

Muskegon Area Intermediate School District

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2009

Muskegon Area Intermediate School District

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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

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, 2009.

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.

Generally accepted accounting principles according to GASB 34 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:

All of 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 helps the reader consider whether the Intermediate School District is being accountable for the resources taxpayers and others provide to it and may provide more 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 \$19.8 million, which is an increase of approximately \$0.8 million from last year.

- The General Fund reflects a fund balance increase of \$308,394 from the prior year. Revenues increased by approximately 50.65% from prior year levels primarily due to the inclusion of the Head Start program into the General Fund. In previous years the Head Start program had its own separate fund. The expenditures increased by 55.68% primarily due to the inclusion of the Head Start program into the General Fund.
- In the Special Education Fund, our largest fund, the fund balance increased by \$188,084 to \$1,744,707. This actual amount is a surplus instead of a balanced budget primarily due to the Special Education Transportation Consortium. Revenues decreased 2.28% while expenditures decreased by 1.84% in comparison with the prior year. Overall, actual Special Education revenues were 2.05% lower and expenses were 2.6% 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 decrease of \$10,634,081 due to the purchase of the Muskegon Area Career Tech Center.

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, 2009.

Table 1

	2007-08 Governmental Activities (in millions)	2008-09 Governmental Activities (in millions)
Assets		
Current and other assets	\$ 38.6	\$ 40.0
Capital assets – Net of accumulated depreciation	6.9	14.8
Total Assets	<u>\$ 45.5</u>	<u>\$ 54.8</u>
Liabilities		
Current liabilities	\$ 19.7	\$ 20.7
Long-term liabilities	1.2	7.6
Total Liabilities	<u>\$ 20.9</u>	<u>\$ 28.3</u>
Net Assets		
Invested in property and equipment – Net of related debt	\$ 6.3	\$ 13.9
Restricted	13.8	3.4
Unrestricted	<u>4.5</u>	<u>9.2</u>
Total Net Assets	<u>\$ 24.6</u>	<u>\$ 26.5</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 \$26.5 million at June 30, 2009. 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, \$3.4 million, is legally restricted for special and vocational education programs, debt payments and donor-designated purposes. The remaining amount of net assets, \$9.2 million, is unrestricted. The large variances from the prior year in assets, liabilities, and net assets are primarily due to the purchase of the Muskegon Area Career Tech Center.

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 2009. Since this is the seventh year the Intermediate School District has prepared financial statements following GASB Statement 34, revenue and expense comparison to fiscal year 2008 is available.

Table 2

	2007-08 Governmental Activities (in millions)	2008-09 Governmental Activities (in millions)
Revenue		
Program Revenue		
Charges for services	\$ 8.3	\$ 6.2
Grants and contributions	24.5	25.2
General revenue		
Property taxes	16.8	17.4
Unrestricted state aid	6.2	6.2
Other	1.1	.4
Total Revenue	\$ 56.9	\$ 55.4

FY2009 Revenues - \$55.4 Million
FY2008 Revenues - \$56.9 Million
FY2007 Revenues - \$54.4 Million

Revenue Comparison

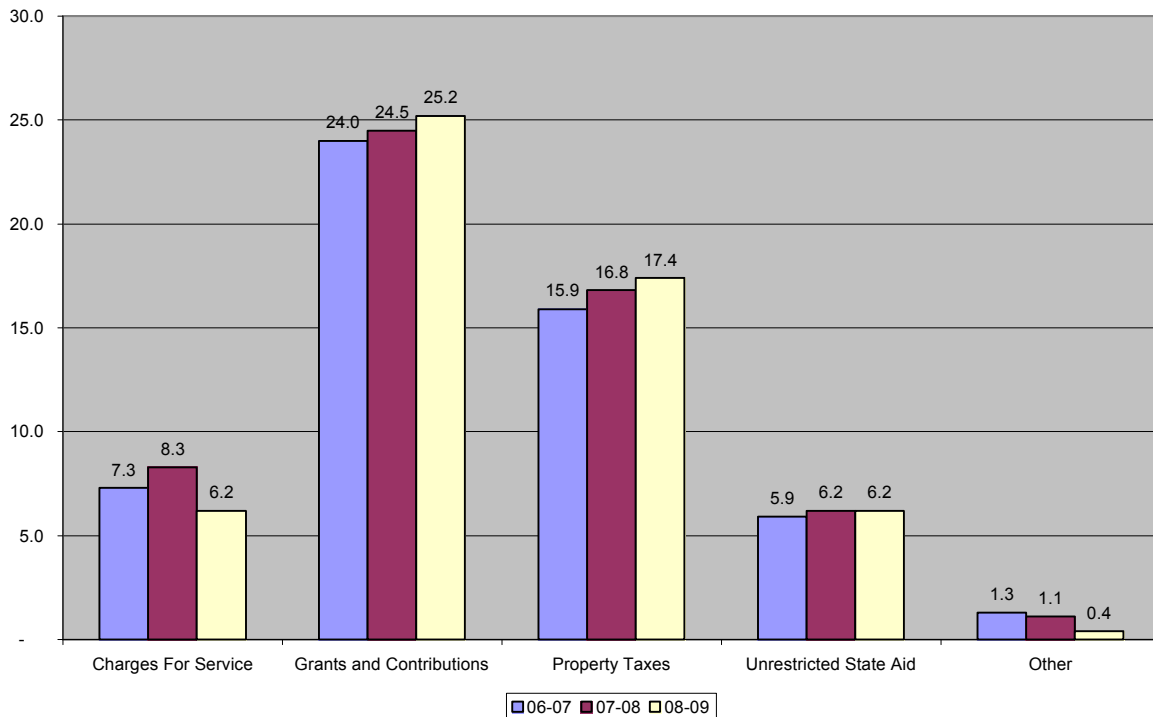
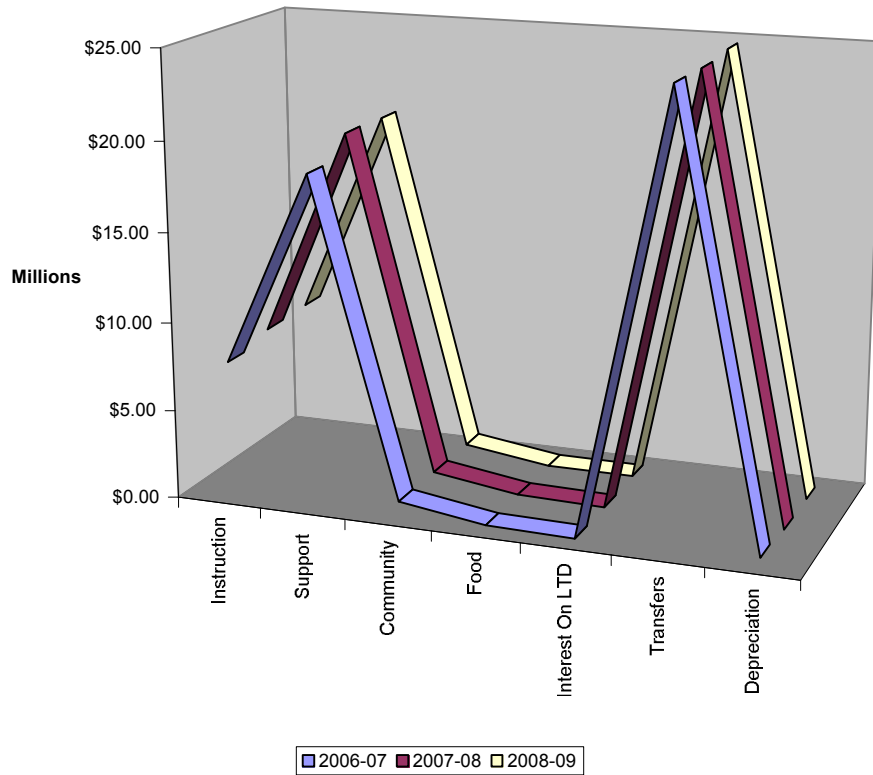


Table 2 (cont'd)

Function/Program Expenses	2007-08	2008-09
	Governmental Activities (in millions)	Governmental Activities (in millions)
Instruction	\$ 8.1	\$ 8.2
Support services	19.7	19.6
Community services	.8	.8
Food services	.1	.1
Interest on long-term debt	.0	.1
Inter-district transfers	24.5	24.7
Unallocated depreciation	.0	.0
Total Expenses	\$ 53.2	\$ 53.5

FY 2009 Expenses - \$53.5 Million
FY2008 Expenses - \$53.2 Million
FY2007 Expenses - \$52.0 Million

Comparison of Expenses



As reported in the statement of activities, the cost of all our governmental activities this year was \$53.5 million. Certain activities were partially funded by those who benefited from the programs (\$6.2M) or by other governments and organizations that subsidized certain programs with grants and categorical aid (\$25.2M). The Muskegon Area Intermediate School District paid for the remaining "public benefit" portion with \$17.4 million in property tax revenue, \$6.6 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 \$1.9 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 increased primarily due to the inclusion of the Head Start program. This fund ended with a \$308K surplus. The total fund balance is \$4.0M.
- Special Education Fund: Budgeted revenues and expenditures remained very close to the prior year. This fund ended the year with a \$188K surplus. The total fund balance is \$1.7M.
- Vocational Education Fund: Budgeted revenue remained very close to the prior year. Expenditures increased due to the land contract purchase of the Muskegon Area Career Tech Center. This fund ended the year with a \$10.6M deficit. The total fund balance is \$1.7M.
- Cooperative Education Fund: This fund was created to account for the Head Start program. It was determined that it would be more efficient to move this program into the General Fund. As of June 2009 this fund became part of the General Fund.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009 the Intermediate School District had \$21.1 million invested in capital assets. This amount represents a net increase, including additions and deletions, of \$7,567,539 from last year.

	<u>2008</u>	<u>2009</u>
Land	\$ 276,115	\$ 1,276,115
Buildings & Improvements	8,360,092	15,235,207
Buses and other vehicles	1,396,585	1,295,949
Furniture and equipment	<u>3,089,333</u>	<u>3,262,025</u>
 Total capital assets	 \$ 13,122,125	 \$ 21,069,296
 Less accumulated depreciation	 <u>6,815,704</u>	 <u>7,195,336</u>
 Net Capital Assets	 <u>\$ 6,306,421</u>	 <u>\$ 13,873,960</u>

This year's net deductions of \$4,230 were strictly from vehicles. This year's additions equal \$7,571,769 of which \$1,000,000 was for land and \$6,875,115 was for the land contract of the Muskegon Area Career Tech Center. In addition we added \$172,692 for equipment and \$96,647 for vehicles. The additional accumulated depreciation was \$572,685. Overall Net Capital Assets increased by 120%.

Debt Administration

At June 30, 2009, Muskegon Area Intermediate School District had \$845,709 in bonds outstanding. Those bonds are Durant obligation bonds at \$455,709 that are the responsibility of the State of Michigan and 2003 Fiber Optic System Bonds at \$390,000. In addition, the Muskegon Area Intermediate School District signed a land contract for the purchase of the Muskegon Area Career Tech Center of which \$6,605,000 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 \$591,262 as of June 30, 2009.

	<u>2008</u>	<u>2009</u>
Durant Bond Obligations	\$ 503,131	\$ 455,709
2003 Fiber Optic System Bonds	465,000	390,000
Land Contract	0	6,605,000
Compensated absences and post-employment benefits	<u>341,141</u>	<u>591,262</u>
 Total Outstanding Debt	 <u>\$ 1,309,272</u>	 <u>\$ 8,041,971</u>

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 \$49,678 to \$299,470 including interest at 4.76% due May 2010 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, 2010 to 2014, plus interest ranging from 3.05% to 3.85% payable semi-annually.

The land contract is payable in annual installments ranging from \$335,000 to \$5,535,000 due May 2010 to April 2013. Interest is payable semi-annually at 2.5% to 4.4% November 2009 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 the requirements of No Child Left Behind Act and other legislation, 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.

The 2009-10 State Aid Bill which establishes funding for schools was agreed and signed by the Governor in October 2009 even though the schools fiscal year began July 1, 2009. In the 2009-10 State Aid bill, K-12 school districts funding was reduced by \$165 per student and Intermediate School Districts funding was reduced by 20% for General Operations. In addition, within the same week, K-12 school districts received a proration letter reducing their funding by an additional \$127 per student for a total reduction of \$292 and an additional 7.2% reduction for Intermediate School Districts. The total funding reduction to the Muskegon Area Intermediate School District is equal to \$515,625. The approximate financial reduction in funding for all the Muskegon area school districts is estimated to be \$9,567,625 for 2009-10 alone. The 2010-11 School Aid bill is expected to reduce funding up to an additional \$600 per student or approximately an additional \$19 million.

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, Associate 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

October 29, 2009

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, 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, 2009, which collectively comprise the Schools 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, each major fund, and the aggregate remaining fund information of Muskegon Area Intermediate School District, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows 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 October 29, 2009, on our consideration of Muskegon Area Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BRICKLEY DELONG

Board of Education
October 29, 2009
Page 2

The management's discussion and analysis and budgetary comparison information on pages i - ix and 29 - 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements on pages 33 - 34 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley De Long, P.C.

Muskegon Area Intermediate School District
STATEMENT OF NET ASSETS
June 30, 2009

	ASSETS	<u>Governmental activities</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 11,661,700
Investments		16,138,817
Receivables		5,097,415
Due from other governmental units		6,849,946
Inventories		129,992
Prepaid expenses		<u>81,862</u>
Total current assets		39,959,732
NONCURRENT ASSETS		
Capital assets, net		
Nondepreciable		1,276,115
Depreciable		12,597,845
Notes and interest receivable		<u>953,519</u>
Total noncurrent assets		<u>14,827,479</u>
Total assets		54,787,211
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities		16,614,037
Due to other governmental units		2,641,349
Deferred revenue		972,566
Bonds and other obligations, due within one year		<u>459,678</u>
Total current liabilities		20,687,630
NONCURRENT LIABILITIES		
Bonds and other obligations, less amounts due within one year		<u>7,582,293</u>
Total liabilities		<u>28,269,923</u>
NET ASSETS		
Invested in capital assets, net of related debt		13,873,960
Restricted		
Special Education		1,744,707
Vocational Education		1,661,777
Unrestricted		<u>9,236,844</u>
Total net assets		<u>\$ 26,517,288</u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Charges for services</u>	<u>Program Revenue Operating grants and contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental activities</u>
Governmental activities				
Instruction	\$ 8,175,640	\$ 157,716	\$ 523,568	\$ (7,494,356)
Support services	19,576,684	5,799,606	5,908,839	(7,868,239)
Community services	845,579	37,255	702,379	(105,945)
Food services	95,610	5,529	101,802	11,721
Interest on long-term debt	49,943	-	12,416	(37,527)
Interdistrict transfers	24,718,059	153,487	17,999,254	(6,565,318)
Total governmental activities	<u>\$ 53,461,515</u>	<u>\$ 6,153,593</u>	<u>\$ 25,248,258</u>	<u>(22,059,664)</u>
General revenues				
Property taxes levied for				
General purposes				2,139,675
Special education				10,632,389
Vocational education				4,589,870
Grants and contributions not restricted to specific programs				6,208,918
Investment earnings				353,744
Miscellaneous				10,793
Total general revenues				<u>23,935,389</u>
Change in net assets				1,875,725
Net assets at July 1, 2008				<u>24,641,563</u>
Net assets at June 30, 2009				<u>\$ 26,517,288</u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
BALANCE SHEET
Governmental Funds
June 30, 2009

	General Fund	Special Education	Vocational Education	Career Tech Center Capital Project	Other governmental funds	Total governmental funds
ASSETS						
Cash and cash equivalents	\$ 2,039,861	\$ 7,015,877	\$ 1,568,342	\$ -	\$ 1,037,620	\$ 11,661,700
Investments	2,054,705	2,006,207	288,095	10,750,000	1,039,810	16,138,817
Taxes receivable	2,034	9,051	3,936	-	-	15,021
Accounts receivable	339,052	4,738,252	700	-	4,391	5,082,395
Due from other governmental units	1,767,587	4,497,244	580,875	-	4,240	6,849,946
Due from other funds	17,081	-	-	-	308,394	325,475
Inventories	-	-	129,992	-	-	129,992
Prepaid expenses	61,830	8,230	11,802	-	-	81,862
Total assets	\$ 6,282,150	\$ 18,274,861	\$ 2,583,742	\$ 10,750,000	\$ 2,394,455	\$ 40,285,208
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 436,102	\$ 14,043,806	\$ 428,187	\$ -	\$ 713,634	\$ 15,621,729
Accrued liabilities	112,144	462,606	293,172	-	-	867,922
Due to other governmental units	653,189	1,988,160	-	-	-	2,641,349
Due to other funds	327,843	29,014	1,907	-	11,721	370,485
Deferred revenue	767,299	6,568	198,699	-	-	972,566
Total liabilities	2,296,577	16,530,154	921,965	-	725,355	20,474,051
Fund balances						
Reserved						
Inventories	-	-	129,992	-	-	129,992
Prepaid expenses	61,830	8,230	11,802	-	-	81,862
Capital projects	-	-	-	10,750,000	1,658,781	12,408,781
Unreserved						
Designated for ISD wide projects	-	544,674	-	-	-	544,674
Designated for special education facilities	-	713,534	-	-	-	713,534
Designated for vocational education	-	-	1,480,132	-	-	1,480,132
Designated for compensated absences	146,823	178,269	39,851	-	-	364,943
Undesignated						
General Fund	3,776,920	-	-	-	-	3,776,920
Special Education	-	300,000	-	-	-	300,000
School service	-	-	-	-	10,319	10,319
Total fund balances	3,985,573	1,744,707	1,661,777	10,750,000	1,669,100	19,811,157
Total liabilities and fund balances	\$ 6,282,150	\$ 18,274,861	\$ 2,583,742	\$ 10,750,000	\$ 2,394,455	\$ 40,285,208

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, 2009

Total fund balance—governmental funds \$ 19,811,157

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	\$ 21,069,296
Accumulated depreciation	<u>(7,195,336)</u>
	13,873,960

Other long-term note and interest receivable in governmental activities is not reported in the governmental funds.

953,519

Accrued expenses in governmental activities are not reported in the governmental funds.

(124,387)

Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.

Bonds and notes payable	(7,450,709)
Compensated absences and post employment benefits	<u>(591,262)</u>

Internal service funds fund balances are not part of the governmental funds, but are reported in the Statement of Net Assets

45,010

\$ 26,517,288

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, 2009

	General Fund	Special Education	Vocational Education	Career Tech Center Capital Project	Other governmental funds	Total governmental funds
REVENUES						
Local sources						
Property taxes	\$ 2,119,940	\$ 10,533,729	\$ 4,580,645	\$ -	\$ -	\$ 17,234,314
Medicaid reimbursement	-	1,701,517	-	-	-	1,701,517
Investment earnings	65,978	75,548	183,254	-	28,965	353,745
Drivers education / poly plot	51,070	-	-	-	-	51,070
Rental Income	255	25,987	7,950	-	-	34,192
Merchandise sales	-	-	66,646	-	-	66,646
Tuition / fees	67,754	638	19,654	-	-	88,046
Private sources donations	256,048	484	-	-	-	256,532
Resale charges	109,875	-	-	-	-	109,875
Printing	53,990	-	-	-	-	53,990
Other	138,094	20,382	58,908	-	5,529	222,913
Total local sources	<u>2,863,004</u>	<u>12,338,285</u>	<u>4,917,057</u>	<u>-</u>	<u>34,494</u>	<u>20,172,840</u>
Slate sources	1,598,085	7,759,894	1,552,593	-	71,209	10,981,781
Federal revenues	7,537,390	8,704,548	1,090,297	-	90,431	17,422,666
Total revenues	<u>11,998,479</u>	<u>28,822,727</u>	<u>7,559,947</u>	<u>-</u>	<u>196,134</u>	<u>48,577,287</u>
EXPENDITURES						
Instruction	15	4,995,892	3,024,949	-	-	8,020,856
Support services	8,122,802	8,329,843	2,485,212	-	-	18,937,857
Community services	796,883	25,023	26	-	-	821,932
Food services	-	-	-	-	95,610	95,610
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	122,422	122,422
Interest and other charges	-	-	-	-	28,731	28,731
Capital projects	-	-	-	7,605,000	286,341	7,891,341
Total expenditures	<u>8,919,700</u>	<u>13,350,738</u>	<u>5,510,187</u>	<u>7,605,000</u>	<u>533,104</u>	<u>35,918,749</u>
Excess (deficiency) of revenues over (under) expenditures	(3,078,779)	15,471,969	2,049,760	(7,605,000)	(336,970)	12,658,538
OTHER FINANCING SOURCES (USES)						
Transfers from other governmental units and other transactions	1,305,412	5,029,566	4,705	6,605,000	94,071	13,038,754
Transfers in	1,191,960	-	-	11,750,000	398,294	13,340,254
Transfers out	(308,394)	(794,917)	(12,225,222)	-	(11,721)	(13,340,254)
Transfers to other governmental units and other transactions	(4,959,363)	(19,518,534)	(463,324)	-	-	(24,941,221)
Total other financing sources (uses)	<u>(2,770,385)</u>	<u>(15,283,885)</u>	<u>(12,683,841)</u>	<u>18,355,000</u>	<u>480,644</u>	<u>(11,902,467)</u>
Net change in fund balances	308,394	188,084	(10,634,081)	10,750,000	143,674	756,071
Fund balances at July 1, 2008	3,677,179	1,556,623	12,295,858	-	1,525,426	19,055,086
Fund balances at June 30, 2009	<u>\$ 3,985,573</u>	<u>\$ 1,744,707</u>	<u>\$ 1,661,777</u>	<u>\$ 10,750,000</u>	<u>\$ 1,669,100</u>	<u>\$ 19,811,157</u>

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, 2009

Net change in fund balances—total governmental funds	\$ 756,071
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.	
Capital outlay	\$ 8,139,619
Depreciation expense	<u>(572,080)</u>
Other long-term notes receivable in governmental activities are not reported in the governmental funds.	376,284
Principal payments received on notes receivable are reported as revenue in the governmental funds, but the payment reduces long-term assets in the Statement of Net Assets.	(50,083)
Interest income on long-term note receivable is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until received.	(282)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	122,422
Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.	(20,930)
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.	(250,124)
Debt proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Assets.	(6,605,000)
The net revenue (expense) of certain activities of internal service funds are not reported in the governmental funds, but are reported in the Statement of Activities.	<u>(20,172)</u>
Change in net assets of governmental activities	<u>\$ 1,875,725</u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF NET ASSETS
Internal Service Funds
June 30, 2009

ASSETS	
Due from other funds	\$ 45,010
LIABILITIES AND NET ASSETS	
Liabilities	<u> -</u>
Net assets	
Unrestricted	<u><u>\$ 45,010</u></u>

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 Funds
For the year ended June 30, 2009

REVENUES	
Charges for services	\$ -
EXPENSES	
Costs of services	<u>20,172</u>
Change in net assets	(20,172)
Net assets at July 1, 2008	<u>65,182</u>
Net assets at June 30, 2009	<u><u>\$ 45,010</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF CASH FLOWS
 Internal Service Funds
 For the year ended June 30, 2009

Cash flows from operating activities		
Payments for premiums and claims	\$	20,172
Payments from other funds for services		<u>(20,172)</u>
Net increase in cash		-
Cash balances at July 1, 2008		<u>-</u>
Cash balances at June 30, 2009	\$	<u><u>-</u></u>
Cash flows from operating activities		
Change in net assets	\$	(20,172)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Increase) decrease in operating assets		
Due from other funds		<u>20,172</u>
Net cash provided by operating activities	\$	<u><u>-</u></u>

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, 2009

		Agency funds	
	Combined	Student activities	Fiber consortium
ASSETS			
Cash and cash equivalents	\$ 58,598	\$ 58,598	\$ -
Accounts receivable	709,894	586	709,308
	\$ 768,492	\$ 59,184	\$ 709,308
 LIABILITIES			
Deposits held for others	\$ 768,492	\$ 59,184	\$ 709,308

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 government 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. State Foundation Aid, certain revenue from the intermediate school district, 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, 2009

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, internal service 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.

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 revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its special education and vocational education activities in the special revenue funds.
- 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.

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.

- 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).

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

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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 so 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, 2009, the foundation allowance was based on pupil membership counts taken in February and September of 2008.

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 2008 to August 2009. Thus, the unpaid portion at June 30, 2009 is reported as due from other governmental units.

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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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. Investments are stated at fair value. Pooled investment income from the General Fund and Debt Retirement Fund 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". The School District had no advances between 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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

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.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense 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. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. 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 other 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 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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

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.

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 cost, 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 Fund Financial Statements

The School District reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, prepaid expenses, deferred charges and advances to other funds, when applicable. Designations of fund balance represent tentative management plans that are subject to change.

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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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. Public hearings are conducted to obtain taxpayer comments.
3. 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.
4. The Assistant 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.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2009. The School District does not consider these amendments to be significant.

Excess of Expenditures Over Appropriations

Special Education outgoing transfers exceeded budget by \$1,032,316. Vocational Education outgoing transfers exceeded budget by \$135,513. Both Special Education and Vocational Education transfers were funded by local revenues.

Fund Deficit

As of June 30, 2009, the 2003 Fiber Capital Project Fund had a deficit of \$336,254. The deficit will be eliminated through future billings to local school districts.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2009, the School District had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Days)</u>	<u>Standard & Poor's Rating</u>	<u>Percent</u>
MILAF external investment pool				
MAX Class	16,138,817	58	AAAm	100.00

The School District voluntarily invests certain excess funds in external investment pools (Pools) which include money market funds. One of the Pools 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. The School District will accomplish this 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 shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

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 District's investment in the 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, 2009, \$11,762,687 of the School District's bank balance of \$12,512,687 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, 2009

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 276,115	\$ 1,000,000	\$ -	\$ 1,276,115
Capital assets, being depreciated:				
Buildings and improvements	8,360,092	6,875,115	-	15,235,207
Equipment	3,089,333	172,692	-	3,262,025
Vehicles	<u>1,396,585</u>	<u>96,647</u>	<u>197,283</u>	<u>1,295,949</u>
Total capital assets, being depreciated	12,846,010	7,144,454	197,283	19,793,181
Less accumulated depreciation:				
Buildings and improvements	5,017,266	115,664	-	5,132,930
Equipment	816,614	323,519	-	1,140,133
Vehicles	<u>981,824</u>	<u>133,502</u>	<u>193,053</u>	<u>922,273</u>
Total accumulated depreciation	<u>6,815,704</u>	<u>572,685</u>	<u>193,053</u>	<u>7,195,336</u>
Total capital assets, being depreciated, net	<u>6,030,306</u>	<u>6,571,769</u>	<u>4,230</u>	<u>12,597,845</u>
Capital assets, net	<u>\$ 6,306,421</u>	<u>\$ 7,571,769</u>	<u>\$ 4,230</u>	<u>\$ 13,873,960</u>

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 115,664
Support services	322,914
Community services	<u>134,107</u>
	<u>\$ 572,685</u>

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2009 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Education Fund	\$ 3,453
General Fund	Vocational Education Fund	1,907
General Fund	Food Service Fund	11,721
Capital project fund	General Fund	308,394
Internal Service Fund	General Fund	19,449
Internal Service Fund	Special Education Fund	25,561
		<u>\$ 370,485</u>

The outstanding balances between funds result mainly from the time lag between the dates the (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 \$308,394 to the Capital Projects Fund. The Special Education Fund transferred \$754,853 to the General Fund and \$40,064 to the 2003 Fiber Capital Projects Fund. The Vocational Education Fund transferred \$425,386 to the General Fund and \$11,750,000 to the Capital Project Fund and \$49,836 to the 2003 Fiber Capital Project Fund, and the Food Service Fund transferred \$11,721 to the General Fund. All transfers were to finance operations or internal cost reimbursements.

NOTE F—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.

Summary of Long-term Obligations

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2009:

	<u>Balance</u>			<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>one year</u>
Governmental activities:					
Bonds	\$ 968,131	\$ -	\$ 122,422	\$ 845,709	\$ 124,678
Compensated absences and post-employment benefits	341,141	250,121	-	591,262	-
Land contract	-	6,605,000	-	6,605,000	335,000
	<u>\$ 1,309,272</u>	<u>\$ 6,855,121</u>	<u>\$ 122,422</u>	<u>\$ 8,041,971</u>	<u>\$ 459,678</u>

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE F—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

General obligation bonds consist of the following:

Durant obligations payable in annual installments ranging from \$49,678 to \$299,470 including interest at 4.76% due May 2010 to 2013. The School District is only obligated to make the annual payments to the extent of annual State of Michigan appropriations.

\$ 455,709

2003 Fiber Optic System bonds payable in annual installments ranging from \$75,000 to \$85,000 due May 2010 to 2014; plus interest ranging from 3.05% to 3.85% payable semi-annually

390,000

Total bonded debt

845,709

Other obligations

Land contract payable in annual installments ranging from \$335,000 to \$5,535,000 due May 2010 to April 2013; plus interest ranging from 2.5% to 4.4% payable semi-annually

6,605,000

7,450,709

Compensated absences and post-employment benefits

591,262

\$ 8,041,971

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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE F—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

The annual requirements of principal and interest to amortize bonded debt and the land contract outstanding as of June 30, 2009 follows:

Year ending June 30,	Principal	Interest	Total
2010	\$ 459,678	\$ 278,022	\$ 737,700
2011	487,044	263,137	750,181
2012	504,517	246,327	750,844
2013	5,914,470	327,740	6,242,210
2014	85,000	3,299	88,299
	<u>\$ 7,450,709</u>	<u>\$ 1,118,525</u>	<u>\$ 8,569,234</u>

NOTE G—EMPLOYEE BENEFITS

Employee Retirement System – Defined Benefit Plan

Plan description – The School District contributes to the statewide Michigan Public School Employees’ Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. 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
 1-800-381-5111

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 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 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.

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. Market rate 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 contribution plus interest, if any, are refundable.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE G—EMPLOYEE BENEFITS —Continued

Employee Retirement System – Defined Benefit Plan—Continued

Funding policy – Continued

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 rate for the year ended June 30, 2009, was 16.54 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, 2009, 2008 and 2007 were approximately \$1,730,000, \$1,619,300, and \$1,580,000, 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.

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, 2009 were approximately \$22,000 provided to fourteen participants.

NOTE H—COMMITMENTS AND CONTINGENCY

Commitments

- **Operating Leases** – The School District has lease agreements expiring at various dates through February 2012. Expense for the year ended June 30, 2009 was approximately \$43,000. The following is a schedule of future minimum rental payments required under operating leases for School District office equipment.

Year ending June 30,	Amount
2010	\$ 42,667
2011	16,854
2012	6,004
	\$ 65,525

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE H—COMMITMENTS AND CONTINGENCY—Continued

Commitments—Continued

- **Operating Leases – Continued**

The School District also entered into a lease of real property which terminates August 2010. The lease requires monthly payments of \$775 in the first year, \$798 in the second year, and \$822 in the third year. 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, 2009 was approximately \$9,530.

The School District also entered into a lease of real property which terminates June 2011. The lease requires monthly payments of \$923 in the first year and \$957 in the second year. 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, 2009 was approximately \$10,820.

The School District also entered into a lease of real property which terminates December 2010. The lease requires monthly payments of \$760. 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, 2009 was approximately \$9,120.

Contingency

- **Federal Programs** – The School District participates in federally-assisted 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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE I—OTHER INFORMATION

Economic Dependence – Prior years revision of the State of Michigan (State) school aid formula for local public schools significantly increased State school aid, and the change in property tax laws significantly decreased local property tax revenues. As a result, State school aid represents approximately 12.1 percent of General Fund revenues, approximately 22.3 percent of Special Education revenues and 20.5 percent of Vocational Education revenues.

Risk Management – 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, 2009 or any of the prior three years.

NOTE J—SUBSEQUENT EVENT

The School District has entered into several contracts for building and land improvements and equipment purchases totaling approximately \$501,831.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

General Fund

For the year ended June 30, 2009

	Budgeted amounts			Actual	
	Original	Final			Variance with final budget- positive (negative)
REVENUES					
Local sources	\$ 3,024,835	\$ 3,218,940		2,863,004	\$ (355,936)
State sources	1,491,906	1,707,196		1,598,085	(109,111)
Federal sources	1,270,912	8,227,252		7,537,390	(689,862)
Incoming transfers and other transactions	2,656,221	2,597,530		2,497,372	(100,158)
Total revenues	8,443,874	15,750,918		14,495,851	(1,255,067)
EXPENDITURES					
Instruction					
Basic programs	278	-		15	(15)
Adult and continuing education	8,865	-		-	-
Support services					
Pupil	426,746	456,459		291,223	165,236
Instructional staff	2,756,869	3,457,265		2,869,337	587,928
General administration	474,730	541,609		513,749	27,860
School administration	120,907	108,798		94,864	13,934
Business	1,202,275	1,236,377		1,192,562	43,815
Operations and maintenance	358,103	370,645		330,838	39,807
Pupil transportation services	64,373	857,372		735,149	122,223
Central	2,112,979	2,201,317		2,095,080	106,237
Community services	186,580	840,173		796,883	43,290
Outgoing transfers and other transactions	566,793	5,389,628		5,267,757	121,871
Total expenditures	8,279,498	15,459,643		14,187,457	1,272,186
Excess (deficiency) of revenues over (under) expenditures	\$ 164,376	\$ 291,275		308,394	\$ 17,119
Fund balance at July 1, 2008				3,677,179	
Fund balance at June 30, 2009				3,985,573	

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Special Education Fund
For the year ended June 30, 2009

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Local sources	\$ 12,028,998	\$ 13,383,061	\$ 12,358,285	\$ (1,024,776)
State sources	7,695,607	7,743,550	7,759,894	16,344
Federal sources	10,127,312	8,594,704	8,704,548	109,844
Incoming transfers and other transactions	4,930,466	4,840,001	5,029,566	189,565
Total revenues	34,782,383	34,561,316	33,852,293	(709,023)
EXPENDITURES				
Instruction				
Added needs	5,555,896	5,065,650	4,995,892	69,758
Support services				
Pupil				
Instructional staff	1,912,568	2,210,178	2,092,032	118,146
General administration	1,019,292	1,121,655	984,413	137,242
School administration	130,780	131,545	116,213	15,332
Business	481,710	467,030	446,622	20,408
Operations and maintenance	183,700	54,700	5,449	49,251
Pupil transportation services	1,116,655	724,533	599,753	124,780
Central	4,515,173	5,080,094	4,007,345	1,072,749
Community services	371,421	394,696	78,016	316,680
Outgoing transfers and other transactions	30,100	30,100	25,023	5,077
Total expenditures	19,465,088	19,281,135	20,313,451	(1,032,316)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	188,084	\$ 188,084
Fund balance at July 1, 2008			1,556,623	
Fund balance at June 30, 2009			\$ 1,744,707	

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 Vocation Education Fund
 June 30, 2009

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Local sources	\$ 4,945,161	\$ 4,927,068	\$ 4,917,057	\$ (10,011)
State sources	1,532,797	1,583,669	1,552,593	(31,076)
Federal sources	950,802	1,110,787	1,090,297	(20,490)
Incoming transfers and other transactions	<u>3,563</u>	<u>4,563</u>	<u>4,705</u>	<u>142</u>
Total revenues	7,432,323	7,626,087	7,564,652	(61,435)
EXPENDITURES				
Instruction				
Added needs	3,569,797	3,337,269	3,012,750	324,519
Adult and continuing education	31,230	14,384	12,199	2,185
Support services				
Pupil				
Instructional staff	47,459	433,960	455,019	(21,059)
General administration	598,496	500,225	372,695	127,530
School administration	15,815	15,840	12,113	3,727
Business	489,117	490,695	483,720	6,975
Operations and maintenance	1,600	6,600	3,708	2,892
Pupil transportation services	979,988	1,037,700	1,048,343	(10,643)
Central	21,300	27,700	26,492	1,208
Community services	68,574	124,958	83,122	41,836
Outgoing transfers and other transactions	-	1,000	26	974
Total expenditures	<u>8,657,479</u>	<u>12,553,033</u>	<u>12,688,546</u>	<u>(135,513)</u>
Deficiency of revenues under expenditures	<u>14,480,855</u>	<u>18,543,364</u>	<u>18,198,733</u>	<u>344,631</u>
	\$ (7,048,532)	\$ (10,917,277)	(10,634,081)	\$ 283,196
Fund balance at July 1, 2008			<u>12,295,858</u>	
Fund balance at June 30, 2009			<u>\$ 1,661,777</u>	

OTHER SUPPLEMENTAL INFORMATION

Muskegon Area Intermediate School District
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2009

	Total other governmental funds	Food service	Durant debt service	Capital projects	2003 Fiber capital project
ASSETS					
Cash and cash equivalents	\$ 1,037,620	\$ 21,987	\$ -	\$ 1,015,633	\$ -
Investments	1,039,810	-	-	671,008	368,802
Accounts receivable	4,391	-	-	-	4,391
Due from other governmental units	4,240	4,240	-	-	-
Due from other funds	308,394	-	-	308,394	-
Total assets	<u>\$ 2,394,455</u>	<u>\$ 26,227</u>	<u>\$ -</u>	<u>\$ 1,995,035</u>	<u>\$ 373,193</u>

LIABILITIES AND FUND BALANCES (DEFICIT)

Liabilities					
Accounts payable	\$ 713,634	\$ 4,187	\$ -	\$ -	\$ 709,447
Due to other funds	11,721	11,721	-	-	-
Total liabilities	725,355	15,908	-	-	709,447
Fund balances (deficit)					
Reserved					
Capital projects	1,658,781	-	-	1,995,035	(336,254)
Unreserved					
Undesignated	10,319	10,319	-	-	-
Total fund balances	<u>1,669,100</u>	<u>10,319</u>	<u>-</u>	<u>1,995,035</u>	<u>(336,254)</u>
Total liabilities and fund balances	<u>\$ 2,394,455</u>	<u>\$ 26,227</u>	<u>\$ -</u>	<u>\$ 1,995,035</u>	<u>\$ 373,193</u>

Muskegon Area Intermediate School District
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS)**
Other Governmental Funds
For the year ended June 30, 2009

	Total other governmental funds	Food service	Durant debt service	Capital projects	2003 Fiber capital project
REVENUES					
Local sources					
Investment earnings	\$ 28,965	\$ -	\$ -	\$ 28,965	\$ -
Other	5,529	5,529	-	-	-
Total local sources	<u>34,494</u>	<u>5,529</u>	<u>-</u>	<u>28,965</u>	<u>-</u>
State sources	71,209	11,371	59,838	-	-
Federal sources	90,431	90,431	-	-	-
Total revenues	<u>196,134</u>	<u>107,331</u>	<u>59,838</u>	<u>28,965</u>	<u>-</u>
EXPENDITURES					
Food services	95,610	95,610	-	-	-
Debt service					
Principal	122,422	-	47,422	-	75,000
Interest and other charges	28,731	-	12,416	-	16,315
Capital projects	286,341	-	-	286,341	-
Total expenditures	<u>533,104</u>	<u>95,610</u>	<u>59,838</u>	<u>286,341</u>	<u>91,315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(336,970)</u>	<u>11,721</u>	<u>-</u>	<u>(257,376)</u>	<u>(91,315)</u>
OTHER FINANCING SOURCES					
Transfers from other governmental units and other transactions	94,071	-	-	-	94,071
Transfers in	398,294	-	-	308,394	89,900
Transfers out	(11,721)	(11,721)	-	-	-
Total other financing sources	<u>480,644</u>	<u>(11,721)</u>	<u>-</u>	<u>308,394</u>	<u>183,971</u>
Net change in fund balances	143,674	-	-	51,018	92,656
Fund balance (deficit) at July 1, 2008	<u>1,525,426</u>	<u>10,319</u>	<u>-</u>	<u>1,944,017</u>	<u>(428,910)</u>
Fund balance (deficit) at July 1, 2009	<u>\$ 1,669,100</u>	<u>\$ 10,319</u>	<u>\$ -</u>	<u>\$ 1,995,035</u>	<u>\$ (336,254)</u>