

**Mattawan Consolidated School
Mattawan, Michigan**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2012

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Mattawan Consolidated School
Members of the Board of Education and Administration
June 30, 2012

Members of the Board of Education

Zbigniew Srodulski – President

Jeff Dufon – Vice President

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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, 2012, 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, 2012, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 6, 2012, 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 *Government 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.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
September 6, 2012

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2012**

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, 2012. 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, 2012**

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, 2012**

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, 2012 and 2011.

Table 1	<u>Governmental Activities</u> (in millions)	
	<u>2012</u>	<u>2011</u>
Assets		
Current and other assets	\$ 9.2	\$ 8.3
Capital assets	23.2	24.3
Total assets	32.4	32.6
Liabilities		
Current liabilities	6.3	5.6
Long-term liabilities	19.9	21.0
Total liabilities	26.2	26.6
Net Assets		
Invested in property and equipment – net of related debt	2.9	1.9
Restricted	1.1	1.1
Unrestricted	2.2	3.0
Total net assets	\$ 6.2	\$ 6.0

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 \$6.2 million at June 30, 2012. Capital assets, net of related debt totaling \$2.8 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 \$2.3 million was unrestricted.

The \$2.3 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, 2012**

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 2012 and 2011.

Table 2	Governmental Activities (in millions)	
	<u>2012</u>	<u>2011</u>
Revenue		
Program revenue		
Charges for services	\$ 1.2	\$ 1.2
Federal grants and entitlements	1.6	1.5
State categoricals	0.5	0.5
General revenue		
Property taxes	5.3	5.0
State foundation allowance	24.4	25.7
Other	0.1	0.1
Total revenue	33.1	34.0
Functions/Program Expenses		
Instruction	18.9	19.0
Support services	10.1	10.3
Food services	1.3	1.3
Interest on long-term debt	1.0	1.1
Depreciation (unallocated)	1.5	1.5
Total Expenses	32.8	33.2
Increase in net assets	\$ 0.3	\$ 0.8

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$32.8 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 (\$2.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$5.3 million in taxes, \$24.4 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, 2012**

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 \$5.9 million, which is an increase of approximately \$.3 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, showed a decrease of approximately \$1 million.

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 an increase of about \$6,000.

The 2010 Capital Projects Funds showed a net decrease of approximately \$.4 million. The decrease is due to approximately \$400,000 of expenditures for technology and equipment, as allowed under the voter approved bond issue.

The 2012 Capital Projects Funds showed a net increase of approximately \$1.6 million. The increase is due to the \$1.685 million in bond issuance revenue, as allowed under the voter approved bond issue.

Combined, the Debt Service Funds remained stable from the prior year, showing a slight increase of \$24,000. 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 2011-2012 was 3,771 students. The School District's enrollment decreased by 52 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>
2011-2012	3,771	(52)
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

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2012**

Subsequent to the year ended June 30, 2012, preliminary student enrollments for the 2012-2013 school year are projected to be about 3,771 FTE, which is the same number of students enrolled during the prior fiscal year.

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>
2012	\$	598,694,981	\$	94,690,962	\$	693,385,943
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

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>
2011-2012	\$ 6,846
2010-2011	7,316
2009-2010	7,151
2008-2009	7,316
2007-2008	7,204
2006-2007	7,085

The projected Foundation Allowance per Pupil amount for the 2012-2013 school year is \$6,966.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2012**

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before 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 \$762,000 due mainly to receiving one time funding from the state for Best Practice Incentives (\$378,000), special education funding increases (\$288,000), and additional funding for Edu Jobs from the federal government (\$64,000).

Budgeted expenditures were increased approximately \$730,000 due mainly to the hiring of additional staff, and related costs associated with the receipts of additional state and federal funds.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance</u>
Revenues	\$ 27,531,643	\$ 28,293,546	\$ 761,903
Expenditures	29,082,296	29,812,213	729,917

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012, the School District had \$23.15 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 \$1.15 million from last year.

	<u>2012</u>	<u>2011</u>
Land	\$ 740,429	\$ 740,429
Building and building improvements	33,321,688	33,310,417
Buses and other vehicles	2,706,634	2,768,977
Furniture and Equipment	<u>6,418,880</u>	<u>6,074,939</u>
Total Capital assets	<u>\$ 43,187,631</u>	<u>\$ 42,894,762</u>

This year's additions of \$355,212 were made up primarily of technology replacement, improvements and equipment.

**Mattawan Consolidated School
Management's Discussion and Analysis
June 30, 2012**

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

Debt

At the end of this year, the School District had \$22.7 million in bonds outstanding versus \$23.7 million in the previous year – a change of about 4%. Those bonds consisted of the following:

	<u>2012</u>	<u>2011</u>
General Obligation Bonds	<u>\$ 22,305,000</u>	<u>\$ 23,110,000</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 2012/13 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 2012/13 fiscal year is 10 percent and 90 percent of the February 2012 and September 2012 student counts, respectively. The 2012/13 budget was adopted in June 2012 based on an estimate of students that would be enrolled in September 2012. 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 2012 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2011/12 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, 2012

	Governmental Activities
Assets	
Cash	\$ 4,515,935
Taxes receivable	1,636
Accounts receivable	23,770
Due from other governmental units	4,704,007
Inventory	25,204
Prepaid items	17,485
Other assets	
Capital assets not being depreciated	740,429
Capital assets - net of accumulated depreciation	22,417,466
Total assets	32,445,932
Liabilities	
Accounts payable	106,921
State aid anticipation note payable	431,129
Accrued expenditures	1,127,123
Accrued salaries payable	1,806,124
Deferred revenue	37,006
Noncurrent liabilities	
Due within one year	2,840,996
Due in more than one year	19,889,038
Total liabilities	26,238,337
Net Assets	
Invested in capital assets, net of related debt	2,909,010
Restricted for:	
Food service	156,606
Debt service	883,164
Unrestricted	2,258,815
Total net assets	\$ 6,207,595

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 18,988,602	\$ 6,818	\$ 1,508,975	\$ (17,472,809)
Supporting services	10,075,041	264,931	120,545	(9,689,565)
Food services	1,328,351	948,012	458,324	77,985
Community services	990	-	-	(990)
Interest on long-term debt	982,961	-	-	(982,961)
Depreciation - unallocated	1,487,341	-	-	(1,487,341)
Total governmental activities	<u>\$ 32,863,286</u>	<u>\$ 1,219,761</u>	<u>\$ 2,087,844</u>	<u>(29,555,681)</u>
General revenues				
Property taxes, levied for general purposes				1,864,589
Property taxes, levied for debt service				3,419,604
State aid - unrestricted				24,448,580
Interest and investment earnings				719
Gain on sale of capital assets				2,094
Other				75,857
Total general revenues				<u>29,811,443</u>
Change in net assets				255,762
Net assets - beginning				<u>5,951,833</u>
Net assets - ending				<u>\$ 6,207,595</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Governmental Funds
Balance Sheet
June 30, 2012

	General Fund	2012 Capital Project Fund	Nonmajor Govern- mental Funds	Total Govern- mental Funds
Assets				
Cash	\$ 1,468,857	\$ 1,720,968	\$ 1,326,110	\$ 4,515,935
Taxes receivable	951	-	685	1,636
Accounts receivable	19,525	-	4,245	23,770
Due from other funds	-	-	27,913	27,913
Due from other governmental units	4,694,564	-	9,443	4,704,007
Inventory	-	-	25,204	25,204
Prepaid items	17,485	-	-	17,485
Total assets	<u>\$ 6,201,382</u>	<u>\$ 1,720,968</u>	<u>\$ 1,393,600</u>	<u>\$ 9,315,950</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 73,662	\$ -	\$ 33,259	\$ 106,921
State aid anticipation note payable	431,129	-	-	431,129
Due to other funds	-	27,913	-	27,913
Accrued expenditures	968,395	-	949	969,344
Accrued salaries payable	1,803,090	-	3,034	1,806,124
Deferred revenue	5,850	-	31,156	37,006
Total liabilities	<u>3,282,126</u>	<u>27,913</u>	<u>68,398</u>	<u>3,378,437</u>
Fund Balance				
Non-spendable				
Inventory	-	-	25,204	25,204
Prepaid items	17,485	-	-	17,485
Restricted for:				
Food service	-	-	118,328	118,328
Debt service	-	-	883,164	883,164
Capital projects	-	1,693,055	285,432	1,978,487
Assigned for next fiscal year budget appropriations	957,129	-	13,074	970,203
Unassigned	1,944,642	-	-	1,944,642
Total fund balance	<u>2,919,256</u>	<u>1,693,055</u>	<u>1,325,202</u>	<u>5,937,513</u>
Total liabilities and fund balance	<u>\$ 6,201,382</u>	<u>\$ 1,720,968</u>	<u>\$ 1,393,600</u>	<u>\$ 9,315,950</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, 2012

Total fund balances for governmental funds	\$ 5,937,513
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	22,417,466
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(157,779)
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	(170,162)
Bonds payable	(22,159,243)
Other loans payable and liabilities	<u>(400,629)</u>
Net assets of governmental activities	<u><u>\$ 6,207,595</u></u>

Mattawan Consolidated School
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	General Fund	2012 Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 2,242,673	\$ -	\$ 4,378,816	\$ 6,621,489
State sources	25,532,680	-	63,552	25,596,232
Federal sources	273,569	-	394,772	668,341
Interdistrict sources	<u>230,892</u>	<u>-</u>	<u>-</u>	<u>230,892</u>
 Total revenues	 <u>28,279,814</u>	 <u>-</u>	 <u>4,837,140</u>	 <u>33,116,954</u>
 Expenditures				
Current				
Education				
Instruction	19,304,009	-	-	19,304,009
Supporting services	10,041,095	-	-	10,041,095
Food services	-	-	1,328,351	1,328,351
Community services	990	-	-	990
Capital outlay	11,271	-	367,638	378,909
Debt service				
Principal	-	-	2,270,589	2,270,589
Interest and other expenditures	23,339	-	1,020,190	1,043,529
Bond issuance costs	-	24,303	71,728	96,031
Payment to bond refunding escrow agent	<u>-</u>	<u>-</u>	<u>146,000</u>	<u>146,000</u>
 Total expenditures	 <u>29,380,704</u>	 <u>24,303</u>	 <u>5,204,496</u>	 <u>34,609,503</u>
 Deficiency of revenues over expenditures	 <u>(1,100,890)</u>	 <u>(24,303)</u>	 <u>(367,356)</u>	 <u>(1,492,549)</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, 2012

	General Fund	2012 Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from refinancing debt	\$ -	\$ -	\$ 3,517,447	\$ 3,517,447
Payment to bond refunding escrow agent	-	-	(3,443,188)	(3,443,188)
Proceeds from issuance of bonds	-	1,685,000	-	1,685,000
Premium on issuance of bonds	-	60,271	-	60,271
Proceeds from sale of capital assets	2,094	-	-	2,094
Transfers in	72,114	-	27,913	100,027
Transfers out	-	(27,913)	(72,114)	(100,027)
	<u>74,208</u>	<u>1,717,358</u>	<u>30,058</u>	<u>1,821,624</u>
 Total other financing sources				
	<u>74,208</u>	<u>1,717,358</u>	<u>30,058</u>	<u>1,821,624</u>
 Net change in fund balance	 (1,026,682)	 1,693,055	 (337,298)	 329,075
 Fund balance - beginning	 <u>3,945,938</u>	 <u>-</u>	 <u>1,662,500</u>	 <u>5,608,438</u>
 Fund balance - ending	 <u><u>\$ 2,919,256</u></u>	 <u><u>\$ 1,693,055</u></u>	 <u><u>\$ 1,325,202</u></u>	 <u><u>\$ 5,937,513</u></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, 2012

Net change in fund balances - Total governmental funds	\$	329,075
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		(1,487,341)
Capital outlay		355,212
Sale of capital assets (net book value)		(6,234)
Expenses are recorded when incurred in the statement of activities.		
Interest		11,917
Special termination benefits		255,000
Compensated absences		60,180
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term 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		(5,262,718)
Repayments of long-term debt		2,362,832
Repayments of long-term debt from refunding		3,589,188
Deferred amount on refunding		79,188
Amortization of deferred amounts on refunding		(66,285)
Amortization of premiums		35,748
Change in net assets of governmental activities	\$	<u>255,762</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2012

	<u>Student Activities Agency Funds</u>
Assets	
Cash	\$ <u>450,134</u>
Liabilities	
Due to agency fund activities	\$ <u>450,134</u>

See Accompanying Notes to Financial Statements

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2012

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, 2012

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.

2012 Capital Project Fund – Capital Project Funds are 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.

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 the 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.

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 June 30, 2012, 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, 2012

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 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, 2012

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 5% 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.

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources,*

Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. These statements will be adopted for the fiscal year ending June 30, 2013.

The Government Accounting Standards Board has issued *Statements 67, Financial Reporting for Pension Plans and 68 Accounting and Financial Reporting for Pensions.* Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

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, 2012

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.

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 and 2012 Capital Projects Funds from inception through the current fiscal year:

	2010 Capital Projects	2012 Capital Projects
Revenues	\$ 1,625,126	\$ 1,745,271
Expenditures	1,339,694	52,216
	\$ 285,432	\$ 1,693,055

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	\$ 4,515,935	\$ 450,134	\$ 4,966,069

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 4,964,799
Petty cash and cash on hand	1,270
Total	\$ 4,966,069

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

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$5,358,808 of the District's bank balances of \$ 5,610,308 were uncollateralized and uninsured.

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2012

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 740,429	\$ -	\$ -	\$ 740,429
Capital assets being depreciated				
Buildings and additions	33,310,417	11,271	-	33,321,688
Equipment and furniture	6,074,939	343,941	-	6,418,880
Buses and other vehicles	2,768,977	-	62,343	2,706,634
Total capital assets being depreciated	42,154,333	355,212	62,343	42,447,202
Less accumulated depreciation for				
Buildings and additions	12,991,846	528,502	-	13,520,348
Equipment and furniture	3,901,100	778,880	-	4,679,980
Buses and other vehicles	1,705,558	179,959	56,109	1,829,408
Total accumulated depreciation	18,598,504	1,487,341	56,109	20,029,736
Net capital assets being depreciated	23,555,829	(1,132,129)	6,234	22,417,466
Net capital assets	\$ 24,296,258	\$ (1,132,129)	\$ 6,234	\$ 23,157,895

Depreciation for the fiscal year ended June 30, 2012 amounted \$1,487,341. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Note 5 - Interfund Receivables and Payables

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
2012 Bond Issue	2012 Debt Fund	\$ 27,913

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers In	Transfers Out
		Nonmajor Governmental Funds
General Fund	\$	72,114
Nonmajor governmental		27,913
	\$	100,027

The transfer from the lunch fund covers indirect costs in the general fund. The transfer from the bond fund was made to move capitalized interest to the debt fund.

Note 6 - 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	\$ 31,156
Prepaid program tuition	5,850
Total	\$ 37,006

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2012

Note 7 - State Aid Anticipation Note

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

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 334,228</u>	<u>\$ 3,000,000</u>	<u>\$ 2,903,099</u>	<u>\$ 431,129</u>

The state aid anticipation note agreement includes irrevocable set-aside payments totaling \$2,586,771 at year end that is considered defeased debt and not included in the ending balance.

Note 8 - Leases

Capital Leases

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

Year ending June 30,	
2013	\$ 100,416
2014	<u>50,208</u>
Total minimum lease payments	150,624
Less amount representing interest	<u>4,996</u>
Present value of minimum lease payments	<u>\$ 145,628</u>
Assets	
Machinery and equipment	\$ 451,162
Less accumulated depreciation	<u>315,813</u>
Total	<u>\$ 135,349</u>

Note 9 - 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	\$ 23,110,000	\$ 5,045,000	\$ 5,850,000	\$ 22,305,000	\$ 2,435,000
Other bonds	64,958	-	10,004	54,954	54,954
Capital lease - equipment	237,645	-	92,016	145,629	96,042
Compensated absences	230,342	-	60,180	170,162	-
Retirement incentives	510,000	-	255,000	255,000	255,000
Premium on bonds	462,010	217,718	35,748	643,980	-
Deferred amount on refunding	<u>(831,788)</u>	<u>(79,188)</u>	<u>(66,285)</u>	<u>(844,691)</u>	<u>-</u>
Total	<u>\$ 23,783,167</u>	<u>\$ 5,183,530</u>	<u>\$ 6,236,663</u>	<u>\$ 22,730,034</u>	<u>\$ 2,840,996</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, 2012

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

\$3,360,000 2012 Refunding serial bonds due in annual installments of \$415,000 to \$840,000, through 2017, interest at 3.00%.	\$ 3,360,000
\$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%.	1,695,000
\$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%.	13,035,000
\$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%.	250,000
\$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%.	755,000
\$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%.	1,525,000
\$1,685,000 2012 School Building and Equipment Serial bonds due in annual installments of \$155,000 to \$750,000 through 2018, interest at 2.00% to 3.00%.	<u>1,685,000</u>
 Total general obligation bonded debt	 <u>\$ 22,305,000</u>

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

	Principal	Interest	Total
Year Ending June 30,			
2013	\$ 2,435,000	\$ 933,498	\$ 3,368,498
2014	2,525,000	834,662	3,359,662
2015	2,620,000	741,900	3,361,900
2016	2,675,000	647,280	3,322,280
2017	2,255,000	547,630	2,802,630
2018-2022	6,645,000	1,608,860	8,253,860
2023-2025	3,150,000	288,750	3,438,750
Total	\$ 22,305,000	\$ 5,602,580	\$ 27,907,580

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$883,164 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>\$ 54,954</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, 2012

Future principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2013	<u>\$ 54,954</u>	<u>\$ 18,820</u>	<u>\$ 73,774</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 \$255,000.

Future payments are as follows:

Year Ending June 30, 2013	<u>\$ 255,000</u>
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Interest expenditures for the fiscal year in the General Fund and Debt Service Fund were \$5,439 and \$1,019,134, respectively.

Compensated Absences

Accrued compensated absence liability at year end is \$170,162. 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.

Advance Refunding

On March 29, 2012, the School District issued general obligation bonds of \$3,360,000 (par value) with an interest rate of 3.00% to advance refund serial bonds with an interest rate of 2.80% to 4.75% and a par value of \$3,510,000. The bonds mature on March 1, 2017. The general obligation bonds were issued at a premium and after paying issuance costs of \$71,438, the net proceeds were \$3,443,188. The net proceeds from issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements

of an in-substance debt defeasance and the term bonds were removed from the School Districts financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$243,578 which resulted in an economic gain of \$232,519.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$79,188. This amount is reported in the accompanying statement of net assets as a reduction of bonds payable and is being charged to activities through fiscal year 2017.

Defeased Debt

In the current year and 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	\$ 4,020,000
2004 Issue refunded	1,750,000
2005 Issue refunded	13,090,000
2012 Issue refunded	<u>3,360,000</u>
Total	<u>\$ 22,220,000</u>

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2012

Note 10 - 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 \$40,823 of unemployment compensation expense for the year ended June 30, 2012. No provision has been made for possible future claims.

The School District has elected to pay for dental insurance on a self-insured basis but has an independent third party that acts as the administrator on its behalf. Under this method, the School District pays based on actual claims against the plan. At June 30, 2012 the School District has recorded a reserve in the amount of \$34,111 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 11 - 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.

Mattawan Consolidated School
Notes to Financial Statements
June 30, 2012

Funding Policy

The District is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The District'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 MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS pension retirement plan funding for the three-year period beginning July 1, 2009 through June 30, 2012.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Funding percentage range	10.66 - 15.96%	8.63 - 12.16%	9.73-10.13%
School pension contributions	\$ 2,369,993	\$ 2,032,400	\$ 1,764,200

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, 2012, were:

	<u>School District</u>	<u>Participants</u>
Contributions to the Pension Plus Savings Plan	<u>\$ 2,607</u>	<u>\$ 7,808</u>

Post Employment Benefits

In addition to the pension benefits described above, the School Finance Reform Act requires the School District to provide post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS). Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health care, dental and vision coverage at the time of receiving the benefits. The School's actual contributions match the required contributions.

The following table discloses pertinent information relative to MPSERS post employment benefits funding for the three-year period beginning July1, 2009 through June 30, 2012.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Funding percentage range	8.50%	6.81 - 8.50%	6.81%
Employer contributions	\$ 1,717,007	\$ 1,468,600	\$ 1,197,800

Note 12 - 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 13 - Subsequent Events

On August 20, 2012, the School District borrowed \$3,500,000 in short-term state aid anticipation notes for the 2012/13 year through the Michigan Finance Authority. The interest rate on this note is .40%.

Mattawan Consolidated School
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 1,984,230	\$ 2,183,237	\$ 2,242,673	\$ 59,436
State sources	25,116,821	25,543,381	25,532,680	(10,701)
Federal sources	239,703	338,928	273,569	(65,359)
Interdistrict sources	190,889	228,000	230,892	2,892
Total revenues	<u>27,531,643</u>	<u>28,293,546</u>	<u>28,279,814</u>	<u>(13,732)</u>
Expenditures				
Instruction				
Basic programs	16,638,926	17,099,180	16,956,784	(142,396)
Added needs	2,457,321	2,388,157	2,347,225	(40,932)
Supporting services				
Pupil	1,053,990	1,280,392	1,261,254	(19,138)
Instructional staff	1,464,628	1,556,916	1,466,678	(90,238)
General administration	372,065	417,129	403,231	(13,898)
School administration	1,964,152	1,908,236	1,888,743	(19,493)
Business	449,989	448,108	437,073	(11,035)
Operations and maintenance	1,984,793	1,974,819	1,951,144	(23,675)
Pupil transportation services	1,598,045	1,736,145	1,723,273	(12,872)
Central	907,907	859,438	826,942	(32,496)
Athletic activities	89,490	95,919	82,757	(13,162)
Community services	990	1,003	990	(13)
Capital outlay	50,000	21,271	11,271	(10,000)
Debt service				
Interest and fiscal charges	50,000	25,500	23,339	(2,161)
Total expenditures	<u>29,082,296</u>	<u>29,812,213</u>	<u>29,380,704</u>	<u>(431,509)</u>
Deficiency of revenues over expenditures	<u>\$ (1,550,653)</u>	<u>\$ (1,518,667)</u>	<u>\$ (1,100,890)</u>	<u>\$ 417,777</u>

Mattawan Consolidated School
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Financing Sources				
Proceeds from sale of capital assets	\$ -	\$ 2,095	\$ 2,094	\$ (1)
Transfers in	-	80,000	72,114	(7,886)
Total other financing sources	-	82,095	74,208	(7,887)
Net change in fund balance	(1,550,653)	(1,436,572)	(1,026,682)	409,890
Fund balance - beginning	<u>3,945,938</u>	<u>3,945,938</u>	<u>3,945,938</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,395,285</u>	<u>\$ 2,509,366</u>	<u>\$ 2,919,256</u>	<u>\$ 409,890</u>

Mattawan Consolidated School
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Special	Debt Service Funds							Capital	Total
	Revenue Fund	2002	2004	2005	2007	2008	2010	2012	Projects	Nonmajor
	Food	Bond	Bond	Bond	Bond	Bond	Bond	Bond	2010	Governmental
	Service	Issue	Issue	Issue	Issue	Issue	Issue	Issue	Capital	Funds
									Projects	
Assets										
Cash	\$ 188,933	\$ 112,524	\$72,242	\$ 515,730	\$62,121	\$55,684	\$33,444	\$ -	\$285,432	\$1,326,110
Taxes receivable	-	201	48	295	58	73	10	-	-	685
Accounts receivable	1,424	2,821	-	-	-	-	-	-	-	4,245
Due from other funds	-	-	-	-	-	-	-	27,913	-	27,913
Due from other governmental units	9,443	-	-	-	-	-	-	-	-	9,443
Inventory	25,204	-	-	-	-	-	-	-	-	25,204
Total assets	\$ 225,004	\$ 115,546	\$72,290	\$ 516,025	\$62,179	\$55,757	\$33,454	\$27,913	\$285,432	\$1,393,600

**Mattawan Consolidated School
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012**

	Special	Debt Service Funds							Capital	Total
	Revenue Fund	2002	2004	2005	2007	2008	2010	2012	Projects	Nonmajor
	Food	Bond	Bond	Bond	Bond	Bond	Bond	Bond	2010	Govern-
	Service	Issue	Issue	Issue	Issue	Issue	Issue	Issue	Capital	mental
									Projects	Funds
Liabilities and Fund Balance										
Liabilities										
Accounts payable	\$ 33,259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,259
Accrued expenditures	949	-	-	-	-	-	-	-	-	949
Accrued salaries payable	3,034	-	-	-	-	-	-	-	-	3,034
Deferred revenue	<u>31,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,156</u>
Total liabilities	<u>68,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,398</u>
Fund Balance										
Nonspendable										
Inventory	25,204	-	-	-	-	-	-	-	-	25,204
Restricted for:										
Food service	118,328	-	-	-	-	-	-	-	-	118,328
Debt service	-	115,546	72,290	516,025	62,179	55,757	33,454	27,913	-	883,164
Capital projects	-	-	-	-	-	-	-	-	285,432	285,432
Assigned for next fiscal year										
budget appropriations	<u>13,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,074</u>
Total fund balance	<u>156,606</u>	<u>115,546</u>	<u>72,290</u>	<u>516,025</u>	<u>62,179</u>	<u>55,757</u>	<u>33,454</u>	<u>27,913</u>	<u>285,432</u>	<u>1,325,202</u>
Total liabilities and fund balance	<u>\$ 225,004</u>	<u>\$ 115,546</u>	<u>\$ 72,290</u>	<u>\$ 516,025</u>	<u>\$ 62,179</u>	<u>\$ 55,757</u>	<u>\$ 33,454</u>	<u>\$ 27,913</u>	<u>\$ 285,432</u>	<u>\$ 1,393,600</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, 2012

	Special	Debt Service Funds							Capital	Total
	Revenue Fund	2002	2004	2005	2007	2008	2010	2012	Project	Nonmajor
	Food Service	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	2010 Capital Projects	Govern- mental Funds
Revenues										
Local sources	\$ 948,012	\$1,014,650	\$237,903	\$1,471,967	\$289,931	\$364,270	\$ 52,050	\$ -	\$ 33	\$4,378,816
State sources	63,552	-	-	-	-	-	-	-	-	63,552
Federal sources	394,772	-	-	-	-	-	-	-	-	394,772
Total revenues	1,406,336	1,014,650	237,903	1,471,967	289,931	364,270	52,050	-	33	4,837,140
Expenditures										
Current										
Education										
Food services	1,328,351	-	-	-	-	-	-	-	-	1,328,351
Capital outlay	-	-	-	-	-	-	-	-	367,638	367,638
Debt service										
Principal	-	760,589	180,000	705,000	250,000	325,000	50,000	-	-	2,270,589
Interest and other expenditures	-	194,659	74,184	658,365	21,574	34,438	36,970	-	-	1,020,190
Bond issuance costs	-	71,728	-	-	-	-	-	-	-	71,728
Payment to bond refunding escrow agent	-	146,000	-	-	-	-	-	-	-	146,000
Total expenditures	1,328,351	1,172,976	254,184	1,363,365	271,574	359,438	86,970	-	367,638	5,204,496
Excess (deficiency) of revenues over expenditures	77,985	(158,326)	(16,281)	108,602	18,357	4,832	(34,920)	-	(367,605)	(367,356)

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, 2012

	Special	Debt Service Funds						Capital	Total	
	Revenue Fund	2002	2004	2005	2007	2008	2010	2012	Project	Nonmajor
	Food Service	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	2010 Capital Projects	Govern- mental Funds
Other Financing Sources (Uses)										
Proceeds from refinancing debt	\$ -	\$3,517,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$3,517,447
Payment to bond refunding escrow agent	-	(3,443,188)	-	-	-	-	-	-	-	(3,443,188)
Transfers in	-	-	-	-	-	-	-	27,913	-	27,913
Transfers out	(72,114)	-	-	-	-	-	-	-	-	(72,114)
Total other financing sources (uses)	(72,114)	74,259	-	-	-	-	-	27,913	-	30,058
Net change in fund balance	5,871	(84,067)	(16,281)	108,602	18,357	4,832	(34,920)	27,913	(367,605)	(337,298)
Fund balance - beginning	150,735	199,613	88,571	407,423	43,822	50,925	68,374	-	653,037	1,662,500
Fund balance - ending	\$ 156,606	\$ 115,546	\$ 72,290	\$ 516,025	\$ 62,179	\$ 55,757	\$ 33,454	\$ 27,913	\$ 285,432	\$ 1,325,202

Mattawan Consolidated School
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2012

Year Ending June 30,	Durant Principal	2004 Debt Principal	2005 Debt Principal	2007 Debt Principal	2008 Debt Principal	2010 Debt Principal	2012 Debt Principal	2012 Debt Refunding	Total
2013	\$ 54,954	\$ 180,000	\$ 780,000	\$ 250,000	\$ 335,000	\$ 50,000	\$ -	\$ 840,000	\$ 2,489,954
2014		175,000	880,000		420,000	295,000	-	755,000	2,525,000
2015		200,000	1,025,000			580,000	155,000	660,000	2,620,000
2016		200,000	1,025,000			600,000	160,000	690,000	2,675,000
2017		195,000	1,025,000				620,000	415,000	2,255,000
2018		195,000	1,025,000				750,000		1,970,000
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>\$ 54,954</u>	<u>\$ 1,695,000</u>	<u>\$ 13,035,000</u>	<u>\$ 250,000</u>	<u>\$ 755,000</u>	<u>\$ 1,525,000</u>	<u>\$ 1,685,000</u>	<u>\$ 3,360,000</u>	<u>\$ 22,359,954</u>
Principal payments due	May 15	May 1							
Interest payments due	May 15	May 1 and November 1							
Interest rate	4.76%	2.00% to 4.20%	3.00% to 5.00%	4.25%	3.00% to 3.25%	2.00% to 2.75%	2.00% to 3.00%	3.00%	
Original issue	<u>\$ 156,362</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>	<u>\$ 1,685,000</u>	<u>\$ 3,360,000</u>	

**Mattawan Consolidated School
Mattawan, Michigan**

Single Audit Report

June 30, 2012

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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, 2012, which collectively comprise Mattawan Consolidated School's basic financial statements and have issued our report thereon dated September 6, 2012. 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 6, 2012

**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, 2012. 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, 2012.

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, 2012, and have issued our report thereon dated September 6, 2012, 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 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 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 information 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 6, 2012

Mattawan Consolidated Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2012
U.S. Department of Agriculture								
Nutrition Cluster								
Passed through Michigan Department of Education								
Non-cash assistance (commodities)								
Entitlement	10.555	\$ 65,781	\$ -	\$ -	\$ 65,781	\$ 65,781	\$ -	\$ -
Bonus	10.555	6,008	-	-	6,008	6,008	-	-
			-		71,789	71,789	-	-
Cash assistance								
111970 School Breakfast Program	10.553	29,076	-	25,981	3,095	3,095	-	-
121970 School Breakfast Program		29,800	-	-	29,800	29,800	-	-
National School Lunch Program								
111960 Sec 11 Free and reduced	10.555	213,896	-	181,208	32,688	32,688	-	-
121960 Sec 11 Free and reduced		257,400	-	-	257,400	257,400	-	-
			-		322,983	322,983	-	-
			-		394,772	394,772	-	-
Total U.S. Department of Agriculture								
U.S. Department of Education								
Title I Cluster								
Passed through Michigan Department of Education								
1115301011 Title I, Part A	84.010	199,655	32,394	199,655	-	32,394	-	-
1215301112 Title I, Part A		186,272	-	-	172,764	115,583	-	57,181
			32,394		172,764	147,977	-	57,181
Total Title I Cluster								
Passed through Michigan Department of Education								
1105201011 Improving Teacher Quality	84.367	\$ 97,206	\$ 176	\$ 66,876	\$ 1,702	\$ 1,877	\$ (1)	\$ -
1205201112 Improving Teacher Quality		101,992	-	-	29,160	22,625	-	6,535
			176		30,862	24,502	(1)	6,535
Passed through Michigan Department of Education								
1125451112 Education Jobs Fund	84.410	64,364	-	-	64,364	64,364	-	-
Total Department of Education								

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Mattawan Consolidated Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2012
Department of Health and Human Services Passed through the Van Buren Intermediate School District Medicaid Outreach	93.778	5,579	-	-	5,579	-	-	5,579
Total Department of Health and Human Services			-		5,579	-	-	5,579
Total Federal Programs			\$ 32,570		\$ 668,341	\$ 631,615	\$ (1)	\$ 69,295

Mattawan Consolidated School
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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, 2012.
3. The federal amounts reported on the Grant Auditor Report are not in agreement with the Schedule of Expenditures of Federal Awards.

Total federal funds paid per 2011-12 Grant Auditor Report	\$ 532,504
Non-cash adjustment reported for 2008-09 Grant Auditor Report discrepancy	27,322
Non-cash assistance (commodities) not reported on Grant Auditor Report	<u>71,789</u>
Total federal funds received per Schedule of Expenditures of Federal Awards	\$ <u>631,615</u>

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, 2012**

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

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, 2012**

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, 2012.

SECTION III – FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2012.

**Mattawan Consolidated School
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012**

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.



September 6, 2012

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, 2012 and have issued our report dated September 6, 2012. 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 September 6, 2012. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of 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 June 1, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There were no significant estimates in the financial statements.

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. The adjustments identified during the audit have been communicated to management and management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the 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.