179</u>	<u>1,548,946</u>	<u>1,638,125</u>
Total other financing sources			
Net change in fund balance	(118,642)	1,412,874	1,294,232
Fund balance - beginning, as restated	<u>4,064,580</u>	<u>249,626</u>	<u>4,314,206</u>
Fund balance - ending	<u>\$ 3,945,938</u>	<u>\$ 1,662,500</u>	<u>\$ 5,608,438</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, 2011**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 1,294,232</b>
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	(1,512,949)
Capital outlay	203,961
Sale of capital assets (net book value)	(22,435)
Expenses are recorded when incurred in the statement of activities.	
Interest	6,952
Special termination benefits	255,000
Compensated absences	(230,342)
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.	
Debt issued	(1,625,000)
Repayments of long-term debt	2,407,455
Defer bond issuance costs	(66,285)
Amortization of premiums	35,748
<b>Change in net assets of governmental activities</b>	<b>\$ 746,337</b>

**Mattawan Consolidated School**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2011**

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	<u>Student Activities Agency Funds</u>
<b>Assets</b>	
Cash	\$ <u>406,803</u>
<b>Liabilities</b>	
Due to agency fund activities	\$ <u>406,803</u>

See Accompanying Notes to Financial Statements

**Mattawan Consolidated School**  
**Notes to Financial Statements**  
**June 30, 2011**

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**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, 2011**

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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.

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 Fund. 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 is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

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 6/30/2011, 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	 4.60000

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, 2011**

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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 years. For such payments in governmental funds the District follows the consumption method, and they therefore are capitalized 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.

Compensated Absences – Employees are provided with sick days each year. Retiring employees who meet certain years of service requirements are paid for accumulated sick days up to a maximum number of days and at a rate determined by their contracts. There is no contractual provision for payment of unused vacation. Unused vacation time is forfeited annually.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees who currently are eligible to receive termination payments. The amount reported is salary-related and includes fringe benefits.

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 fund balance in the following categories:

Non-spendable - assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.



**Mattawan Consolidated School**  
**Notes to Financial Statements**  
**June 30, 2011**

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Committed – amounts constrained on use imposed by the District’s highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education or the Assistant Superintendent for Business Services. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District’s policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District’s policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The District has adopted a policy to maintain a minimum fund balance of 7% of the General Fund annual operating expenditures.

**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.

**Adoption of New Accounting Standard**

The Government Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District adopted effective July 1, 2010. 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 standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund.

The effect of this change on beginning fund balances is:

	As Originally Reported	Adjustment	As Restated
Beginning fund balance			
General Fund	\$ 4,035,354	\$ 29,226	\$ 4,064,580
Special Revenue Fund:			
Athletics	29,226	(29,226)	-

**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 canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

**Mattawan Consolidated School**  
**Notes to Financial Statements**  
**June 30, 2011**

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.

**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			
Basic programs	\$ 16,800,191	\$ 16,881,704	\$ 81,513
Pupil	1,052,359	1,194,157	141,798
Operations and maintenance	1,913,055	2,061,253	148,198
Athletic activities	89,490	99,315	9,825
Community services	985	1,152	167

**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 2010 Capital Projects Funds from inception through the current fiscal year:

	2010 Debt
Revenues	\$ 1,629,968
Expenditures	972,056

**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	\$ 3,569,566	\$ 406,803	\$ 3,976,369

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 3,975,169
Petty cash and cash on hand	1,200
<b>Total</b>	<b>\$ 3,976,369</b>

*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.

**Mattawan Consolidated School**  
**Notes to Financial Statements**  
**June 30, 2011**

*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, \$3,981,106 of the District’s bank balances of \$ 4,232,606 were uncollateralized and uninsured.

**Note 4 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
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	5,870,978	203,961	-	6,074,939
Buses and other vehicles	2,993,327	-	224,350	2,768,977
Total capital assets being depreciated	42,174,722	203,961	224,350	42,154,333
Less accumulated depreciation for				
Buildings and additions	12,492,367	499,479	-	12,991,846
Equipment and furniture	3,080,991	820,109	-	3,901,100
Buses and other vehicles	1,714,112	193,361	201,915	1,705,558
Total accumulated depreciation	17,287,470	1,512,949	201,915	18,598,504
Net capital assets being depreciated	24,887,252	(1,308,988)	22,435	23,555,829
Net capital assets	\$ 25,627,681	\$ (1,308,988)	\$ 22,435	\$ 24,296,258

Depreciation for the fiscal year ended June 30, 2011 amounted \$1,512,949. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**Note 5 - Deferred Revenue**

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

	Unearned
Student lunch payments on account	\$ 31,074
Prepaid program tuition	2,100
Total	\$ 33,174

**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 30<sup>th</sup>.

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 342,000	\$ 2,500,000	\$ 2,507,772	\$ 334,228

The state aid anticipation note agreement includes irrevocable set-aside payments totaling \$2,185,716 at yearend that is considered defeased debt and not included in the ending balance.

**Mattawan Consolidated School**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 7 - Leases**

**Capital Leases**

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

<b>Year ending June 30,</b>	
2012	\$ 100,416
2013	100,416
2014	<u>50,208</u>
Total minimum lease payments	251,040
Less amount representing interest	<u>13,395</u>
Present value of minimum lease payments	<u><u>\$ 237,645</u></u>
 Assets	
Machinery and equipment	\$ 451,162
Less accumulated depreciation	<u>225,581</u>
Total	<u><u>\$ 225,581</u></u>

**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.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 23,630,000	\$ 1,625,000	\$ 2,145,000	\$ 23,110,000	\$ 2,340,000
Other bonds	74,508	-	9,550	64,958	10,004
Note payable - equipment	164,746	-	164,746	-	-
Capital lease - equipment	325,804	-	88,159	237,645	92,016
Compensated absences	-	233,367	3,025	230,342	-
Retirement incentives	765,000	-	255,000	510,000	255,000
Premium on bonds	497,758	-	35,748	462,010	-
Deferred amount on refunding	(898,073)	-	(66,285)	(831,788)	-
Total	<u><u>\$ 24,559,743</u></u>	<u><u>\$ 1,858,367</u></u>	<u><u>\$ 2,634,943</u></u>	<u><u>\$ 23,783,167</u></u>	<u><u>\$ 2,697,020</u></u>

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

**Mattawan Consolidated School**  
**Notes to Financial Statements**  
**June 30, 2011**

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

\$12,110,000 2002 Refunding serial bonds due in annual installments of \$440,000 to \$945,000, through 2017, interest at 2.80% to 4.75%.	\$ 4,340,000
\$3,060,000 2004 Refunding serial bonds due in annual installments of \$135,000 to \$260,000 through 2021, interest at 2.00% to 4.20%.	1,875,000
\$14,560,000 2005 Refunding serial bonds due in annual installments of \$50,000 to \$1,050,000 through 2025, interest at 3.00% to 5.00%.	13,740,000
\$1,750,000 2007 School Building and Site Serial bonds due in annual installments of \$225,000 to \$450,000 through 2013, interest at 4.00% to 4.25%.	500,000
\$1,500,000 2008 School Building and Site Serial bonds due in annual installments of \$195,000 to \$420,000 through 2014, interest at 3.00% to 3.25%.	1,080,000
\$1,625,000 2010 School Building and Equipment Serial bonds due in annual installments of \$50,000 to \$600,000 through 2016, interest at 2.00% to 2.75%.	<u>1,575,000</u>
Total general obligation bonded debt	<u><u>\$ 23,110,000</u></u>

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

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2012	\$ 2,340,000	\$ 1,018,165	\$ 3,358,165
2013	2,420,000	930,955	3,350,955
2014	2,580,000	834,605	3,414,605
2015	2,535,000	728,448	3,263,448
2016	2,530,000	623,513	3,153,513
2017-2021	6,505,000	1,901,840	8,406,840
2022-2026	4,200,000	488,250	4,688,250
<b>Total</b>	<b>\$ 23,110,000</b>	<b>\$ 6,525,776</b>	<b>\$ 29,635,776</b>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 858,728 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><u>\$ 64,958</u></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.

**Mattawan Consolidated School**  
**Notes to Financial Statements**  
**June 30, 2011**

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 10,004	\$ 975	\$ 10,979
2013	54,954	18,820	73,774
Total	<u>\$ 64,958</u>	<u>\$ 19,795</u>	<u>\$ 84,753</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 \$510,000.

Future payments are as follows:

<b>Year Ending June 30,</b>	
2012	\$ 255,000
2013	255,000
Total	<u>\$ 510,000</u>

Interest expenditures for the fiscal year in the General Fund and Debt Service Fund were \$11,515 and \$1,089,612, respectively.

**Compensated Absences**

Accrued compensated absence liability at year end is \$230,342. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

**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 defeased. Accordingly, the trust account assets and liability for the defeased 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 defeased debt outstanding but removed from the School District's financial statements is as follows:

2002 Issue refunded	\$ 4,900,000
2004 Issue refunded	1,925,000
2005 Issue refunded	<u>13,750,000</u>
Total	<u>\$ 20,575,000</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 \$3,951 of unemployment compensation expense for the year ended June 30, 2011. No provision has been made for possible future claims.

**Mattawan Consolidated School**  
**Notes to Financial Statements**  
**June 30, 2011**

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, 2011 the School District has recorded a reserve in the amount of \$38,459 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 - Pension Plans and Post Employment Benefits**

**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 Technology, Management and Budget, Office of Retirement Services, who has the authority to establish and amend benefit provisions. The Michigan Department of Technology, 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>.

In 2010 MPERS created a new Pension Plus plan. All Michigan public school employees who begin work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two

components: (a) a defined benefit pension component, and (b) a defined contribution savings component.

**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 pertinent information relative to MPERS pension funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	8.63 - 12.16%	9.73 - 10.13%	9.73-10.17%
School pension contributions	\$ 2,029,700	\$ 1,764,200	\$ 1,706,200

**Defined Contribution Savings Plan**

For the Pension Plus savings plan, participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Contributions by the District and participants during the year ended June 30, 2011, were:

	School District	Participants
Contributions to the Pension Plus Savings Plan	\$ 2,700	\$ 5,400

**Mattawan Consolidated School**  
**Notes to Financial Statements**  
**June 30, 2011**

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**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 (MPERS). 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 MPERS post employment benefits funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Funding percentage range	6.81 - 8.50%	6.81%	6.55 - 6.81%
Employer contributions	\$ 1,471,300	\$ 1,197,800	\$ 1,147,800
Employee contributions	445,900		

**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 22, 2011, the School District borrowed \$3,000,000 in short-term state aid anticipation notes for the 2011/12 year through the Michigan Finance Authority. The interest rate on this note is .60%.



**Mattawan Consolidated School**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 2,132,990	\$ 1,975,018	\$ 2,038,877	\$ 63,859
State sources	25,757,217	25,480,482	25,365,843	(114,639)
Federal sources	395,000	1,749,104	1,702,328	(46,776)
Interdistrict sources	187,259	220,708	220,616	(92)
Total revenues	<u>28,472,466</u>	<u>29,425,312</u>	<u>29,327,664</u>	<u>(97,648)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	15,998,074	16,800,191	16,881,704	81,513
Added needs	2,192,015	2,243,561	2,191,492	(52,069)
Supporting services				
Pupil	972,336	1,052,359	1,194,157	141,798
Instructional staff	1,382,798	1,577,652	1,509,612	(68,040)
General administration	409,724	390,939	380,547	(10,392)
School administration	2,010,900	2,025,620	2,012,355	(13,265)
Business	483,848	494,189	464,623	(29,566)
Operations and maintenance	1,893,988	1,913,055	2,061,253	148,198
Pupil transportation services	1,473,121	1,604,895	1,588,160	(16,735)
Central	928,917	1,024,410	972,343	(52,067)
Athletic activities	-	89,490	99,315	9,825
Community services	1,525	985	1,152	167
Capital outlay	100,000	2,510	2,510	-
Debt service				
Principal	163,100	164,747	164,747	-
Interest and fiscal charges	14,250	11,515	11,515	-
Total expenditures	<u>28,024,596</u>	<u>29,396,118</u>	<u>29,535,485</u>	<u>139,367</u>
Excess of revenues over expenditures	<u>\$ 447,870</u>	<u>\$ 29,194</u>	<u>\$ (207,821)</u>	<u>\$ (237,015)</u>

**Mattawan Consolidated School  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ 4,000	\$ 8,250	\$ 8,250	\$ -
Transfers in	-	-	80,929	80,929
Transfers out	<u>(424,477)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(420,477)</u>	<u>8,250</u>	<u>89,179</u>	<u>80,929</u>
Net change in fund balance	27,393	37,444	(118,642)	(156,086)
Fund balance - beginning, as restated	<u>4,064,580</u>	<u>4,064,580</u>	<u>4,064,580</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,091,973</u>	<u>\$ 4,102,024</u>	<u>\$ 3,945,938</u>	<u>\$ (156,086)</u>

**Mattawan Consolidated School**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2011**

	Special Revenue Fund	Debt Service Funds						Capital Projects	Total
	Food Service	2002 Bond Issue	2004 Bond Issue	2005 Bond Issue	2007 Bond Issue	2008 Bond Issue	2010 Bond Issue	2010 Capital Projects	Nonmajor Governmental Funds
<b>Assets</b>									
Cash	\$ 183,157	\$ 199,613	\$ 88,571	\$ 407,423	\$ 43,822	\$ 50,925	\$ 68,374	\$ 692,881	\$ 1,734,766
Accounts receivable	1,376	-	-	-	-	-	-	-	1,376
Due from other governmental units	8,413	-	-	-	-	-	-	-	8,413
Inventory	<u>22,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,082</u>
 Total assets	 <u>\$ 215,028</u>	 <u>\$ 199,613</u>	 <u>\$ 88,571</u>	 <u>\$ 407,423</u>	 <u>\$ 43,822</u>	 <u>\$ 50,925</u>	 <u>\$ 68,374</u>	 <u>\$ 692,881</u>	 <u>\$ 1,766,637</u>

**Mattawan Consolidated School  
Other Supplemental Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2011**

	Special	Debt Service Funds						Capital	Total
	Revenue Fund	2002	2004	2005	2007	2008	2010	Projects	
	Food	Bond	Bond	Bond	Bond	Bond	Bond	2010	Nonmajor
	Service	Issue	Issue	Issue	Issue	Issue	Issue	Capital	Governmental
								Projects	Funds
<b>Liabilities and Fund Balance</b>									
Liabilities									
Accounts payable	\$ 31,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,844	\$ 71,439
Accrued expenditures	603	-	-	-	-	-	-	-	603
Accrued salaries payable	1,021	-	-	-	-	-	-	-	1,021
Deferred revenue	<u>31,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,074</u>
<b>Total liabilities</b>	<u>64,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,844</u>	<u>104,137</u>
Fund Balance									
Nonspendable									
Inventory	22,082	-	-	-	-	-	-	-	22,082
Restricted for:									
Food service	125,004	-	-	-	-	-	-	-	125,004
Debt service	-	199,613	88,571	407,423	43,822	50,925	68,374	-	858,728
Capital projects	-	-	-	-	-	-	-	653,037	653,037
Assigned	<u>3,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,649</u>
<b>Total fund balance</b>	<u>150,735</u>	<u>199,613</u>	<u>88,571</u>	<u>407,423</u>	<u>43,822</u>	<u>50,925</u>	<u>68,374</u>	<u>653,037</u>	<u>1,662,500</u>
<b>Total liabilities and fund balance</b>	<u>\$ 215,028</u>	<u>\$ 199,613</u>	<u>\$ 88,571</u>	<u>\$ 407,423</u>	<u>\$ 43,822</u>	<u>\$ 50,925</u>	<u>\$ 68,374</u>	<u>\$ 692,881</u>	<u>\$ 1,766,637</u>

**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, 2011**

	Special	Debt Service Funds						Capital	Total
	Revenue Fund	2002	2004	2005	2007	2008	2010	Project	
	Food	Bond	Bond	Bond	Bond	Bond	Bond	2010	Nonmajor
	Service	Issue	Issue	Issue	Issue	Issue	Issue	Capital	Governmental
								Projects	Funds
<b>Revenues</b>									
Local sources	\$ 953,800	\$ 1,004,927	\$ 283,976	\$ 1,313,397	\$ 248,479	\$ 283,970	\$ 141,997	\$ 93	\$ 4,230,639
State sources	38,301	-	-	-	-	-	-	-	38,301
Federal sources	405,184	-	-	-	-	-	-	-	405,184
<b>Total revenues</b>	<b>1,397,285</b>	<b>1,004,927</b>	<b>283,976</b>	<b>1,313,397</b>	<b>248,479</b>	<b>283,970</b>	<b>141,997</b>	<b>93</b>	<b>4,674,124</b>
<b>Expenditures</b>									
Current									
Food services	1,324,033	-	-	-	-	-	-	-	1,324,033
Capital outlay	-	-	-	-	-	-	-	210,052	210,052
Debt service									
Principal	-	864,550	180,000	610,000	225,000	225,000	50,000	-	2,154,550
Interest and other expenditures	-	229,999	80,482	679,716	31,462	41,188	28,498	-	1,091,345
Bond issuance costs	-	-	-	-	-	-	-	30,216	30,216
<b>Total expenditures</b>	<b>1,324,033</b>	<b>1,094,549</b>	<b>260,482</b>	<b>1,289,716</b>	<b>256,462</b>	<b>266,188</b>	<b>78,498</b>	<b>240,268</b>	<b>4,810,196</b>
Excess (deficiency) of revenues over expenditures	\$ 73,252	\$ (89,622)	\$ 23,494	\$ 23,681	\$ (7,983)	\$ 17,782	\$ 63,499	\$ (240,175)	\$ (136,072)

**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, 2011**

	Special	Debt Service Funds						Capital	Total
	Revenue Fund	2002	2004	2005	2007	2008	2010	Project	
	Food	Bond	Bond	Bond	Bond	Bond	Bond	2010	Nonmajor
	Service	Issue	Issue	Issue	Issue	Issue	Issue	Capital	Governmental
								Projects	Funds
<b>Other Financing Sources (Uses)</b>									
Proceeds from issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,625,000	\$ 1,625,000
Premium on issuance of bonds	-	-	-	-	-	-	4,875	-	4,875
Transfers out	(80,929)	-	-	-	-	-	-	-	(80,929)
<b>Total other financing sources (uses)</b>	<b>(80,929)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,875</b>	<b>1,625,000</b>	<b>1,548,946</b>
<b>Net change in fund balance</b>	<b>(7,677)</b>	<b>(89,622)</b>	<b>23,494</b>	<b>23,681</b>	<b>(7,983)</b>	<b>17,782</b>	<b>68,374</b>	<b>1,384,825</b>	<b>1,412,874</b>
Fund balance - beginning, as restated	158,412	289,235	65,077	383,742	51,805	33,143	-	(731,788)	249,626
Fund balance - ending	\$ 150,735	\$ 199,613	\$ 88,571	\$ 407,423	\$ 43,822	\$ 50,925	\$ 68,374	\$ 653,037	\$ 1,662,500

**Mattawan Consolidated School**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2011**

Year Ending June 30,	Durant Principal	2002 Debt Principal	2004 Debt Principal	2005 Debt Principal	2007 Debt Principal	2008 Debt Principal	2010 Debt Principal	Total
2012	\$ 10,004	\$ 830,000	\$ 180,000	\$ 705,000	\$ 250,000	\$ 325,000	\$ 50,000	\$ 2,350,004
2013	54,954	825,000	180,000	780,000	250,000	335,000	50,000	2,474,954
2014		810,000	175,000	880,000		420,000	295,000	2,580,000
2015		730,000	200,000	1,025,000			580,000	2,535,000
2016		705,000	200,000	1,025,000			600,000	2,530,000
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>\$ 64,958</u>	<u>\$ 4,340,000</u>	<u>\$ 1,875,000</u>	<u>\$ 13,740,000</u>	<u>\$ 500,000</u>	<u>\$ 1,080,000</u>	<u>\$ 1,575,000</u>	<u>\$23,174,958</u>
Principal payments due	May 15	May 1	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	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%	2.00% to 2.75%	
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>	<u>\$ 1,625,000</u>	

**Mattawan Consolidated School  
Mattawan, Michigan**

**Single Audit Report**

**June 30, 2011**



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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, 2011, which collectively comprise Mattawan Consolidated School's basic financial statements and have issued our report thereon dated September 8, 2011. 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*

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 8, 2011

**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, 2011. 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, 2011.

### **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 over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mattawan Consolidated School as of and for the year ended June 30, 2011, and have issued our report thereon dated September 8, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, is fairly stated, in all material respects, in relation to the financial statements 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 8, 2011

**Mattawan Consolidated Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2011
U.S. Department of Agriculture								
Nutrition Cluster								
Passed through Michigan Department of Education								
Non-cash assistance (commodities)								
Entitlement	10.555	\$ 91,683	\$ -	\$ -	\$ 91,683	\$ 91,683	\$ -	\$ -
Bonus	10.555	1,712	-	-	1,712	1,712	-	-
			-		93,395	93,395	-	-
Cash assistance								
101970 School Breakfast Program	10.553	25,894	-	23,558	2,336	2,336	-	-
111970 School Breakfast Program		25,891	-	-	25,891	25,891	-	-
National School Lunch Program								
101950 Sec 4 total servings	10.555	82,051	-	73,673	8,378	8,378	-	-
101960 Sec 11 Free and reduced		189,049	-	168,542	20,507	20,507	-	-
111950 Sec 4 total servings		73,472	-	-	73,472	73,472	-	-
111960 Sec 11 Free and reduced		181,205	-	-	181,205	181,205	-	-
			-		311,789	311,789	-	-
			-		405,184	405,184	-	-
Total U.S. Department of Agriculture								
U.S. Department of Education								
Title I Cluster								
Passed through Michigan Department of Education								
1015300910 Title I, Part A	84.010	198,595	41,633	198,595	-	41,633	-	-
1115301011 Title I, Part A		199,655	-	-	199,655	167,261	-	32,394
1015350910 ARRA Title I, Part A	84.389	109,710	31,854	103,488	-	31,854	-	-
1115351011 ARRA Title I, Part A		6,221	-	-	6,221	6,221	-	-
			73,487		205,876	246,969	-	32,394
Total Title I Cluster								
Passed through Calhoun ISD								
1028060910 Safe and Drug Free Schools	84.186	6,534	6,534	-	-	6,534	-	-

**Mattawan Consolidated Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2011
Passed through Michigan Department of Education								
1005200910 Improving Teacher Quality	84.367	\$ 85,389	\$ 29,442	\$ 70,046	\$ 3,630	\$ 33,072	\$ -	\$ -
1105201011 Improving Teacher Quality		97,206	<u>-</u>	-	<u>66,876</u>	<u>66,700</u>	-	<u>176</u>
			<u>29,442</u>		<u>70,506</u>	<u>99,772</u>	-	<u>176</u>
Passed through Michigan Department of Education								
1042950910 ARRA Education Technology State Grants	84.386	4,035	<u>4,035</u>	4,035	-	<u>4,035</u>	-	-
Passed through Van Buren Intermediate School District								
1004550910 ARRA IDEA Flowthrough	84.391A	605,075	<u>112,593</u>	478,075	<u>127,000</u>	<u>239,593</u>	-	-
Passed through Michigan Department of Education								
1125251011 ARRA State Fiscal Stabilization Fund	84.394	441,998	<u>-</u>	-	<u>441,998</u>	<u>441,998</u>	-	-
Passed through Michigan Department of Education								
1125451011 Education Jobs Fund	84.41	852,024	<u>-</u>	-	<u>852,024</u>	<u>852,024</u>	-	-
Total Department of Education			<u>226,091</u>		<u>1,697,404</u>	<u>1,890,925</u>	-	<u>32,570</u>
Department of Health and Human Services								
Passed through the Van Buren Intermediate School District								
Medicaid Outreach	93.778	4,924	<u>-</u>	-	<u>4,924</u>	<u>4,924</u>	-	-
Total Department of Health and Human Services			<u>-</u>		<u>4,924</u>	<u>4,924</u>	-	-
Total Federal Programs			<u>\$ 226,091</u>		<u>\$ 2,107,512</u>	<u>\$ 2,301,033</u>	<u>\$ -</u>	<u>\$ 32,570</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Mattawan Consolidated School**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

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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, 2011.
3. The federal amounts reported on the 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, 2011**

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**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>
10.555 & 10.553	Nutrition Cluster
84.394	ARRA – State Fiscal Stabilization Fund
84.410	Education Jobs 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, 2011**

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**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, 2011.

**SECTION III – FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2011.

**Mattawan Consolidated School  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2011**

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**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.



September 8, 2011

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

We have completed our audit of the financial statements of Mattawan Consolidated School as of and for the year ended June 30, 2011 and have issued our report dated September 8, 2011. 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

We discussed these matters with various personnel in the organization during the audit and have already met with management on August 31, 2011. We would also be pleased to meet with you to discuss these matters at your convenience, if you so desire.

These communications are intended solely for the information and use of management, the Board of Education, 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**

### **Auditors' Communication of Significant Matters with Those Charged with Governance**

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, 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 dated September 8, 2011. 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. The District has adopted Government Accounting Standards Board Statement No. 54 effective July 1, 2010. 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 standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund. 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. The significant estimates identified in the financial statements are made up of the liability for compensated absences and incurred but not reported insurance claims. With respect to the liability for compensated absences, management has based their estimate on payout rates and known accumulated sick time banks. For the incurred but not reported insurance claims, the District utilizes a third party agent that handles the actual claims against the self-insured plan. Based on the agent's historical experience rate, the management has accrued an estimated liability. We have evaluated the key factors, assumptions and inputs used in the development of these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

##### **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, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

**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 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, 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, and the Schedule of Findings and Questioned Costs. Please read all information included in that report to ensure you are aware of relevant information.

**Other Information in Documents Containing Audited Financial Statements**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.