

Muskegon Area Intermediate School District

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2011

Muskegon Area Intermediate School District

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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be Muskegon Area Intermediate School District Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2011.

The Governmental Accounting Standards Board in their Statement No. 34 adopted this new reporting model; *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* in June 2000.

According to GASB 34, generally accepted accounting principles requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

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 Muskegon Area Intermediate School District as a whole. The *District-wide Financial Statements* provide information about the activities of the whole Intermediate School District, presenting both an aggregate view of the Intermediate 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 Intermediate School District's operations in more detail than the district-wide financial statements by providing information about the Intermediate School District's most significant funds: the General Fund, Special Education Fund, and Vocational Education (Career Tech Center) Fund.

Reporting the Intermediate School District as a Whole District-Wide Financial Statements

The district-wide financial statements include the statement of net assets and the statement of activities. These statements, which appear first in the Intermediate School District's financial statements, report information on the Intermediate School District as a whole and its activities in a way to provide an easy-to-understand overview of the Intermediate School District's financial position and results of operations for the year. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Muskegon Area Intermediate School District's net assets (the difference between assets and liabilities, as reported in the statement of net assets) as one way to measure the Intermediate School District's financial health or financial position. The statement of net assets and statement of activities report the governmental activities of the Muskegon Area Intermediate School District, which encompass all of the Intermediate School District's services, including instruction, supporting services, and community services. Property taxes, state aid, and federal grants finance most of these activities.

Over time, increases or decreases in the Intermediate 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 Intermediate School District's operating results. However, Muskegon Area Intermediate School District exists to provide services to our local school districts, their staff, and the students they serve. Consideration of other non-financial factors, such as the quality of services provided, is needed to assess the overall health of the Muskegon Area Intermediate School District.

The Intermediate School District's mission is to provide the leadership, programs and services that complement and enhance the efforts of the constituent school districts in extending educational opportunities to all students. The Intermediate School District does not focus on generating profits as commercial entities do. The Intermediate School District accomplishes its mission through innovative partnerships, technology, training, professional development and research.

The Intermediate School District offers a wide range of services focused on improving learning. The Intermediate School District serves twelve local public school districts, along with nonpublic, charter schools and other school districts outside of our county.

Created by State legislation in 1962 to serve local schools and act as a liaison between them and the Michigan Department of Education, the Intermediate School District is one of 57 intermediate school districts in the state. The Intermediate School District is a shared-community resource, providing an extensive network of supportive service that helps families and local schools successfully grow preschoolers into graduates and lifelong learners.

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

The Intermediate School District's fund financial statements provide detailed information about the most significant funds—not the district as a whole. Some funds are required to be established by State law and bond covenants. However, the Intermediate School District has established other funds to help it control and manage money for particular purposes. The governmental funds of the Intermediate School District use the following accounting approach:

The Intermediate School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the 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 Intermediate School District's programs. The audited financial statements describe the relationship or differences between governmental activities reported in the fund financial statements and the district-wide financial statements in a reconciliation schedule.

The Intermediate School District's Funds

The Intermediate School District uses funds to help control and manage money for specific purposes. Looking at funds help the reader consider whether the Intermediate School District is being accountable for the resources taxpayers and others provide and may present greater insight into the Intermediate School District's overall financial health.

As the Intermediate School District completed this year, the governmental funds reported a combined fund balance of \$22.9 million, which is an increase of approximately \$1.5 million from 2009/10.

- The General Fund reflects a fund balance increase of \$412,262 from the prior year. Revenues increased by approximately 5.44% from prior year levels and expenditures increased by 6.33%.
- In the Special Education Fund, our largest fund, the fund balance increased by \$128,738 to \$1,534,394. Revenues decreased 10.08% while expenditures decreased by 11.21% in comparison with the prior year. Overall, actual Special Education revenues were 4.97% lower and expenses were 5.62% lower than budgeted amounts.
- In September 2002, voters approved a 1.0 mill tax levy for the new Muskegon Area Career Tech Center located on the Muskegon Community College campus. This countywide centralized program began administrative operations in October of 2002. Classrooms in the newly built facility began in January 2005. Construction of the centralized Career Tech Center building was completed in June 2005. In June 2009, the Muskegon Area Intermediate School District and Muskegon Community College signed a land contract in order for the Muskegon Area Intermediate School District to acquire the Muskegon Area Career Tech Center plus additional land for future expansion. The Vocational Education Fund experienced a fund balance increase of \$1,315,007.

The Intermediate School District as a Whole

The statement of net assets provides the perspective of the Intermediate School District as a whole. Table 1 provides a summary of the Intermediate School District's net assets as of June 30, 2011.

Table 1	2009-10 Governmental Activities (in millions)	2010-11 Governmental Activities (in millions)
Assets		
Current and other assets	\$ 41.6	\$ 42.2
Capital assets – Net of accumulated depreciation	14.8	14.4
Total Assets	<u>\$ 56.4</u>	<u>\$ 56.6</u>
Liabilities		
Current liabilities	\$ 20.8	\$ 19.9
Long-term liabilities	7.2	6.7
Total Liabilities	<u>\$ 28.0</u>	<u>\$ 26.6</u>
Net Assets		
Invested in property and equipment – Net of related debt	\$ 17.6	\$ 17.6
Restricted	4.8	6.2
Unrestricted	<u>6.0</u>	<u>6.1</u>
Total Net Assets	<u>\$ 28.4</u>	<u>\$ 29.9</u>

The aforementioned analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Intermediate School District's governmental activities is discussed below. The District's net assets were \$29.9 million at June 30, 2011. Capital assets, net of related debt compares the original cost, less accumulated depreciation of the Intermediate School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be paid from currently held investments. A portion of net assets, \$6.2 million, is legally restricted for special and vocational education programs, debt payments and donor-designated purposes. The remaining amount of net assets, \$6.1 million, is unrestricted.

The results of this year's operations for the Intermediate School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2011. Since this is the ninth year the Intermediate School District has prepared financial statements following GASB Statement 34, revenue and expense comparison to fiscal year 2010 is available.

Table 2

	2009-10 Governmental Activities (in millions)	2010-11 Governmental Activities (in millions)
Revenue		
Program Revenue		
Charges for services	\$ 7.4	\$ 7.1
Grants and contributions	25.3	23.3
General revenue		
Property taxes	17.8	17.2
Unrestricted state aid	10.1	9.5
Other	.04	.06
Total Revenue	\$ 60.6	\$ 57.2

FY 2011 Revenues - \$57.2 Million
FY 2010 Revenues - \$60.6 Million
FY 2009 Revenues - \$55.4 Million

Revenue Comparison

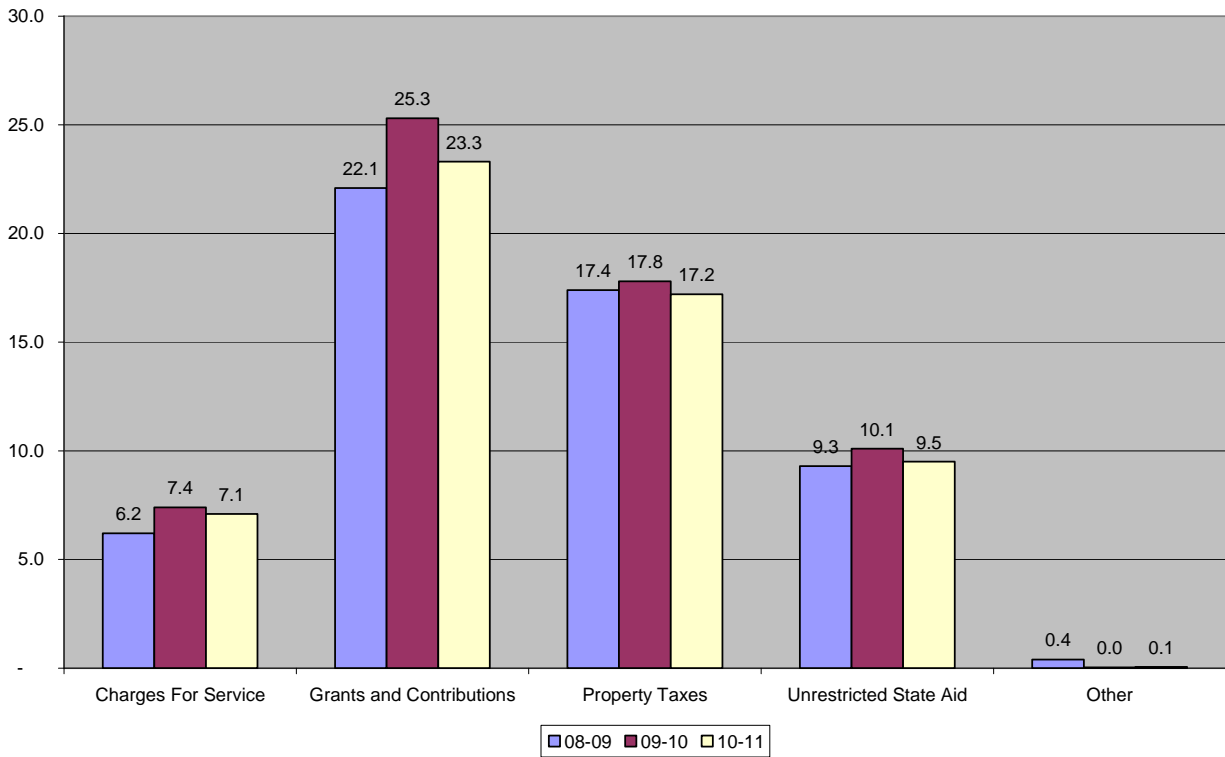
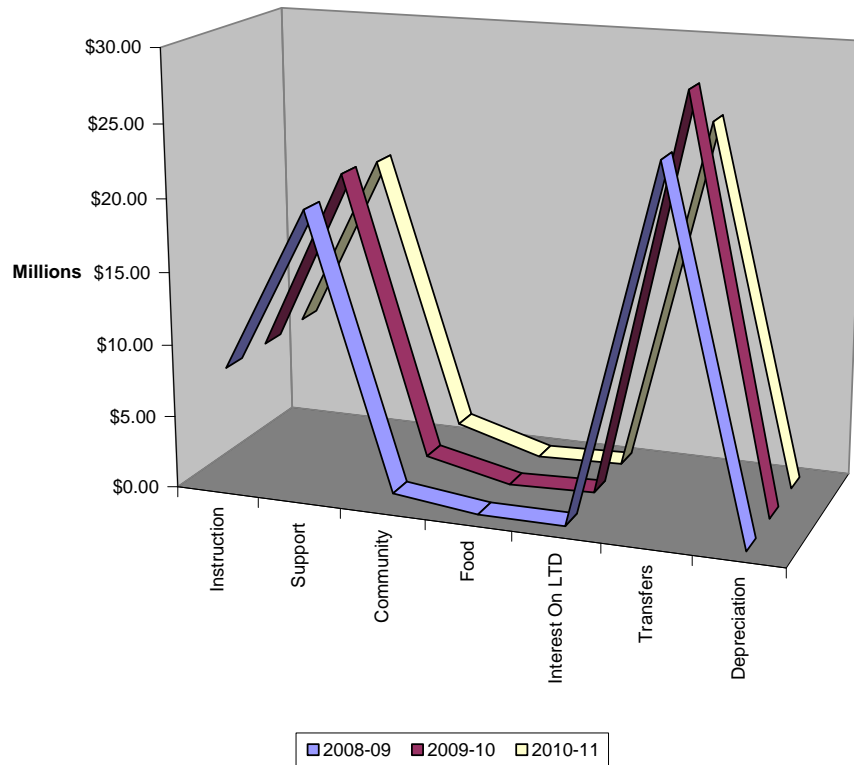


Table 2 (cont'd)

Function/Program Expenses	2009-10		2010-11	
	Governmental Activities		Governmental Activities	
	(in millions)		(in millions)	
Instruction	\$	8.2	\$	8.3
Support services		20.7		20.3
Community services		1.4		1.8
Food services		.1		.1
Interest on long-term debt		.3		.3
Inter-district transfers		28.0		24.8
Unallocated depreciation		.0		.0
Total Expenses	\$	58.7	\$	55.6

FY 2011 Expenses - \$55.6 Million
FY 2010 Expenses - \$58.7 Million
FY 2009 Expenses - \$53.5 Million

Comparison of Expenses



As reported in the statement of activities, the cost of all our governmental activities this year was \$55.6 million. Certain activities were partially funded by those who benefited from the programs (\$7.1M) or by other governments and organizations that subsidized certain programs with grants and categorical aid (\$23.3M). The Muskegon Area Intermediate School District paid for the remaining "public benefit" portion with \$17.2 million in property tax revenue, \$9.6 million in unrestricted state aid, and with other revenues, such as interest income. Additionally, the Muskegon Area Intermediate School District experienced an increase in net assets of \$1.5 million.

The net cost shows the financial burden that was placed on the Muskegon Area Intermediate School District taxpayers and on the State. Since property taxes for operations and unrestricted state aid constitute a major part of the Intermediate School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the Intermediate School District and the local districts it serves and balance those needs with available tax revenues and unrestricted state aid revenue.

Governmental Fund Budgetary Highlights

Over the course of the fiscal year, the Intermediate School District revises its budget as we attempt to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Material changes to original budgets for the General, Special Education, and Vocational Education fund budgets are as follows:

- General Fund: Budgeted revenues and expenditures remain close to the prior year. This fund ended with a \$412K surplus. The total fund balance is \$4.9M.
- Special Education Fund: Budgeted revenues and expenditures are less than the prior year. This fund ended the year with a \$129K surplus. The total fund balance is \$1.5M.
- Vocational Education Fund: Budgeted revenue remained very close to the prior year. The fund ended the year with a \$1.3M surplus. The total fund balance is \$4.7M.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011 the Intermediate School District had \$21.1 million invested in capital assets. This amount represents a net decrease, including additions and deletions, of \$201,831 from last year.

	2010	2011
Land	\$ 1,251,159	\$ 1,225,252
Buildings & Improvements	15,717,732	15,867,906
Buses and other vehicles	1,493,889	1,714,826
Furniture and equipment	3,430,847	3,600,845
Total capital assets	\$ 21,893,627	\$ 22,408,829
Less accumulated depreciation	7,891,555	8,608,588
Net Capital Assets	\$ 14,002,072	\$ 13,800,241

This year's land deduction of \$25,907 was for the sale of the LEED home property. Depreciable capital asset additions equal \$583,799 less accumulated depreciation of \$759,723 for a net reduction of \$175,924. Additions include building and improvements, vehicles, and furniture and equipment. The overall Net Capital Assets decreased by \$201,831 or 1.44%

Debt Administration

At June 30, 2011, Muskegon Area Intermediate School District had \$593,987 in bonds outstanding. Those bonds are Durant obligation bonds at \$353,987 that are the responsibility of the State of Michigan and 2003 Fiber Optic System Bonds at \$240,000. In addition, the Muskegon Area Intermediate School District signed a land contract for the purchase of the Muskegon Area Career Tech Center of which \$5,910,000 is still outstanding. Compensated absences and post-employment benefits will be due to the employees of the Muskegon Area Intermediate School District in the future and they are estimated at present value at \$739,854 as of June 30, 2011.

	2010	2011
Durant Bond Obligations	\$ 406,031	\$ 353,987
2003 Fiber Optic System Bonds	315,000	240,000
Land Contract	6,270,000	5,910,000
Compensated absences and post-employment benefits	730,596	739,854
Total Outstanding Debt	\$ 7,721,627	\$ 7,243,841

The State limits the amount of general obligation debt that intermediate school districts can issue without a vote of the electors. The debt limit is limited to 1/9 of 1% of the state equalized valuation of the taxable property within the intermediate school district. If the intermediate school district issues "qualified debt", i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit.

The Durant obligation is payable in annual installments ranging from \$54,519 to \$299,470 including interest at 4.76% due May 2012 to 2013. The Intermediate School District is obligated to make the annual principal and interest payments only to the extent of annual State of Michigan state school aid appropriations for such installments. The 2003 Fiber Optic System Bonds is payable in annual installments ranging from \$75,000 to \$85,000 due May 1, 2012 to 2014, plus interest ranging from 3.61% to 3.85% payable semi-annually.

The land contract is payable in annual installments ranging from \$375,000 to \$5,535,000 due May 2012 to April 2013. Interest is payable semi-annually at 3.25% to 3.5% November 2011 to April 2013.

Economic Factors and Next Year's Budgets

As compared to the local school districts within the Muskegon Area Intermediate School District, the Intermediate School District is more dependent on property tax revenue and less dependent on state aid. Muskegon Area Intermediate School District exists to provide services to local school districts, their staff, and the students they serve. Local district needs determine the nature and focus of our service efforts. The challenges our local districts currently face include: a sharp economic downturn that limits revenue while cost levels continue to increase, a general decline in student population, increased professional development needs due to legislation requirements, changes in special education laws and increased emphasis on early identification of children with special needs, and the loss of experienced teaching and administrative staff, to name just a few. All of these factors have an economic impact and directly affect the scope of our service effort.

In 2011-12 districts will no longer have American Recovery and Reinvestment Act (ARRA) funds unless a carry over was granted. Along with this loss of ARRA revenue, districts will experience a \$470 per FTE cut to their state aid foundation base and face an increase in MPSERS retirement contribution rate from 20.66% to 24.46%. In 2011-12 a one time estimated \$100 per FTE will be distributed to districts to assist with the MPSERS increase and districts who qualify for Best Practices procedures will receive a one time \$100 per FTE payment. Legislature has passed a bill that will help control health insurance costs by allowing districts to either cap the amount paid for employee health insurance or share the cost of the health insurance premium with the employees paying 20% of the cost. With the continue rise in health insurance and retirement contribution rate, this bill will assist districts during this difficult economic time.

Contacting the School District's Financial Management

This financial report is designed to provide a general overview of the Muskegon Area Intermediate School District's finances for all those with an interest in the Intermediate School District's finances. If you have questions about this report or need additional information, contact Marios Demetriou, Deputy Superintendent for Administrative Services, 630 Harvey Street, Muskegon, MI 49442, phone 231-767-7207, fax 231-773-3498 or Email mdemetri@muskegonisd.org.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

November 9, 2011

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Muskegon Area Intermediate School District (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Muskegon Area Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Muskegon Area Intermediate School District, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated November 9, 2011, on our consideration of Muskegon Area Intermediate School District's internal control over financial reporting and 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 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.

BRICKLEY DELONG

Board of Education
Muskegon Area Intermediate School District
November 9, 2011
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i - ix and 30-32 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 Muskegon Area Intermediate School Districts' financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate 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.

Brickley De Long, P.C.

Muskegon Area Intermediate School District
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 15,515,321
Investments	14,984,887
Receivables	278,688
Due from other governmental units	11,101,279
Inventories	138,263
Prepaid items	137,202
Total current assets	42,155,640
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	1,225,252
Depreciable	12,574,989
Notes and interest receivable	655,593
Total noncurrent assets	14,455,834
Total assets	56,611,474
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	5,737,976
Due to other governmental units	13,040,974
Deferred revenue	619,971
Bonds and other obligations, due within one year	511,074
Total current liabilities	19,909,995
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	6,732,767
Total liabilities	26,642,762
NET ASSETS	
Invested in capital assets, net of related debt	17,599,278
Restricted for:	
Special Education	1,534,394
Vocational Education	4,710,594
Unrestricted	6,124,446
Total net assets	\$ 29,968,712

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

<i>Functions/Programs</i>	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for services	Operating grants and contributions	Governmental activities
Governmental activities				
Instruction	\$ 8,326,893	\$ 361,602	\$ 209,531	\$ (7,755,760)
Support services	20,365,904	6,588,410	4,287,079	(9,490,415)
Community services	1,837,779	51,605	793,643	(992,531)
Food services	98,064	4,215	93,726	(123)
Interest on long-term debt	281,676	-	7,794	(273,882)
Interdistrict transfers	24,717,488	88,167	17,899,592	(6,729,729)
Total governmental activities	55,627,804	7,093,999	23,291,365	(25,242,440)
General revenues				
Property taxes				17,170,946
Grants and contributions not restricted to specific programs				9,565,690
Investment earnings				53,644
Total general revenues				26,790,280
Change in net assets				1,547,840
Net assets at beginning of year				28,420,872
Net assets at end of year				\$ 29,968,712

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
BALANCE SHEET
 Governmental Funds
 June 30, 2011

	<u>General Fund</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>Career Tech Center Capital Project</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
ASSETS						
Cash and cash equivalents	\$ 3,053,527	\$ 6,864,654	\$ 4,236,229	\$ 9,054	\$ 1,351,857	\$ 15,515,321
Investments	2,061,106	2,012,458	288,993	9,579,279	1,043,051	14,984,887
Receivables	79,159	19,349	175,364	-	4,816	278,688
Due from other governmental units	2,639,027	8,095,177	362,388	-	4,687	11,101,279
Due from other funds	917	3,736	-	-	412,271	416,924
Inventories	-	-	138,263	-	-	138,263
Prepaid items	95,103	15,361	26,738	-	-	137,202
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 7,928,839	17,010,735	\$ 5,227,975	9,588,333	\$ 2,816,682	\$ 42,572,564
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	344,728	3,410,965	125,673	-	\$ 9,960	\$ 3,891,326
Accrued liabilities	137,405	489,637	369,802	-	-	996,844
Due to other governmental units	1,483,242	11,547,318	10,414	-	-	13,040,974
Due to other funds	431,816	25,569	509	-	709,308	1,167,202
Deferred revenue	606,136	2,852	10,983	-	-	619,971
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	3,003,327	15,476,341	517,381	-	719,268	19,716,317
Fund balances						
Nonspendable						
Inventories	-	-	138,263	-	-	138,263
Prepaid items	95,103	15,361	26,738	-	-	137,202
Restricted for						
Special education facilities	-	901,372	-	-	-	901,372
Vocational education	-	-	4,496,415	-	-	4,496,415
Assigned for						
Capital projects	-	-	-	9,588,333	2,087,218	11,675,551
ISD wide projects	-	152,230	-	-	-	152,230
Compensated absences	176,244	165,431	49,178	-	-	390,853
Special education	-	300,000	-	-	-	300,000
Special revenue funds	-	-	-	-	10,196	10,196
2012 budget	351,052	-	-	-	-	351,052
Unassigned	4,303,113	-	-	-	-	4,303,113
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	4,925,512	1,534,394	4,710,594	9,588,333	2,097,414	22,856,247
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 7,928,839	\$ 17,010,735	\$ 5,227,975	\$ 9,588,333	\$ 2,816,682	\$ 42,572,564

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2011

Total fund balance—governmental funds		\$ 22,856,247
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.		
Cost of capital assets	\$ 22,408,829	
Accumulated depreciation	<u>(8,608,588)</u>	13,800,241
Other long-term note and interest receivable in governmental activities is not reported in the governmental funds.		
		655,593
Accrued interest in governmental activities is not reported in the governmental funds.		
		(140,498)
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		
		(7,243,841)
Internal service fund balances are not part of the governmental funds but are reported in the Statement of Net Assets.		
		<u>40,970</u>
Net assets of governmental activities in the Statement of Net Assets		<u><u>\$ 29,968,712</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2011

	<u>General Fund</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>Career Tech Center Capital Project</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
REVENUES						
Local sources						
Property taxes	\$ 2,093,760	\$ 10,415,245	\$ 4,529,117	\$ -	\$ -	\$ 17,038,122
Medicaid reimbursement	-	1,637,567	-	-	-	1,637,567
Investment earnings	27,446	8,346	4,281	10,612	2,959	53,644
Fees and charges	79,130	1,127	10,434	-	-	90,691
Other	448,100	52,015	346,951	-	8,735	855,801
Total local sources	2,648,436	12,114,300	4,890,783	10,612	11,694	19,675,825
State sources	1,980,579	6,852,261	1,482,581	-	59,837	10,375,258
Federal sources	9,565,619	10,080,904	614,264	-	93,726	20,354,513
Total revenues	14,194,634	29,047,465	6,987,628	10,612	165,257	50,405,596
EXPENDITURES						
Current						
Instruction	82,130	5,471,828	2,720,413	-	-	8,274,371
Support services	9,253,893	8,261,175	2,351,002	-	139,553	20,005,623
Community services	1,666,825	25,245	-	-	-	1,692,070
Food services	-	-	-	-	98,064	98,064
Debt service						
Principal	-	-	-	360,000	127,044	487,044
Interest and other charges	-	-	-	243,680	19,375	263,055
Capital projects	-	-	-	-	75,724	75,724
Total expenditures	11,002,848	13,758,248	5,071,415	603,680	459,760	30,895,951
Excess (deficiency) of revenues over (under) expenditures	3,191,786	15,289,217	1,916,213	(593,068)	(294,503)	19,509,645
OTHER FINANCING SOURCES (USES)						
Transfers from other governmental units and other transactions	1,974,559	4,907,785	4,217	-	94,071	6,980,632
Transfers in	1,408,274	-	-	-	412,271	1,820,545
Transfers out	(412,271)	(925,583)	(482,691)	-	-	(1,820,545)
Other transactions	(5,750,086)	(19,142,681)	(122,732)	(805)	-	(25,016,304)
Total other financing sources (uses)	(2,779,524)	(15,160,479)	(601,206)	(805)	506,342	(18,035,672)
Net change in fund balances	412,262	128,738	1,315,007	(593,873)	211,839	1,473,973
Fund balances at beginning of year	4,513,250	1,405,656	3,395,587	10,182,206	1,885,575	21,382,274
Fund balances at end of year	\$ 4,925,512	\$ 1,534,394	\$ 4,710,594	\$ 9,588,333	\$ 2,097,414	\$ 22,856,247

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2011

Net change in fund balances—total governmental funds		\$ 1,473,973
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities these costs are depreciated and amortized over their estimated useful lives, respectively.		
Capital outlay	\$ 583,799	
Depreciation expense	<u>(759,723)</u>	(175,924)
Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets.		
		(25,907)
Receipts of principal on notes receivable is revenue in the governmental funds, but the receipt reduces notes receivable in the Statement of Net Assets.		
		(150,016)
Interest income on notes receivable is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until received.		
		(191)
Revenue reported in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.		
		(36,691)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.		
		487,043
Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.		
		(18,429)
Compensated absences and other post-employment benefits are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		
		(9,257)
The net revenue (expenses) of the internal service funds are reported in the governmental activities.		
		<u>3,239</u>
Change in net assets of governmental activities		<u><u>\$ 1,547,840</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF NET ASSETS
Internal Service Fund
June 30, 2011

ASSETS

Due from other funds \$ 40,970

LIABILITIES AND NET ASSETS

Liabilities

Due to other governmental units -

Net assets

Unrestricted \$ 40,970

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Internal Service Fund
For the year ended June 30, 2011

REVENUES	
Other	\$ -
EXPENSES	
Costs of services	<u>(3,239)</u>
Change in net assets	3,239
Net assets at beginning of year	<u>37,731</u>
Net assets at end of year	<u><u>\$ 40,970</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF CASH FLOWS
Internal Service Fund
For the year ended June 30, 2011

Cash flows from operating activities	
Payments for premiums and claims	\$ (3,239)
Payments from other funds for services	3,239
	-
Net increase in cash	-
Cash balances at beginning of year	-
	-
Cash balances at end of year	\$ -
Cash flows from operating activities	
Change in net assets	3,239
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Decrease in operating assets	
Due from other funds	(733)
Increase in operating liabilities	
Due to other governmental units	(2,506)
	-
Net cash provided by operating activities	\$ -

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 June 30, 2011

		Agency funds	
	Combined	Student activities	Fiber consortium
ASSETS			
Cash and cash equivalents	\$ 68,428	\$ 68,428	\$ -
Receivables	1,044	1,044	-
Due from other funds	709,308	-	709,308
	\$ 778,780	\$ 69,472	\$ 709,308
 LIABILITIES			
Deposits held for others	\$ 778,780	\$ 69,472	\$ 709,308

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Muskegon Area Intermediate School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected five-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. In addition, the School District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

District-wide and Fund Financial Statements

District-wide Financial Statements

The primary focus of district-wide financial statements is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities. The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. The district-wide financial statements categorize primary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

In the district-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis and (b) is reported on a full accrual, economic resource basis, which 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 – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The School District first utilizes restricted resources to finance qualifying activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid, and other unrestricted items are not included as program revenues but instead as *general revenues*.

The district-wide 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 revenues (property taxes, certain intergovernmental revenues and charges, etc.). The Statement of Activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The School District does not allocate indirect costs.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

District-wide and Fund Financial Statements—Continued

Fund financial statements

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

In the fund financial statements, when expenditures are incurred in governmental fund types for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the School's policy to consider that restricted amounts have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, it is the School's policy that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Governmental funds

Governmental funds are those funds through which most School District functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- The *Special Education Fund* is used to account for funds legally restricted to special education programs.
- The *Vocational Education Fund* is used to account for funds legally restricted to vocational education programs.
- The *Career Tech Center Capital Project Fund* accounts for the expenditures related to the acquisition of land and facilities of the Career Tech Center.

The other nonmajor governmental funds are reported within the following types:

- The *Food Service Fund* accounts for resources utilized in the food service program as per Michigan Department of education guidelines.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Internal service funds – Internal service funds account for the expenses for unemployment services on a cost reimbursement basis.

Fiduciary funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the School District under the terms of a formal trust agreement. Fiduciary funds are not included in the district-wide statements.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

District-wide and Fund Financial Statements—Continued

Fiduciary funds— Continued

- The *agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School District holds for others in an agency capacity (primarily student activities and fiber consortium).

Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, categorical aids and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible 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 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 have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

Proprietary funds' operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the year ended June 30, 2011, the foundation allowance was based on pupil membership counts taken in February and September of 2010.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2011. Thus, the unpaid portion at June 30, 2011 is reported as due from other governmental units.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Basis of Presentation—Continued

State Revenue—Continued

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Deposit and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Pooled investment income is generally allocated to each fund using a weighted average of balances for the principal.

The School District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories are resources for home construction and are recorded as expenditures when consumed rather than when purchased.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for capital construction.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the School District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School District does not have infrastructure-type assets.

Depreciation is provided on the straight-line basis over the following useful lives:

Buildings and improvements	45 years
Buses and other vehicles	10 years
Furniture and equipment	5-10 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Compensated Absences

The liability for compensated absences reported in the district-wide statement consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Deferred Revenue

Deferred revenue arises when assets are recorded before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On fund financial statements, receivables that will be collected after the available period are reported as deferred revenue.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Net Assets in District-wide Financial Statements

Net assets represent the difference between assets and liabilities and are segregated into the following components:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Fund Equity

In the fund financial statements, governmental fund balance is presented in five possible categories:

- a. *Nonspendable*—resources which cannot be spent because they are either 1) not in spendable form or; 2) legally or contractually required to be maintained intact.
- b. *Restricted*—resources with constraints placed on the use of resources which are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.
- c. *Committed*—resources which are subject to limitations the School District imposes upon its self at its highest level of decision making, and that remain binding unless the limitations are removed in the same manner.
- d. *Assigned*—resources neither restricted nor committed for which a school has a stated intended use as established by the Board of Education or a body or official to which the Board of Education has delegated the authority to assign amounts for specific purposes.
- e. *Unassigned*—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Local School District boards approve or disapprove the annual General Fund and special revenue fund budgets by board resolution.
3. Public hearings are conducted to obtain taxpayer comments.
4. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
5. The Deputy Superintendent is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year.
7. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2011.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2011, expenditures in the Vocational Education Fund exceeded appropriations in the instructional staff function by \$11,603. Expenditures in the Special Education Fund exceeded appropriations in the outgoing transfers and other transactions by \$162,395. The over expenditures in the Vocational Fund and Special Education Fund were funded by greater than anticipated revenue or decreases in other expenditure functions.

Fund Deficit

As of June 30, 2011, the 2003 Fiber Capital Project Fund had a deficit of \$323,735. The deficit will be eliminated through future billings to local school districts.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2011, the School District had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
MILAF external investment pool – MAX Class	\$14,984,887	57	AAAm	100.00%

The School District voluntarily invests certain excess funds in an external investment pool (Pool). The Pool utilized by the School District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external investment pool of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. The fair value of the School District's investments is the same as the value of the Pool shares.

Interest rate risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in short-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk

The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2011, \$15,944,415 of the School District's bank balance of \$16,879,174 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments

This is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District will minimize custodial credit risk by limiting investment to the types of securities allowed by law and prequalifying the financial institutions, broker/dealer, intermediaries and advisors with which the School District will do business.

Foreign currency risk

The School District is not authorized to invest in investments which have this type of risk.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,251,159	\$ -	\$ 25,907	\$ 1,225,252
Capital assets, being depreciated:				
Buildings and improvements	15,717,732	150,174	-	15,867,906
Furniture and equipment	3,430,847	169,998	-	3,600,845
Vehicles and equipment	1,493,889	263,627	42,690	1,714,826
Total capital assets, being depreciated	20,642,468	583,799	42,690	21,183,577
Less accumulated depreciation:				
Buildings and improvements	5,405,371	321,995	-	5,727,366
Furniture and equipment	1,418,672	326,107	-	1,744,779
Vehicles and equipment	1,067,512	111,621	42,690	1,136,443
Total accumulated depreciation	7,891,555	759,723	42,690	8,608,588
Total capital assets, being depreciated, net	12,750,913	(175,924)	-	12,574,989
Capital assets, net	\$ 14,002,072	\$ (175,924)	\$ 25,907	\$ 13,800,241

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 150,119
Support services	463,895
Community services	145,709
	<u>\$ 759,723</u>

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Special Education Fund	\$ 408
General Fund	Vocational Education Fund	509
Special Education Fund	General Fund	3,736
Capital Project Fund	General Fund	412,271
Internal Service Fund	General Fund	15,809
Internal Service Fund	Special Education Fund	25,161
		<u><u>\$ 457,894</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The General Fund transferred \$412,271 to the Capital Projects Fund to fund future capital projects. The Special Education Fund and the Career and Technical Education Fund transferred \$925,583 and \$482,691, respectively, to the General Fund to finance operations.

NOTE F—DEFERRED REVENUE

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

	<u>Unearned</u>
General Fund	\$ 606,136
Special Education Fund	2,852
Vocational Education Fund	10,983
	<u> </u>
Total deferred revenue for governmental funds	<u><u>\$ 619,971</u></u>

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE G—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for 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 compensated absences.

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2011:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Due within one year</u>
Governmental activities					
Bonds	\$ 721,031	\$ -	\$ 127,044	\$ 593,987	\$ 129,519
Compensated absences and post-employment benefits	730,596	75,319	66,061	739,854	6,555
Land contract	6,270,000	-	360,000	5,910,000	375,000
	<u>\$ 7,721,627</u>	<u>\$ 75,319</u>	<u>\$ 553,105</u>	<u>\$ 7,243,841</u>	<u>\$ 511,074</u>

General obligation bonds consist of the following:

Durant obligations payable in annual installments ranging from \$54,519 to \$299,470 including interest at 4.76% due May 2012 to 2013. The School District is only obligated to make the annual payments to the extent of annual State of Michigan appropriations.

\$ 353,987

2003 Fiber Optic System bonds payable in annual installments ranging from \$75,000 to \$85,000 due May 2012 to 2014; plus interest ranging from 3.61% to 3.85% payable semi-annually

240,000

Total bonded debt

593,987

Other obligations:

Land contract payable in annual installments ranging from \$375,000 to \$5,535,000 due May 2012 to April 2013; plus interest ranging from 3.25% to 3.5% payable semi-annually

5,910,000

Compensated absences

739,854

\$ 7,243,841

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE G—LONG-TERM OBLIGATIONS—Continued

The Durant bonds, including interest, were issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond. The note receivable on the Statement of Net Assets is for the future appropriations from the State of Michigan to pay the Durant obligations.

The annual requirements of principal and interest to amortize the bonded debt and the land contract outstanding as of June 30, 2011 follow:

Year ending June 30,	Principal	Interest	Total
2012	504,519	246,345	750,864
2013	5,914,468	327,740	6,242,208
2014	85,000	3,299	88,299
	\$ 6,503,987	\$ 577,384	\$ 7,081,371

NOTE H—EMPLOYEE BENEFITS

Employee Retirement System – Defined Benefit Plan

Plan description

The School District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the twelve member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to or calling:

Office of Retirement Systems
 Michigan Public School Employees Retirement System
 P.O. Box 30171
 Lansing Michigan 48909-7671
 1-800-381-5111

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE H—EMPLOYEE BENEFITS—Continued

Employee Retirement System – Defined Benefit Plan—Continued

Funding policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 and December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school fiscal year and members who were hired on or after July 1, 2010, with a starting salary less than \$18,000 are required to contribute 1.5% of the member's compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account.

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2011 ranged from 16.94 percent to 20.66 percent of payroll. The contribution requirements of plan members and the School District are established and may be amended by the MPSERS Board of Trustees. The School District contributions to MPSERS for the year ended June 30, 2011, 2010 and 2009 were approximately \$2,214,000, 1,846,000 and 1,730,000 respectively, and were equal to the required contribution for those years.

The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other post-employment benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

Employee Retirement System – Defined Contribution Plan

Public Act 75 of 2010 established the Pension Plus Plan which provides all individuals hired on or after July 1, 2010, with a combined Defined Benefit and Defined Contribution benefit structure. Any member of MPSERS who became a member of MPSERS on or after July 1, 2010 is a Pension Plus member. The plan is administered by the MPSERS Board of Trustees and the contribution requirements of plan members and the School District are established and may be amended by the MPSERS Board of Trustees.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE H—EMPLOYEE BENEFITS—Continued

Employee Retirement System – Defined Contribution Plan—Continued

Employees under the Pension Plus Plan are automatically enrolled in the defined contribution component of the plan with a default employee contribution rate of 2 percent of the employee’s pay. Employees may increase their personal contribution up to the annual IRS limit or can elect out of contributing. The School District is required to match 50 percent of the employee contribution up to 1 percent of the employee’s pay. For the year ended June 30, 2011, School District and employee contributions were approximately \$2,900 and \$7,100, respectively.

Post-retirement health care benefits

Pursuant to employment contracts and years of service, certain employees electing early retirement are provided post-retirement health care benefits which vary depending on the plan chosen and their age at retirement. Health care benefits terminate the month the person attains eligibility for full social security benefits, or dies, whichever comes first. The School District records expenditures for these benefits when premiums are due. Future benefits will be funded out of future revenues. The cost of these benefits for the year ended June 30, 2011 were approximately \$20,000 provided to thirteen participants.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation to the Plan.

Annual required contribution	\$	43,692
Interest on OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		43,692
Contributions made		28,472
Increase in net OPEB obligation		15,220
Net OPEB obligation - beginning of year		315,959
Net OPEB obligation - end of year	\$	331,179

The School District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2011 is as follows:

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 34,579	64.12 %	\$ 202,218
6/30/2010	\$ 34,496	82.54 %	\$ 284,333
6/30/2011	\$ 43,692	65.17 %	\$ 331,179

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE H—EMPLOYEE BENEFITS—Continued

Employee Retirement System – Defined Contribution Plan—Continued

Annual OPEB Cost and Net OPEB Obligation —Continued

The funded status of the Plan as of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 331,179
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	\$ 331,179
 Funded ratio (actuarial value of plan assets/AAL)	 0 %

NOTE I—COMMITMENTS AND CONTINGENCIES

Operating Leases

The School District is involved in several equipment lease agreements expiring at various dates through October 2015. Expense for the year ended June 30, 2011 was approximately \$53,000. The following is a schedule of future minimum rental payments required under operating leases for School District office equipment.

Year ending June 30,	Amount
2011	\$ 81,100
2012	76,874
2013	70,870
2014	70,870
2015	70,870
2016	17,718
	\$ 388,302

The School District entered into a lease of real property on a month to month basis . The lease requires monthly payments of approximately \$822. The School District was responsible for all operating costs and certain building maintenance items. Rent expense for the year ended June 30, 2011 was approximately \$9,900.

The School District also entered into a lease of real property which terminates June 2012. The lease requires monthly payments of approximately \$800 with annual inflationary adjustments. The School District is responsible for all operating costs and certain building maintenance items. The lease can be renewed for two additional years with a 5 percent monthly rent increase for each year. Rent expense for the year ended June 30, 2011 was approximately \$9,300.

The School District also entered into a lease of real property which terminated June 2011. The lease requires monthly payments of approximately \$957. The School District is responsible for all operating costs and certain building maintenance items. The lease can be renewed for two additional years with a 3 percent monthly rent increase for each year. Rent expense for the year ended June 30, 2011 was approximately \$11,500.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE I—COMMITMENTS AND CONTINGENCIES—Continued

Operating Leases —Continued

The School District also entered into a lease of real property which terminates July 2011. The lease requires monthly payments of \$850. The School District is responsible for all operating costs and certain building maintenance items. Rent expense for the year ended June 30, 2011 was approximately \$10,200.

Grant Programs

The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE J—OTHER INFORMATION

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2011 or any of the prior three years.

NOTE K—SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the School District approved capital improvement bids of approximately \$470,400.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2011

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 2,807,513	\$ 2,803,540	\$ 2,648,436	\$ (155,104)
State sources	1,389,597	2,001,557	1,980,579	(20,978)
Federal sources	9,562,394	11,115,520	9,565,619	(1,549,901)
Incoming transfers and other transactions	2,989,483	3,365,779	3,382,833	17,054
Total revenues	16,748,987	19,286,396	17,577,467	(1,708,929)
EXPENDITURES				
Instruction				
Basic programs	550	-	-	-
Added needs	-	124,006	82,130	41,876
Adult and continuing education	-	514	-	514
Support services				
Pupil	586,101	701,133	519,681	181,452
Instructional staff	2,987,569	3,481,114	2,937,778	543,336
General administration	595,459	634,575	618,025	16,550
School administration	109,960	103,731	95,259	8,472
Business	1,320,453	1,280,619	1,215,326	65,293
Operations and maintenance	405,976	398,967	317,565	81,402
Pupil transportation services	921,140	967,593	900,890	66,703
Central	2,459,061	2,813,910	2,649,369	164,541
Community services	2,013,659	1,924,765	1,666,825	257,940
Outgoing transfers and other transactions	5,481,950	6,658,699	6,162,357	496,342
Total expenditures	16,881,878	19,089,626	17,165,205	1,924,421
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (132,891)</u>	<u>\$ 196,770</u>	412,262	<u>\$ 215,492</u>
Fund balance at beginning of year			<u>4,513,250</u>	
Fund balance at end of year			<u>\$ 4,925,512</u>	

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Special Education Fund
For the year ended June 30, 2011

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 12,549,791	\$ 12,654,247	\$ 12,114,300	\$ (539,947)
State sources	7,328,628	7,019,338	6,852,261	(167,077)
Federal sources	11,163,248	11,349,753	10,080,904	(1,268,849)
Incoming transfers and other transactions	4,691,530	4,708,053	4,907,785	199,732
Total revenues	35,733,197	35,731,391	33,955,250	(1,776,141)
EXPENDITURES				
Instruction				
Added needs	5,821,173	5,704,635	5,471,828	232,807
Support services				
Pupil	2,239,545	2,386,618	2,246,550	140,068
Instructional staff	1,121,204	1,182,645	1,063,375	119,270
General administration	131,210	111,510	88,125	23,385
School administration	504,396	460,524	451,335	9,189
Business	130,200	9,030	8,660	370
Operations and maintenance	632,422	661,593	542,992	118,601
Pupil transportation services	4,798,874	4,875,159	3,761,407	1,113,752
Central	496,567	516,018	98,731	417,287
Community services	33,500	27,075	25,245	1,830
Outgoing transfers and other transactions	19,824,106	19,905,869	20,068,264	(162,395)
Total expenditures	35,733,197	35,840,676	33,826,512	2,014,164
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (109,285)</u>	128,738	<u>\$ 238,023</u>
Fund balance at beginning of year			<u>1,405,656</u>	
Fund balance at end of year			<u>\$ 1,534,394</u>	

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Vocational Education Fund
For the year ended June 30, 2011

	<u>Budgeted amounts</u>		<u>Actual</u>	Variance with final budget- positive (negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 4,590,251	\$ 4,882,825	4,890,783	\$ 7,958
State sources	1,527,676	1,475,033	1,482,581	7,548
Federal sources	612,943	622,814	614,264	(8,550)
Incoming transfers and other transactions	3,922	3,964	4,217	253
Total revenues	6,734,792	6,984,636	6,991,845	7,209
EXPENDITURES				
Instruction				
Added needs	2,877,629	3,090,931	2,719,321	371,610
Adult and continuing education	32,658	32,658	1,092	31,566
Support services				
Pupil	953,428	882,813	862,968	19,845
Instructional staff	405,279	439,195	450,798	(11,603)
General administration	13,500	15,560	9,465	6,095
School administration	523,108	478,918	474,324	4,594
Business	4,600	6,400	6,181	219
Operations and maintenance	425,363	443,934	419,031	24,903
Pupil transportation services	25,650	51,566	44,993	6,573
Central	92,772	93,967	83,242	10,725
Community services	1,000	1,000	-	1,000
Outgoing transfers and other transactions	476,147	739,380	605,423	133,957
Total expenditures	5,831,134	6,276,322	5,676,838	599,484
Excess of revenues over expenditures	\$ 903,658	\$ 708,314	1,315,007	\$ 606,693
Fund balance at beginning of year			3,395,587	
Fund balance at end of year			\$ 4,710,594	

OTHER SUPPLEMENTAL INFORMATION

Muskegon Area Intermediate School District
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2011

	Total other governmental funds	Special Revenue Food Service	Durant Debt Service	Capital project	2003 Fiber capital project
ASSETS					
Cash and cash equivalents	\$ 1,351,857	\$ 9,876	\$ -	\$ 1,341,981	\$ -
Investments	1,043,051	-	-	657,478	385,573
Receivables	4,816	425	-	4,391	-
Due from other governmental units	4,687	4,687	-	-	-
Due from other funds	412,271	-	-	412,271	-
Total assets	\$ 2,816,682	\$ 14,988	\$ -	\$ 2,416,121	\$ 385,573
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities					
Accounts payable	\$ 9,960	\$ 4,792	\$ -	\$ 5,168	\$ -
Due to other funds	709,308	-	-	-	709,308
Total liabilities	719,268	4,792	-	5,168	709,308
Fund balances (deficit)					
Nonspendable for inventories					
Restricted for					
Special revenue fund	10,196	10,196	-	-	-
Capital projects	2,087,218	-	-	2,410,953	(323,735)
Total fund balances (deficit)	2,097,414	10,196	-	2,410,953	(323,735)
Total liabilities and fund balances	\$ 2,816,682	\$ 14,988	\$ -	\$ 2,416,121	\$ 385,573

Muskegon Area Intermediate School District
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)**
Other Governmental Funds
For the year ended June 30, 2011

	<u>Total other governmental funds</u>	<u>Special Revenue Food Service</u>	<u>Durant Debt Service</u>	<u>Capital project</u>	<u>2003 Fiber capital project</u>
REVENUES					
Local sources					
Investment earnings	\$ 2,959	\$ -	\$ -	\$ 2,959	-
Other	8,735	4,215	-	4,520	-
Total local sources	11,694	4,215	-	7,479	-
State sources	59,837	-	59,837	-	-
Federal sources	93,726	93,726	-	-	-
Total revenues	165,257	97,941	59,837	7,479	-
EXPENDITURES					
Food service	98,064	98,064	-	-	-
Business	1,273	-	-	1,273	-
Pupil transportation services	23,583	-	-	23,583	-
Central services	114,697	-	-	114,697	-
Debt service					
Principal repayment	127,044	-	52,044	-	75,000
Interest and other charges	19,375	-	7,793	-	11,582
Capital projects	75,724	-	-	75,724	-
Total expenditures	459,760	98,064	59,837	215,277	86,582
Deficiency of revenues under expenditures	(294,503)	(123)	-	(207,798)	(86,582)
OTHER FINANCING SOURCES (USES)					
Transfers from other governmental units and other transactions	94,071	-	-	-	94,071
Transfers in	412,271	-	-	412,271	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	506,342	-	-	412,271	94,071
Net change in fund balances	211,839	(123)	-	204,473	7,489
Fund balances (deficit) at beginning of year	1,885,575	10,319	-	2,206,480	(331,224)
Fund balances (deficit) at end of year	\$ 2,097,414	\$ 10,196	\$ -	\$ 2,410,953	\$ (323,735)

Muskegon Area Intermediate School District

**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditors' Reports

June 30, 2011

C O N T E N T S

FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORTS

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**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***

November 9, 2011

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

We have audited the financial statements of Muskegon Area Intermediate School District as of and for the year ended June 30, 2011 and have issued our report thereon dated November 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Muskegon Area Intermediate School District'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 Muskegon Area Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Muskegon Area Intermediate School District'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 a 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.

Board of Education
November 9, 2011
Page 2

Compliance

As part of obtaining reasonable assurance about whether Muskegon Area Intermediate School District'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 the Board of Education, management, and 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.

Brickley De Long, P.C.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

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

November 9, 2011

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

Compliance

We have audited Muskegon Area Intermediate School District'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 Muskegon Area Intermediate School District's major federal programs for the year ended June 30, 2011. Muskegon Area Intermediate School District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Muskegon Area Intermediate School District's management. Our responsibility is to express an opinion on Muskegon Area Intermediate School District'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 Muskegon Area Intermediate School District'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 Muskegon Area Intermediate School District's compliance with those requirements.

In our opinion, Muskegon Area Intermediate School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Board of Education
November 9, 2011
Page 2

Internal Control Over Compliance

Management of Muskegon Area Intermediate School District 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 Muskegon Area Intermediate School District'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 Muskegon Area Intermediate School District'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 Muskegon Area Intermediate School District as of and for the year ended June 30, 2011, and have issued our report thereon dated November 9, 2011, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements. 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 the Board of Education, management, and 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.

Brickley De Long, P.C.

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2010	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2011
					Prior year(s)	Current year	Total	
U.S. Department of Education								
Direct programs:								
West Shore Consortium for Dynamic								
History Instruction	84.215X							
U215X080162		\$ 999,999	\$ 62,641	\$ 411,639	\$ 533,078	\$ 446,362	\$ 979,440	\$ 97,364
		999,999	62,641	411,639	533,078	446,362	979,440	97,364
Programs passed through Michigan								
Department of Education:								
Adult Basic Education	84.002A							
101130-101587		274,964	98,831	98,831	274,964	-	274,964	-
101190-101587		9,300	5,770	5,770	9,300	-	9,300	-
111130-111587		180,000	-	8,653	-	177,645	177,645	168,992
111190-111587		8,370	-	-	-	8,370	8,370	8,370
		472,634	104,601	113,254	284,264	186,015	470,279	177,362
Title I Regional Assistance	84.010							
101570-0910		210,000	40,547	96,454	154,093	55,907	210,000	-
111570-1011		195,000	-	92,547	-	145,064	145,064	52,517
		405,000	40,547	189,001	154,093	200,971	355,064	52,517
Special Education Cluster								
Enhancing Opportunities EOSD	84.027							
100480-EOSD		55,000	8,207	8,207	55,000	-	55,000	-
100490-TS		59,500	16,363	16,363	59,500	-	59,500	-
110480-EOSD		55,000	-	45,966	-	55,000	55,000	9,034
110490-TS		45,000	-	35,576	-	45,000	45,000	9,424
		214,500	24,570	106,112	114,500	100,000	214,500	18,458
Special Ed Flowthrough	84.027A							
090450-0809		7,088,813	256,626	256,626	6,183,154	-	6,183,154	-
100450-0910		7,356,570	1,402,195	2,311,824	6,256,323	1,100,247	7,356,570	190,618
110450-1011		7,284,417	-	4,815,596	-	6,113,614	6,113,614	1,298,018
		21,729,800	1,658,821	7,384,046	12,439,477	7,213,861	19,653,338	1,488,636
Special Ed Preschool	84.173A							
090460-0809		284,682	13,810	14,762	283,730	952	284,682	-
100460-0910		276,779	57,091	88,432	236,461	40,318	276,779	8,977
110460-1011		276,142	-	180,701	-	225,074	225,074	44,373
		837,603	70,901	283,895	520,191	266,344	786,535	53,350
ARRA - IDEA Flowthrough	84.391A							
100455-0910		7,746,308	904,028	2,598,974	4,228,253	2,281,026	6,509,279	586,080
ARRA - IDEA Preschool	84.392A							
100465-0910		259,299	39,346	121,987	146,254	107,785	254,039	25,144
Total Special Education Cluster		30,787,510	2,697,666	10,495,014	17,448,675	9,969,016	27,417,691	2,171,668

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2010	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2011
					Prior year(s)	Current year	Total	
<i>U.S. Department of Education—Continued</i>								
Programs passed through Michigan Department of Education—continued:								
CTE Perkins	84.048A							
103520-10129		\$ 446,481	\$ 103,367	\$ 103,367	\$ 446,481	\$ -	\$ 446,481	\$ -
113520-11129		514,358	-	446,113	-	514,358	514,358	68,245
113530-11109		9,871	-	1,321	-	1,321	1,321	-
		<u>970,710</u>	<u>103,367</u>	<u>550,801</u>	<u>446,481</u>	<u>515,679</u>	<u>962,160</u>	<u>68,245</u>
Infants and Toddlers with Disabilities Cluster								
Early On Michigan	84.181							
091340-190		195,653	14,860	14,860	195,653	-	195,653	-
		<u>195,653</u>	<u>14,860</u>	<u>14,860</u>	<u>195,653</u>	<u>-</u>	<u>195,653</u>	<u>-</u>
Infant and Toddler Formula	84.181A							
101340-190		181,674	17,561	42,666	92,320	89,354	181,674	64,249
111340-190		174,305	-	65,579	-	69,078	174,305	3,499
		<u>355,979</u>	<u>17,561</u>	<u>108,245</u>	<u>92,320</u>	<u>158,432</u>	<u>250,752</u>	<u>67,748</u>
ARRA - Infant and Toddler Formula Grant	84.393							
101345-190		228,221	25,758	84,052	107,341	88,506	195,847	30,212
Infants and Toddlers with Disabilities Cluster		779,853	58,179	207,157	395,314	246,938	642,252	97,960
Safe and Drug-Free Schools	84.186							
102860-0910		305,033	87,954	90,206	165,931	2,252	168,183	-
112860-1011		136,850	-	71,290	-	111,670	111,670	40,380
112860-1011C		625,867	-	-	-	36,672	36,672	36,672
		<u>1,067,750</u>	<u>87,954</u>	<u>161,496</u>	<u>165,931</u>	<u>150,594</u>	<u>316,525</u>	<u>77,052</u>
Tech-Prep Education	84.243							
103540-10149		96,290	13,227	13,227	96,290	-	96,290	-
113540-11149		98,585	-	77,818	-	98,585	98,585	20,767
		<u>194,875</u>	<u>13,227</u>	<u>91,045</u>	<u>96,290</u>	<u>98,585</u>	<u>194,875</u>	<u>20,767</u>
Title I Accountability	84.377A							
081760-09/10		125,958	-	125,958	-	125,958	125,958	-
091760-1011		189,519	-	35,825	-	76,559	76,559	40,734
		<u>315,477</u>	<u>-</u>	<u>161,783</u>	<u>-</u>	<u>202,517</u>	<u>202,517</u>	<u>40,734</u>
Education Jobs Fund	84.410A							
112545-1011		79,985	-	73,696	-	79,985	79,985	6,289
		<u>79,985</u>	<u>-</u>	<u>73,696</u>	<u>-</u>	<u>79,985</u>	<u>79,985</u>	<u>6,289</u>
Total passed through Michigan Department of Education		<u>35,073,794</u>	<u>3,105,541</u>	<u>12,043,247</u>	<u>18,991,048</u>	<u>11,650,300</u>	<u>30,641,348</u>	<u>2,712,594</u>
Total U.S. Department of Education		36,073,793	3,168,182	12,454,886	19,524,126	12,096,662	31,620,788	2,809,958

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2010	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2011
					Prior year(s)	Current year	Total	
U.S. Department of Agriculture								
Programs passed through Michigan Department of Education:								
Child Nutrition Cluster								
101970 Breakfast	10.553	\$ 25,913	\$ 1,515	\$ 5,748	\$ 21,680	\$ 4,233	\$ 25,913	\$ -
111970 Breakfast		20,943	-	19,503	-	20,943	20,943	1,440
		46,856	1,515	25,251	21,680	25,176	46,856	1,440
101950 All Lunches	10.555	6,681	363	1,458	5,586	1,095	6,681	-
111950 All Lunches		5,920	-	5,548	-	5,920	5,920	372
101960 Free and reduced		53,395	2,999	11,367	45,027	8,368	53,395	-
111960 Free and reduced		44,272	-	41,397	-	44,272	44,272	2,875
Entitlement Commodities		6,667	-	6,667	-	6,667	6,667	-
Bonus Commodities		2,228	-	2,228	-	2,228	2,228	-
		119,163	3,362	68,665	50,613	68,550	119,163	3,247
Total passed through Michigan Department of Education		166,019	4,877	93,916	72,293	93,726	166,019	4,687
Program passed through Michigan Fitness Foundation:								
Supplemental Nutrition Assistance Program 09/10	10.561	314,870	-	40,375	72,371	35,318	107,689	(5,057)
ADMIN-11-99011		165,607	-	59,217	-	85,774	85,774	26,557
		480,477	-	99,592	72,371	121,092	193,463	21,500
Total U.S. Department of Agriculture		646,496	4,877	193,508	144,664	214,818	359,482	26,187
U.S. Department of Health and Human Services								
Direct programs:								
Head Start Cluster								
Head Start Basic/Operating	93.600							
05CH8258/11		6,124,982	823,750	3,726,100	3,243,136	2,902,350	6,145,486	-
05CH8258/12		6,187,488	-	2,425,489	-	3,409,652	3,409,652	984,163
		12,312,470	823,750	6,151,589	3,243,136	6,312,002	9,555,138	984,163
ARRA - Head Start COLA 1.84%/Quality Improvement	93.708							
05SE8258/01		456,420	114,069	256,313	314,176	142,244	456,420	-
ARRA - Head Start Expansion	93.708							
05SH8258/01		441,681	95,449	211,818	325,312	116,369	441,681	-
05SH8258/02		441,681	-	181,895	-	371,088	371,088	189,193
		883,362	95,449	393,713	325,312	487,457	812,769	189,193
ARRA - Early Head Start 2009 Expansion	93.709							
05SA8258/01		910,174	160,556	471,285	492,360	310,729	803,089	-
05SA8258/02		929,670	-	428,265	-	587,714	587,714	159,449
		1,839,844	160,556	899,550	492,360	898,443	1,390,803	159,449
Total Head Start Cluster		15,492,096	1,193,824	7,701,165	4,374,984	7,840,146	12,215,130	1,332,805

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2010	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2011
					Prior year(s)	Current year	Total	
<i>U.S. Department of Health and Human Services—Continued</i>								
Program passed through the Michigan Department of Social Services:								
Medical Assistance Program Cluster								
Child and Adolescent Health Center Program								
	93.778							
20100927		\$ 75,000	\$ 18,312	\$ 29,959	\$ 63,338	\$ 11,647	\$ 74,985	\$ -
20112050		75,000	-	28,550	-	49,877	49,877	21,327
		<u>150,000</u>	<u>18,312</u>	<u>58,509</u>	<u>63,338</u>	<u>61,524</u>	<u>124,862</u>	<u>21,327</u>
Medicaid Outreach								
	93.778							
393		111,888	-	111,888	-	111,888	111,888	-
		<u>111,888</u>	<u>-</u>	<u>111,888</u>	<u>-</u>	<u>111,888</u>	<u>111,888</u>	<u>-</u>
Total Medical Assistance Program Cluster								
		<u>261,888</u>	<u>18,312</u>	<u>170,397</u>	<u>63,338</u>	<u>173,412</u>	<u>236,750</u>	<u>21,327</u>
Total U.S. Department of Health and Human Services								
		<u>15,753,984</u>	<u>1,212,136</u>	<u>7,871,562</u>	<u>4,438,322</u>	<u>8,013,558</u>	<u>12,451,880</u>	<u>1,354,132</u>
TOTAL FEDERAL ASSISTANCE								
		<u>\$ 52,474,273</u>	<u>\$ 4,385,195</u>	<u>\$ 20,519,956</u>	<u>\$ 24,107,112</u>	<u>\$ 20,325,038</u>	<u>\$ 44,432,150</u>	<u>\$ 4,190,277</u>

The accompanying notes are an integral part of this schedule.

Muskegon Area Intermediate School District
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2011

1. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule.
2. Management has utilized the Grants Section Auditors Report (Form R7120) and CMS Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.
3. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2011

Governmental funds financial statements

General Fund	\$ 9,565,619	
Special Education Fund	10,080,904	
Vocational Education Fund	614,264	
Other governmental funds (includes Food Service Fund)	<u>93,726</u>	\$ 20,354,513

Less:

Timing differences in recognizing federal revenue	<u>(29,475)</u>
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Expenditures per single audit report

Schedule of Expenditures of Federal Awards	<u><u>\$ 20,325,038</u></u>
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Muskegon Area Intermediate School District
SCHEDULE OF FINDINGS AND RESPONSES
 Year ended June 30, 2011

SECTION I—SUMMARY OF AUDITORS' RESULTS

A. Financial Statements

1. Type of auditors' report issued: **Unqualified**
- Internal control over financial reporting:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
2. Noncompliance material to financial statements noted? _____ yes X no

B. Federal Awards

1. Internal control over major programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
2. Type of auditors' report issued on compliance for major programs: **Unqualified**
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program/Cluster</u>
	U. S. Department of Education
84.027, 84.027A, 84.173A, 84.391A and 84.392A	• Special Education Cluster
	U.S. Department of Health and Human Services
93.600, 93.708 and 93.709	• Head Start Cluster

5. Dollar threshold used to distinguish between type A and type B programs: **\$609,751**
6. Auditee qualified as low-risk auditee? _____ X yes _____ no

Muskegon Area Intermediate School District
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SUPPLEMENTAL INFORMATION

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

November 9, 2011

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

We have audited the financial statements of Muskegon Area Intermediate School District as of and for the year ended June 30, 2011 and have issued our report thereon dated November 9, 2011. Our audit was made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on pages 16-25 is provided for purposes of additional analysis and is not a required part of the financial statements or the accompanying Schedule of Expenditures of Federal Awards. Such supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements of Muskegon Area Intermediate School District and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Brickley De Long, P.C.

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS
For the year ended June 30, 2011

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2010	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2011
						Prior year	Current year	Total	
Adult Basic Education									
Fruitport Community Schools	84.002A	101130-101587	\$ 9,644	\$ (1,933)	\$ -	\$ 42,877	\$ 1,933	\$ 44,810	\$ -
Orchard View Schools			43,242	13,531	13,531	82,769	-	82,769	-
Public Schools of the City of Muskegon			45,451	(6,092)	-	57,607	6,092	63,699	-
School District of the City of Muskegon Heights			26,884	27,756	27,756	27,756	-	27,756	-
Shelby Public Schools			12,938	(2,315)	-	18,405	2,315	20,720	-
Whitehall District Schools			19,879	(3,191)	-	28,802	3,191	31,993	-
Total subrecipient amounts			\$ 158,038	\$ 27,756	\$ 41,287	\$ 258,216	13,531	\$ 271,747	\$ -
Muskegon Area Intermediate School District							(13,531)		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ -		
Fruitport Community Schools	84.002A	111130-111587	\$ 9,644	\$ -	\$ -	\$ -	\$ 9,644	\$ 9,644	\$ 9,644
Orchard View Schools			43,242	-	-	-	43,242	43,242	43,242
Public Schools of the City of Muskegon			45,451	-	-	-	45,451	45,451	45,451
School District of the City of Muskegon Heights			26,884	-	-	-	26,884	26,884	26,884
Shelby Public Schools			12,938	-	-	-	12,938	12,938	12,938
Whitehall District Schools			19,879	-	-	-	19,879	19,879	19,879
Total subrecipient amounts			\$ 158,038	\$ -	\$ -	\$ -	158,038	\$ 158,038	\$ 158,038
Muskegon Area Intermediate School District							19,607		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 177,645		
Public Schools of the City of Muskegon	84.002A	111190-111587	\$ 4,901	\$ -	\$ -	\$ -	\$ 4,901	\$ 4,901	\$ 4,901
Shelby Public Schools			3,004	-	-	-	3,004	3,004	3,004
Total subrecipient amounts			\$ 7,905	\$ -	\$ -	\$ -	7,905	\$ 7,905	\$ 7,905
Muskegon Area Intermediate School District							465		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 8,370		

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2011

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2010	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2011
						Prior year	Current year	Total	
<i>Special Education Cluster</i>									
<i>Special Ed Flowthrough</i>									
Fruitport Community Schools	84.027A	100450-0910	\$ 1,371,996	\$ 343,803	\$ 424,870	\$ 1,279,327	\$ 92,669	\$ 1,371,996	\$ 11,602
Holton Public Schools			75,986	19,337	19,337	75,986	-	75,986	-
Mona Shores Public Schools			582,207	129,537	129,537	582,207	-	582,207	-
Montague Public Schools			178,029	37,556	37,556	178,029	-	178,029	-
North Muskegon Public Schools			136,543	10,038	10,038	136,543	-	136,543	-
Oakridge Public Schools			184,011	55,013	55,013	184,011	-	184,011	-
Public Schools of the City of Muskegon			1,383,657	273,729	346,112	1,276,771	106,886	1,383,657	34,503
Ravenna Public Schools			152,899	43,433	43,433	152,899	-	152,899	-
Reeths-Puffer Schools			1,489,949	261,288	428,471	1,260,878	229,071	1,489,949	61,888
School District of the City of Muskegon Heights			480,368	134,654	134,654	480,368	-	480,368	-
Three Oaks Academy			60,009	-	54,144	-	60,009	60,009	5,865
Timberland Charter Academy			83,460	488	488	83,460	-	83,460	-
WayPoint Academy			44,341	-	-	44,341	-	44,341	-
Whitehall District Schools			186,158	19,570	19,570	186,158	-	186,158	-
Total subrecipient amounts			\$ 6,409,613	\$ 1,328,446	\$ 1,703,223	\$ 5,920,978	488,635	\$ 6,409,613	\$ 113,858
Muskegon Area Intermediate School District							611,612		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 1,100,247		
Fruitport Community Schools	84.027A	110450-1011	\$ 1,033,169	\$ -	\$ 873,628	\$ -	\$ 1,033,169	\$ 1,033,169	\$ 159,541
Holton Public Schools			98,801	-	75,990	-	98,801	98,801	22,811
Mona Shores Public Schools			548,227	-	502,108	-	548,227	548,227	46,119
Montague Public Schools			129,309	-	95,087	-	129,309	129,309	34,222
North Muskegon Public Schools			174,578	-	168,596	-	174,578	174,578	5,982
Oakridge Public Schools			195,646	-	147,210	-	195,646	195,646	48,436
Orchard View Schools			156,327	-	121,282	-	156,327	156,327	35,045
Public Schools of the City of Muskegon			1,158,235	-	842,318	-	1,158,235	1,158,235	315,917
Ravenna Public Schools			144,594	-	84,490	-	144,594	144,594	60,104
Reeths-Puffer Schools			1,006,812	-	794,790	-	1,006,812	1,006,812	212,022
School District of the City of Muskegon Heights			464,613	-	438,038	-	464,613	464,613	26,575
Three Oaks Academy			23,366	-	10,679	-	23,366	23,366	12,687
Timberland Charter Academy			85,137	-	85,137	-	85,137	85,137	-
WayPoint Academy			39,989	-	38,760	-	39,989	39,989	1,229
Whitehall District Schools			248,519	-	174,375	-	248,519	248,519	74,144
Total subrecipient amounts			\$ 5,507,322	\$ -	\$ 4,452,488	\$ -	5,507,322	\$ 5,507,322	\$ 1,054,834
Muskegon Area Intermediate School District							606,292		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 6,113,614		

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2011

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2010	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2011
						Prior year	Current year	Total	
<i>Special Education Cluster—Continued</i>									
<i>Special Ed Preschool</i>									
Fruitport Community Schools	84.173A	090460-0809	\$ 92,820	\$ 13,188	\$ 13,188	\$ 92,820	\$ -	\$ 92,820	\$ -
Mona Shores Public Schools			22,487	-	-	22,487	-	22,487	-
Public Schools of the City of Muskegon			53,108	10,810	10,810	53,108	-	53,108	-
Reeths-Puffer Schools			99,519	28,048	28,048	99,519	-	99,519	-
School District of the City of Muskegon Heights			10,503	(983)	-	9,520	983	10,503	-
Timberland Charter Academy			952	952	952	952	-	952	-
Total subrecipient amounts			\$ 279,389	\$ 52,015	\$ 52,998	\$ 278,406	983	\$ 279,389	\$ -
Muskegon Area Intermediate School District							(31)		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 952		
Fruitport Community Schools	84.173A	100460-0910	\$ 84,424	\$ 16,802	\$ 47,381	\$ 46,736	\$ 37,688	\$ 84,424	\$ 7,109
Mona Shores Public Schools			23,065	8,190	8,190	23,065	-	23,065	-
Public Schools of the City of Muskegon			47,435	9,668	9,668	47,435	-	47,435	-
Reeths-Puffer Schools			93,128	19,458	19,458	93,128	-	93,128	-
School District of the City of Muskegon Heights			21,759	-	-	21,759	-	21,759	-
Timberland Charter Academy			2,611	2,611	2,611	2,611	-	2,611	-
Total subrecipient amounts			\$ 272,422	\$ 56,729	\$ 87,308	\$ 234,734	37,688	\$ 272,422	\$ 7,109
Muskegon Area Intermediate School District							2,630		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 40,318		
Fruitport Community Schools	84.173A	110460-1011	\$ 31,249	\$ -	\$ 26,768	\$ -	\$ 31,249	\$ 31,249	\$ 4,481
Mona Shores Public Schools			15,639	-	14,447	-	15,639	15,639	1,192
Public Schools of the City of Muskegon			49,151	-	39,022	-	49,151	49,151	10,129
Reeths-Puffer Schools			100,537	-	78,066	-	100,537	100,537	22,471
School District of the City of Muskegon Heights			25,022	-	21,228	-	25,022	25,022	3,794
Timberland Charter Academy			447	-	-	-	447	447	447
Total subrecipient amounts			\$ 222,045	\$ -	\$ 179,531	\$ -	222,045	\$ 222,045	\$ 42,514
Muskegon Area Intermediate School District							3,029		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 225,074		

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2011

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2010	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2011
						Prior year	Current year	Total	
<i>Special Education Cluster—Continued</i>									
<i>ARRA - IDEA Flowthrough</i>									
	84.391A	100455-0910							
Fruitport Community Schools			\$ 1,987,429	\$ 316,945	\$ 710,730	\$ 1,476,468	\$ 510,961	\$ 1,987,429	\$ 117,176
Holton Public Schools			323,394	74,203	106,918	278,715	44,679	323,394	11,964
Mona Shores Public Schools			650,230	81,235	304,947	399,688	250,542	650,230	26,830
Montague Public Schools			368,942	64,149	143,501	261,354	107,588	368,942	28,236
North Muskegon Public Schools			153,154	8,081	36,946	99,209	53,945	153,154	25,080
Public Schools of the City of Muskegon			1,609,377	156,968	450,433	1,207,446	401,931	1,609,377	108,466
Reeths-Puffer Schools			1,079,497	117,276	471,521	626,446	453,051	1,079,497	98,806
School District of the City of Muskegon Heights			558,727	-	-	558,727	-	558,727	-
Three Oaks Academy			69,841	-	51,009	-	69,841	69,841	18,832
Timberland Charter Academy			88,573	30,900	42,249	30,900	57,673	88,573	46,324
WayPoint Academy			51,622	-	-	51,622	-	51,622	-
Whitehall District Schools			478,258	34,223	168,618	307,847	170,411	478,258	36,016
Total subrecipient amounts			<u>\$ 7,419,044</u>	<u>\$ 883,980</u>	<u>\$ 2,486,872</u>	<u>\$ 5,298,422</u>	2,120,622	<u>\$ 7,419,044</u>	<u>\$ 517,730</u>
Muskegon Area Intermediate School District							160,404		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 2,281,026</u>		

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS—CONTINUED
 For the year ended June 30, 2011

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2010	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2011
						Prior year	Current year	Total	
<i>Special Education Cluster—Continued</i>									
ARRA - IDEA Preschool									
	84.391A	100465-0910							
Fruitport Community Schools			\$ 79,094	\$ 8,954	\$ 40,939	\$ 36,662	\$ 42,432	\$ 79,094	\$ 10,447
Mona Shores Public Schools			20,741	537	7,440	11,439	9,302	20,741	2,399
Public Schools of the City of Muskegon			44,439	2,676	16,118	22,020	22,419	44,439	8,977
Reeths-Puffer Schools			87,248	6,794	32,213	55,748	31,500	87,248	6,081
School District of the City of Muskegon Heights			20,385	20,385	20,385	20,385	-	20,385	-
Timberland Charter Academy			2,132	-	2,446	-	2,132	2,132	(314)
Total subrecipient amounts			\$ 254,039	\$ 39,346	\$ 119,541	\$ 146,254	107,785	\$ 254,039	\$ 27,590
Muskegon Area Intermediate School District							-		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 107,785		

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2011

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2010	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2011
						Prior year	Current year	Total	
<i>Head Start Cluster</i>									
<i>Head Start Basic/Operating</i>									
Fruitport Community Schools	93.600	05CH8258/11	\$ 282,899	\$ 65,666	\$ 174,070	\$ 174,495	\$ 108,404	\$ 282,899	\$ -
Hart Public Schools			160,265	168,266	328,531	-	160,265	160,265	-
Orchard View Schools			842,479	137,123	592,873	386,729	455,750	842,479	-
Public Schools of the City of Muskegon			1,570,993	16,469	676,270	911,192	659,801	1,570,993	-
School District of the City of Muskegon Heights			649,969	21,903	304,759	367,113	282,856	649,969	-
Shelby Public Schools			328,330	199,154	325,744	201,740	126,590	328,330	-
Whitehall District Schools			899,649	-	411,009	488,640	411,009	899,649	-
Total subrecipient amounts			\$ 4,734,584	\$ 608,581	\$ 2,813,256	\$ 2,529,909	2,204,675	\$ 4,734,584	\$ -
Muskegon Area Intermediate School District							697,675		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 2,902,350		
Fruitport Community Schools	93.600	05CH8258/12	\$ 160,769	\$ -	\$ 93,189	\$ -	\$ 160,769	\$ 160,769	\$ 67,580
Hart Public Schools			81,434	-	41,088	-	81,434	81,434	40,346
Orchard View Schools			466,183	-	289,477	-	466,183	466,183	176,706
Public Schools of the City of Muskegon			920,702	-	754,773	-	920,702	920,702	165,929
School District of the City of Muskegon Heights			323,439	-	158,741	-	323,439	323,439	164,698
Shelby Public Schools			222,843	-	190,236	-	222,843	222,843	32,607
Whitehall District Schools			530,340	-	305,390	-	530,340	530,340	224,950
Total subrecipient amounts			\$ 2,705,710	\$ -	\$ 1,832,895	\$ -	2,705,710	\$ 2,705,710	\$ 872,815
Muskegon Area Intermediate School District							703,942		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 3,409,652		

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2011

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

<u>Pass-through grantee</u>	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2010	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2011
						Prior year	Current year	Total	
<i>Head Start Cluster—Continued</i>									
<i>ARRA - Head Start COLA 1.84%/Quality Improvement</i>									
Fruitport Community Schools	93.708	05SE8258/01	\$ 21,301	\$ 1,129	\$ 2,417	\$ 20,013	\$ 1,288	\$ 21,301	\$ -
Hart Public Schools			7,214	-	7,214	-	7,214	7,214	-
Orchard View Schools			42,311	14,368	14,368	42,311	-	42,311	-
Public Schools of the City of Muskegon			80,482	56,157	56,157	80,482	-	80,482	-
School District of the City of Muskegon Heights			29,566	13,283	23,475	19,374	10,192	29,566	-
Shelby Public Schools			12,855	7,014	8,946	10,923	1,932	12,855	-
Whitehall District Schools			56,797	20,294	44,506	32,585	24,212	56,797	-
Total subrecipient amounts			\$ 250,526	\$ 112,245	\$ 157,083	\$ 205,688	44,838	\$ 250,526	\$ -
Muskegon Area Intermediate School District							97,406		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 142,244		

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2011

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2010	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2011
						Prior year	Current year	Total	
<i>Pass-through grantee</i>									
<i>Head Start Cluster—Continued</i>									
ARRA - Head Start Expansion									
Hart Public Schools	93.708	05SH8258/01	\$ 38,667	\$ -	\$ 38,667	\$ -	\$ 38,667	\$ 38,667	\$ -
Orchard View Schools			113,199	680	25,298	88,581	24,618	113,199	-
Public Schools of the City of Muskegon			56,599	36,062	36,062	56,599	-	56,599	-
Whitehall District Schools			113,199	39,562	65,950	86,811	26,388	113,199	-
Total subrecipient amounts			\$ 321,664	\$ 76,304	\$ 165,977	\$ 231,991	89,673	\$ 321,664	\$ -
Muskegon Area Intermediate School District							26,696		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 116,369		
ARRA - Head Start Expansion									
Hart Public Schools	93.708	05SH8258/02	\$ 33,143	\$ -	\$ 22,095	\$ -	\$ 33,143	\$ 33,143	\$ 11,048
Orchard View Schools			59,892	-	34,625	-	59,892	59,892	25,267
Public Schools of the City of Muskegon			56,599	-	5,835	-	56,599	56,599	50,764
Whitehall District Schools			113,199	-	19,571	-	113,199	113,199	93,628
Total subrecipient amounts			\$ 262,833	\$ -	\$ 82,126	\$ -	262,833	\$ 262,833	\$ 180,707
Muskegon Area Intermediate School District							108,255		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 371,088		

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2011

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2010	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2011
						Prior year	Current year	Total	
<i>Head Start Cluster—Continued</i>									
<i>ARRA - Early Head Start</i>									
Hart Public Schools	93.709	05SA8258/01	\$ 29,725	\$ 11,064	\$ 40,789	\$ -	\$ 29,725	\$ 29,725	\$ -
Orchard View Schools			212,406	48,346	144,029	116,723	95,683	212,406	-
School District of the City of Muskegon Heights			34,694	-	12,728	21,966	12,728	34,694	-
Whitehall District Schools			181,646	54,339	147,875	88,110	93,536	181,646	-
Total subrecipient amounts			<u>\$ 458,471</u>	<u>\$ 113,749</u>	<u>\$ 345,421</u>	<u>\$ 226,799</u>	231,672	<u>\$ 458,471</u>	<u>\$ -</u>
Muskegon Area Intermediate School District								79,057	
Total expenditures appearing on Schedule of Expenditures of Federal Awards								<u>\$ 310,729</u>	
<i>ARRA - Early Head Start</i>									
Hart Public Schools	93.709	05SA8258/02	\$ 42,964	\$ -	\$ 26,292	\$ -	\$ 42,964	\$ 42,964	\$ 16,672
Orchard View Schools			142,185	-	98,316	-	142,185	142,185	43,869
School District of the City of Muskegon Heights			41,531	-	29,024	-	41,531	41,531	12,507
Whitehall District Schools			154,251	-	94,528	-	154,251	154,251	59,723
Total subrecipient amounts			<u>\$ 380,931</u>	<u>\$ -</u>	<u>\$ 248,160</u>	<u>\$ -</u>	380,931	<u>\$ 380,931</u>	<u>\$ 132,771</u>
Muskegon Area Intermediate School District								206,783	
Total expenditures appearing on Schedule of Expenditures of Federal Awards								<u>\$ 587,714</u>	

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2011

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

<u>Pass-through grantee</u>	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2010	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2011
						Prior year	Current year	Total	
<i>Medical Assistance Program Cluster</i>									
<i>Medicaid Outreach</i>									
Fruitport Community Schools	93.778	393	\$ 10,435	\$ -	\$ 10,435	\$ -	\$ 10,435	\$ 10,435	\$ -
Holton Public Schools			2,377	-	2,377	-	2,377	2,377	-
Mona Shores Public Schools			7,959	-	7,959	-	7,959	7,959	-
Montague Public Schools			4,384	-	4,384	-	4,384	4,384	-
North Muskegon Public Schools			2,023	-	2,023	-	2,023	2,023	-
Oakridge Public Schools			3,973	-	3,973	-	3,973	3,973	-
Orchard View Schools			7,404	-	7,404	-	7,404	7,404	-
Public Schools of the City of Muskegon			21,007	-	21,007	-	21,007	21,007	-
Ravenna Public Schools			3,457	-	3,457	-	3,457	3,457	-
Reeths-Puffer Schools			11,215	-	11,215	-	11,215	11,215	-
School District of the City of Muskegon Heights			3,863	-	3,863	-	3,863	3,863	-
Three Oaks Public Academy			431	-	431	-	431	431	-
Whitehall District Schools			6,852	-	6,852	-	6,852	6,852	-
Total subrecipient amounts			\$ 85,380	\$ -	\$ 85,380	\$ -	85,380	\$ 85,380	\$ -
Muskegon Area Intermediate School District							26,508		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 111,888		

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 9, 2011

Michigan Department of Education
Lansing, Michigan

Muskegon Area Intermediate School District respectfully advises you that there were *no* audit findings reported in our single audit report, dated November 10, 2010, for the year ended June 30, 2010.

Sincerely,

A handwritten signature in black ink that reads "Marios Demetriou". The signature is written in a cursive style with a large initial 'M'.

Marios Demetriou
Deputy Superintendent

CORRECTIVE ACTION PLAN

November 9, 2011

Michigan Department of Education
Lansing, Michigan

Muskegon Area Intermediate School District respectfully submits the following Corrective Action Plan for the year ended June 30, 2011.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2011

The findings from the Schedule of Findings and Responses for the year ended June 30, 2011 provided **no** findings in either Section II or Section III. Accordingly, there are **no** matters requiring corrective action as shown below.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were **no** compliance findings and **no** significant deficiencies in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** compliance findings and **no** significant deficiencies in relation to the major federal award programs.

If the Michigan Department of Education has questions regarding this plan, please call Marios Demetriou at (231) 767-7207.

Sincerely,



Marios Demetriou
Deputy Superintendent

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

November 9, 2011

To the Board of Education
Muskegon Area Intermediate School District

We have audited the financial statements of Muskegon Area Intermediate School District for the year ended June 30, 2011, and have issued our report thereon dated November 9, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *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 to you during our conference on July 15, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Muskegon Area Intermediate School District are described in Note A to the financial statements. As described in Note A, the School District adopted its accounting policies related to fund balance by adopting the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year ended June 30, 2011. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of depreciation expense is based on the estimated service lives of the specific assets utilizing the straight-line method.

Accrued salaries, compensated absences and post-employment benefits, and the related fringe benefits are recorded based on an estimate of the number of days worked in the current year from payments made in the subsequent year.

Management's estimates for Act 18 revenue, Special Education Billback expense and Special Education Transportation revenue and expense were determined based on member school district estimated expenditures and the number of students receiving services from each district. Adjustments are made in the subsequent fiscal year for the final audited expenditures and pupil counts. Management evaluated the key factors and assumptions used to develop those estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

BRICKLEY DELONG

Board of Education
Muskegon Area Intermediate School District
November 9, 2011
Page 2

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 us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, 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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 9, 2011.

Management Consultations with Other Independent Accountants

In some cases, management of organizations 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 by the management of Muskegon Area Intermediate School District 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.

This information is intended solely for the use of the Board of Education and management of Muskegon Area Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Brickley De Long, P.C.