

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT**

**REPORT ON FINANCIAL STATEMENTS  
(with required supplementary and additional information)**

**YEAR ENDED JUNE 30, 2009**

# CONTENTS

	<u>Page</u>
<b>Independent auditors' report</b> .....	iv - v
<b>Management's Discussion and Analysis</b> .....	vi - xiv
<b>Basic financial statements</b> .....	1
Government-wide financial statements	
Statement of net assets .....	2 - 3
Statement of activities .....	4
Fund financial statements	
Balance sheet - governmental funds .....	5 - 6
Statement of revenues, expenditures and changes in fund balances - governmental funds.....	7 - 8
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities .....	9
Notes to financial statements .....	10 - 24
<b>Required supplementary information</b> .....	25
Budgetary comparison schedule - general fund.....	26
Budgetary comparison schedule - special education fund.....	27
Budgetary comparison schedule – vocational education fund.....	28

# CONTENTS

	<u>Page</u>
<b>Additional information</b> .....	29
Nonmajor governmental fund types	
Combining balance sheet .....	30
Combining statement of revenues, expenditures and changes in fund balances .....	31
Long-term debt	
Bonded debt.....	32

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Mecosta-Osceola Intermediate School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta-Osceola Intermediate School District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mecosta-Osceola 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 Mecosta-Osceola Intermediate School District as of June 30, 2009 and the respective changes in financial position, 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 September 10, 2009, on our consideration of Mecosta-Osceola 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.

The management's discussion and analysis and budgetary comparison information on pages vi through xiv and 26 through 28, 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 Mecosta-Osceola Intermediate School District's basic financial statements. The additional information on pages 30 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has 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.

September 10, 2009

## **BASIC FINANCIAL STATEMENTS**

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

<b>ASSETS</b>	<b><u>Governmental activities</u></b>
<b>CURRENT ASSETS:</b>	
Cash	\$ 1,855,683
Investments	9,164,609
Receivables:	
Accounts receivable	8,100
Taxes receivable	48,146
Due from other governmental units	1,754,105
Inventories	156,726
Prepaid expenditures	30,014
Current portion of long-term receivable - local districts	<u>61,467</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>13,078,850</u></b>
<b>NONCURRENT ASSETS:</b>	
Capital assets	8,386,067
Less accumulated depreciation	<u>(3,919,385)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<b><u>4,466,682</u></b>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 17,545,532</u></u></b>

<b>LIABILITIES AND NET ASSETS</b>	<b>Governmental activities</b>
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 494,562
Accrued salaries and related items	1,086,808
Accrued interest	853
Due to local school districts	669,627
Deferred revenue	149,148
Current portion of long-term obligations	33,371
Current portion of termination benefits	72,245
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<b>TOTAL CURRENT LIABILITIES</b>	<b>2,506,614</b>
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<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	109,950
Noncurrent portion of compensated absences and termination benefits	323,766
	<hr/>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>433,716</b>
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>2,940,330</b>
	<hr/>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	4,323,361
Unrestricted	10,281,841
	<hr/>
<b>TOTAL NET ASSETS</b>	<b>14,605,202</b>
	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,545,532</b>
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**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net assets</u>
Governmental activities:				
Instruction	\$ 7,414,154	\$ 439,654	\$5,755,827	\$ (1,218,673)
Support services	10,498,324	471,592	2,795,070	(7,231,662)
Community services	65,004	-	6,130	(58,874)
Transfers to school districts and other governmental units	2,772,601	-	-	(2,772,601)
Interest on long-term debt	8,151	-	-	(8,151)
Total governmental activities	<u>\$20,758,234</u>	<u>\$ 911,246</u>	<u>\$8,557,027</u>	<u>(11,289,961)</u>
General revenues:				
Property taxes, levied for general purposes				503,983
Property taxes, levied for special education				6,749,821
Property taxes, levied for vocational education				3,024,963
Investment earnings				152,906
State sources not restricted to specific purposes				1,032,230
Other				929,041
Total general revenues				<u>12,392,944</u>
<b>CHANGE IN NET ASSETS</b>				1,102,983
<b>NET ASSETS, beginning of year</b>				<u>13,502,219</u>
<b>NET ASSETS, end of year</b>				<u>\$ 14,605,202</u>

See notes to financial statements.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<u>General fund</u>	<u>Special revenue</u>		<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
		<u>Special Education fund</u>	<u>Vocational Education fund</u>		
<b>ASSETS</b>					
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 422,134	\$ 887,778	\$ 524,365	\$ 21,406	\$ 1,855,683
Investments	957,764	5,130,269	3,076,576	-	9,164,609
Receivables:					
Property taxes receivable	1,888	31,490	14,768	-	48,146
Accounts receivable	4,000	945	3,155	-	8,100
Due from other governmental units	264,610	1,436,022	84,066	30,874	1,815,572
Inventories	-	-	156,726	-	156,726
Prepaid expenditures	2,904	23,356	2,932	822	30,014
<b>TOTAL ASSETS</b>	<u>\$ 1,653,300</u>	<u>\$ 7,509,860</u>	<u>\$ 3,862,588</u>	<u>\$ 53,102</u>	<u>\$ 13,078,850</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 80,644	\$ 321,950	\$ 91,968	\$ -	\$ 494,562
Accrued salaries and related items	47,536	853,888	179,051	6,333	1,086,808
Due to local school districts	4,900	623,921	40,806	-	669,627
Deferred revenue	151,036	31,490	14,768	-	197,294
<b>TOTAL LIABILITIES</b>	<u>284,116</u>	<u>1,831,249</u>	<u>326,593</u>	<u>6,333</u>	<u>2,448,291</u>
<b>FUND BALANCES:</b>					
Reserved for inventories	-	-	156,726	-	156,726
Reserved for prepaid expenditures	2,904	23,356	2,932	822	30,014

See notes to financial statements.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

See notes to financial statements.

	<u>Special revenue</u>				
	<u>General fund</u>	<u>Special Education fund</u>	<u>Vocational Education fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES (Concluded):</b>					
Unreserved:					
Designated for future expansion	\$ 1,105,865	\$ 2,718,188	\$ 2,320,827	\$ -	\$ 6,144,880
Designated for compensated absences	22,257	280,984	92,770	-	396,011
Designated for subsequent year expenditures	-	675,051	-	-	675,051
Undesignated	238,158	1,981,032	962,740	45,947	3,227,877
<b>TOTAL FUND BALANCES</b>	<u>1,369,184</u>	<u>5,678,611</u>	<u>3,535,995</u>	<u>46,769</u>	<u>10,630,559</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,653,300</u>	<u>\$ 7,509,860</u>	<u>\$ 3,862,588</u>	<u>\$ 53,102</u>	<u>\$ 13,078,850</u>
<b>Total governmental fund balances</b>					\$ 10,630,559
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					
The cost of the capital assets is				\$ 8,386,067	
Accumulated depreciation is				<u>(3,919,385)</u>	4,466,682
Other long-term assets are not available to pay for current period expenditures:					
Balance of tax receivable at June 30, 2009, less allowance for doubtful accounts, collected after September 1, 2009					48,146
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(143,321)
Compensated absences and termination benefits					(396,011)
Accrued interest is not included as a liability in government funds, it is recorded when paid					<u>(853)</u>
<b>Net assets of governmental activities</b>					<u>\$ 14,605,202</u>

See notes to financial statements.



**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009**

	<u>Special revenue</u>				<u>Total governmental funds</u>
	<u>General Fund</u>	<u>Special Education fund</u>	<u>Vocational Education fund</u>	<u>Other nonmajor governmental funds</u>	
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 504,317	\$ 6,751,720	\$ 3,027,126	\$ -	\$ 10,283,163
Tuition	-	-	26,831	-	26,831
Investment earnings	17,561	87,922	47,450	-	152,933
Community service	-	870,566	-	-	870,566
Student activities	-	-	103,300	-	103,300
Other	11,578	2,097	3,705	-	17,380
Total local sources	533,456	7,712,305	3,208,412	-	11,454,173
State sources	983,117	4,842,530	243,649	270,070	6,339,366
Federal sources	144,764	2,778,856	353,040	-	3,276,660
Interdistrict sources	362,216	107,128	-	320,276	789,620
Total revenues	2,023,553	15,440,819	3,805,101	590,346	21,859,819
<b>EXPENDITURES:</b>					
Current:					
Instruction	444,103	4,981,484	1,915,955	-	7,341,542
Supporting services	1,232,572	7,513,618	1,327,528	467,875	10,541,593
Community service activities	45,901	4,458	14,645	-	65,004

See notes to financial statements.

		<u>Special revenue</u>			
	<u>General Fund</u>	<u>Special Education fund</u>	<u>Vocational Education fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>EXPENDITURES (Concluded):</b>					
Debt service	\$ -	\$ -	\$ -	\$ 270,070	\$ 270,070
Transfer to school districts and other governmental units	195,965	2,357,045	219,591	-	2,772,601
Total expenditures	<u>1,918,541</u>	<u>14,856,605</u>	<u>3,477,719</u>	<u>737,945</u>	<u>20,990,810</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>105,012</u>	<u>584,214</u>	<u>327,382</u>	<u>(147,599)</u>	<u>869,009</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of capital assets	-	5,794	-	-	5,794
Operating transfers from other funds	-	-	148,250	148,470	296,720
Operating transfers to other funds	<u>(168,737)</u>	<u>(74,125)</u>	<u>(53,858)</u>	<u>-</u>	<u>(296,720)</u>
Total other financing sources (uses)	<u>(168,737)</u>	<u>(68,331)</u>	<u>94,392</u>	<u>148,470</u>	<u>5,794</u>
<b>NET CHANGE IN FUND BALANCES</b>	(63,725)	515,883	421,774	871	874,803
<b>FUND BALANCES:</b>					
Beginning of year	<u>1,432,909</u>	<u>5,162,728</u>	<u>3,114,221</u>	<u>45,898</u>	<u>9,755,756</u>
End of year	<u>\$ 1,369,184</u>	<u>\$ 5,678,611</u>	<u>\$ 3,535,995</u>	<u>\$ 46,769</u>	<u>\$ 10,630,559</u>

See notes to financial statements.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES TO FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009**

**Net change in fund balances total governmental funds** \$ 874,803

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(241,671)
Capital outlay	228,388
Loss on disposal of capital assets	(8,743)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Principal payment on bonds	194,660
Accrued interest payable, beginning of the year	68,112
Accrued interest payable, end of the year	(853)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of the year	(52,542)
Deferred revenue, end of the year	48,146

Compensated absences are reported on the accrual method in the statement of activities and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and termination benefits, beginning of the year	388,694
Accrued compensated absences and termination benefits, end of the year	<u>(396,011)</u>

**Change in net assets of governmental activities** \$1,102,983

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Mecosta-Osceola Intermediate 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 District's accounting policies are described below.

**A. Reporting Entity**

Mecosta-Osceola Intermediate School District (the "District") is governed by the Mecosta-Osceola Intermediate School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The 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 District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

**B. Government-wide and Fund Financial Statements**

The government-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 District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *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, property taxes and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and 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 District's net assets are reported in two parts - invested in capital assets, net of related debt and unrestricted net assets.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). 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 grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-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 District reports the following major governmental funds:

The *general fund* is the District's primary administrative fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *special education special revenue fund* which accounts for special education programs.

The *vocational education special revenue fund* which accounts for technical education programs.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Concluded)**

**Other Non-major Funds**

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 District accounts for its cooperative education in a special revenue fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. This is maintained for the Durant debt.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**Modified Accrual Method (Concluded)**

Property taxes, state and federal aid 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 District.

**State Categorical Revenue**

The District 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.

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, 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 standards also provide 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 district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the 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 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.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies**

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien 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.

For the year ended June 30, 2009, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	0.2494
Special revenue funds:	
Special education fund	3.3395
Vocational education fund	1.4970

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Inventories of the vocational education fund are comprised principally of land held for resale and a house held for resale.

4. Receivables and payables

Activity between funds that are representative of lending/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.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

5. 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.

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.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 - 50 years
Buses and other vehicles	5 - 10 years
Furniture and other equipment	5 - 10 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated absences

The District's policies generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method 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.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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, special education and vocational education funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The 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 School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). 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 Superintendent is authorized to transfer budgeted amounts between 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 School Board.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)**

5. Formal budgetary integration is employed as a management control device during the year for the general, special education and vocational education funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2009. The District does not consider these amendments to be significant.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard &amp; Poor's Rating</u>	<u>%</u>
MILAF External Investment pool-CMF	<u>\$ 773,581</u>	0.0027	AAAm	<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2009, the fair value of the District’s investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the 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 shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the 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 District's deposits may not be returned to it. As of June 30, 2009, \$9,353,479 of the District's bank balance of \$10,660,068 was exposed to custodial credit risk because it was uninsured and uncollateralized. Included in the above figures are certificates of deposits of \$8,049,935. The carrying amount is \$10,246,711.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the 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 District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

The above amounts as previously reported in Note 3:

Deposits	\$ 10,246,711
Investments	773,581
	\$ 11,020,292

The above amounts are reported in the financial statements as follows:

District-wide:	
Cash	\$ 1,855,683
Investments	9,164,609
	\$ 11,020,292

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2009 consist of the following:

	Government wide
State aid	\$ 985,772
Medicaid	196,319
Federal revenue	415,810
Local/intermediate sources	156,204
	\$ 1,754,105

No allowance for doubtful accounts is considered necessary based on previous experience.

**NOTE 5 - LONG-TERM RECEIVABLE**

For the year ended June 30, 2007, Mecosta-Osceola Intermediate School District purchased student management software on behalf of its locals. The local school districts will reimburse the District over the course of three years. The remaining funds to be collected is as follows:

Year	Amount
2010	\$ 61,467

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Assets not being depreciated:				
Land	\$ 110,235	\$ -	\$ -	\$ 110,235
Other capital assets:				
Land improvements	60,299	-	-	60,299
Buildings and improvements	5,247,769	44,514	-	5,292,283
Buses and other vehicles	810,279	92,687	(18,760)	884,206
Furniture and equipment	1,947,857	91,187	-	2,039,044
Subtotal	8,066,204	228,388	(18,760)	8,275,832
Accumulated depreciation:				
Land improvements	18,503	2,891	-	21,394
Buildings and improvements	1,792,199	105,785	-	1,897,984
Buses and other vehicles	570,825	53,542	(10,017)	614,350
Office and instructional equipment	1,306,204	79,453	-	1,385,657
Subtotal	3,687,731	241,671	(10,017)	3,919,385
Net capital assets being depreciated	4,378,473	(13,283)	(8,743)	4,356,447
Net governmental capital assets	\$4,488,708	\$ (13,283)	\$ (8,743)	\$ 4,466,682

Depreciation for the fiscal year ended June 30, 2009 amounted to \$241,671. The District allocated depreciation to the various activities as follows:

Governmental activities:	
Instruction	\$ 135,074
Support services	106,597
Total governmental activities	\$ 241,671

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT**

The District issues bonds, notes, and other contractual commitments to funds for the acquisition, construction and improvement of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Notes and installment purchase agreements are also general obligations to the District. Other long-term obligations include employee compensated absences.

Long-term obligations currently outstanding are as follows:

	Durant non-plaintiff bond	Employee- compensated absences	Total
Balance, July 1, 2008	\$ 337,981	\$ 388,694	\$ 726,675
Additions	-	38,390	38,390
Deletions	(194,660)	(31,073)	(225,733)
Balance, June 30, 2009	143,321	396,011	539,332
Less current portion	33,371	72,245	105,616
Total due after one year	<u>\$ 109,950</u>	<u>\$ 323,766</u>	<u>\$ 433,716</u>

Bonds payable at June 30, 2009 are comprised of the following issues:

1998 limited obligation bonds (Durant bonds) due in annual installments of \$33,371 to \$38,366 due May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	\$ 143,321
Compensated absences	<u>396,011</u>
Total general long-term debt	<u>\$ 539,332</u>

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences as of June 30, 2009, including interest of \$17,457 are as follows:

Year ending June 30,	Principal	Interest	Total
2010	\$ 33,371	\$ 6,824	\$ 40,195
2011	34,961	5,235	40,196
2012	36,623	3,571	40,194
2013	38,366	1,827	40,193
	\$ 143,321	\$ 17,457	\$ 160,778

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. 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 Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)**

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. 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% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 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% of gross wages begin at enrollment. Actuarial 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.

The 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 16.72% through September 2008 and 16.54% for October 1, 2008 through June 30, 2009. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2009, 2008 and 2007 were \$1,606,464, \$1,511,905, and \$1,526,511, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

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

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The 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 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 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 10 - INTERFUND TRANSFERS**

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

	Transfers Out			
	General fund	Special education fund	Vocational education fund	Total
Transfers in:				
Vocational education	\$ 74,125	\$ 74,125	\$ -	\$ 148,250
Other nonmajor governmental funds	94,612	-	53,858	148,470
Total	\$ 168,737	\$ 74,125	\$ 53,858	\$ 296,720

Transfers provided funding for vocational education technology department, capital projects and operations and maintenance services.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2009**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget- positive (negative)</b>
<b>REVENUES:</b>				
Local sources	\$ 576,115	\$ 556,587	\$ 533,456	\$ (23,131)
State sources	825,903	982,692	983,117	425
Federal sources	78,454	144,264	144,764	500
Interdistrict sources	418,585	367,974	362,216	(5,758)
Total revenues	<u>1,899,057</u>	<u>2,051,517</u>	<u>2,023,553</u>	<u>(27,964)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	420,266	462,363	443,103	19,260
Added needs	1,000	1,000	1,000	-
Total instruction	<u>421,266</u>	<u>463,363</u>	<u>444,103</u>	<u>19,260</u>
Supporting services:				
Pupil	37,481	43,274	40,194	3,080
Instructional staff	284,736	399,306	346,787	52,519
General administration	168,462	186,678	167,068	19,610
Business	242,648	240,473	231,107	9,366
Operation/maintenance	121,392	136,493	118,220	18,273
Pupil transportation	13,500	11,000	11,000	-
Central	280,713	323,176	318,196	4,980
Total supporting services	<u>1,148,932</u>	<u>1,340,400</u>	<u>1,232,572</u>	<u>107,828</u>
Community services	<u>33,363</u>	<u>53,806</u>	<u>45,901</u>	<u>7,905</u>
Transfer to school districts and other governmental units	<u>219,397</u>	<u>210,836</u>	<u>195,965</u>	<u>14,871</u>
Total expenditures	<u>1,822,958</u>	<u>2,068,405</u>	<u>1,918,541</u>	<u>149,864</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>76,099</u>	<u>(16,888)</u>	<u>105,012</u>	<u>121,900</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers to other funds	<u>(186,901)</u>	<u>(190,084)</u>	<u>(168,737)</u>	<u>21,347</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (110,802)</u>	<u>\$ (206,972)</u>	<u>(63,725)</u>	<u>\$ 143,247</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>1,432,909</u>	
End of year			<u>\$ 1,369,184</u>	

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL EDUCATION FUND  
YEAR ENDED JUNE 30, 2009**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget- positive (negative)</b>
<b>REVENUES:</b>				
Local sources	\$ 6,858,071	\$ 7,613,762	\$ 7,712,305	\$ 98,543
State sources	4,798,776	4,742,421	4,842,530	100,109
Federal sources	2,638,377	2,986,265	2,778,856	(207,409)
Interdistrict sources	102,486	102,486	107,128	4,642
Total revenues	<u>14,397,710</u>	<u>15,444,934</u>	<u>15,440,819</u>	<u>(4,115)</u>
<b>EXPENDITURES:</b>				
Instruction:				
Added needs	<u>5,074,112</u>	<u>5,102,512</u>	<u>4,981,484</u>	<u>121,028</u>
Supporting services:				
Pupil	4,746,551	4,781,641	4,756,144	25,497
Instructional staff	649,655	960,253	820,463	139,790
General administration	107,437	114,933	98,465	16,468
Business	425,458	512,139	504,182	7,957
Operation/maintenance	298,636	307,496	255,604	51,892
Pupil transportation	938,594	1,061,178	971,350	89,828
Central	<u>189,326</u>	<u>182,534</u>	<u>107,410</u>	<u>75,124</u>
Total supporting services	<u>7,355,657</u>	<u>7,920,174</u>	<u>7,513,618</u>	<u>406,556</u>
Community services	<u>15,335</u>	<u>6,413</u>	<u>4,458</u>	<u>1,955</u>
Transfer to school districts and other governmental units	<u>1,971,400</u>	<u>2,326,400</u>	<u>2,357,045</u>	<u>(30,645)</u>
Total expenditures	<u>14,416,504</u>	<u>15,355,499</u>	<u>14,856,605</u>	<u>498,894</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(18,794)</u>	<u>89,435</u>	<u>584,214</u>	<u>494,779</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	-	7,400	5,794	(1,606)
Operating transfers to other funds	<u>(75,192)</u>	<u>(65,594)</u>	<u>(74,125)</u>	<u>(8,531)</u>
Total other financing sources (uses)	<u>(75,192)</u>	<u>(58,194)</u>	<u>(68,331)</u>	<u>(10,137)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (93,986)</u>	<u>\$ 31,241</u>	<u>515,883</u>	<u>\$ 484,642</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>5,162,728</u>	
End of year			<u>\$ 5,678,611</u>	

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
VOCATIONAL EDUCATION FUND  
YEAR ENDED JUNE 30, 2009**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget- positive (negative)</b>
<b>REVENUES:</b>				
Local sources	\$ 3,094,378	\$ 3,129,956	\$ 3,208,412	\$ 78,456
State sources	329,344	329,344	243,649	(85,695)
Federal sources	352,898	351,444	353,040	1,596
Total revenues	<u>3,776,620</u>	<u>3,810,744</u>	<u>3,805,101</u>	<u>(5,643)</u>
<b>EXPENDITURES:</b>				
Instruction:				
Added needs	2,035,273	1,983,988	1,914,962	69,026
Adult education	-	2,418	993	1,425
	<u>2,035,273</u>	<u>1,986,406</u>	<u>1,915,955</u>	<u>70,451</u>
Supporting services:				
Pupil	300,349	291,003	291,036	(33)
Instructional staff	14,000	14,000	11,871	2,129
General administration	65,495	65,838	57,061	8,777
School administration	246,331	219,971	224,015	(4,044)
Business	226,462	229,350	199,886	29,464
Operation/maintenance	354,957	352,146	309,067	43,079
Central	241,171	230,707	193,660	37,047
Other	46,000	46,000	40,932	5,068
Total supporting services	<u>1,494,765</u>	<u>1,449,015</u>	<u>1,327,528</u>	<u>121,487</u>
Community services	<u>19,152</u>	<u>19,152</u>	<u>14,645</u>	<u>4,507</u>
Transfer to school districts and other governmental units	<u>220,561</u>	<u>219,591</u>	<u>219,591</u>	<u>-</u>
Total expenditures	<u>3,769,751</u>	<u>3,674,164</u>	<u>3,477,719</u>	<u>196,445</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>6,869</u>	<u>136,580</u>	<u>327,382</u>	<u>190,802</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds	131,188	131,188	148,250	17,062
Operating transfers to other funds	(57,989)	(65,339)	(53,858)	11,481
Total other financing sources (uses)	<u>73,199</u>	<u>65,849</u>	<u>94,392</u>	<u>28,543</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 80,068</u>	<u>\$ 202,429</u>	<u>421,774</u>	<u>\$ 219,345</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>3,114,221</u>	
End of year			<u>\$ 3,535,995</u>	

**ADDITIONAL INFORMATION**

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUND TYPES  
 JUNE 30, 2009**

	<b>Cooperative education special revenue fund</b>
<b>ASSETS</b>	
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 21,406
Due from other governmental units	30,874
Prepaid expenditures	<u>822</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 53,102</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES:</b>	
Accrued salaries and related items	<u>\$ 6,333</u>
<b>FUND BALANCES:</b>	
Reserved for prepaid expenditures	822
Unreserved, undesignated	<u>45,947</u>
Total fund balances	<u>46,769</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 53,102</u></u>

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2009**

	<b>Cooperative education special revenue fund</b>	<b>Debt service fund - Durant</b>	<b>Total nonmajor governmental funds</b>
<b>REVENUES:</b>			
State sources	\$ -	\$ 270,070	\$ 270,070
Interdistrict sources	320,276	-	320,276
	<u>320,276</u>	<u>270,070</u>	<u>590,346</u>
Total revenues	<u>320,276</u>	<u>270,070</u>	<u>590,346</u>
<b>EXPENDITURES:</b>			
Support services:			
Pupil	48,646	-	48,646
Instructional staff	96,941	-	96,941
General administration	17,218	-	17,218
Business	18,531	-	18,531
Operation/maintenance	107,169	-	107,169
Central support	179,370	-	179,370
Debt service:			
Principal	-	194,660	194,660
Interest	-	75,410	75,410
	<u>467,875</u>	<u>270,070</u>	<u>737,945</u>
Total expenditures	<u>467,875</u>	<u>270,070</u>	<u>737,945</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(147,599)</u>	<u>-</u>	<u>(147,599)</u>
<b>OTHER FINANCING SOURCES:</b>			
Operating transfers from other funds	148,470	-	148,470
<b>NET CHANGE IN FUND BALANCES</b>	<u>871</u>	<u>-</u>	<u>871</u>
<b>FUND BALANCES:</b>			
Beginning of year	45,898	-	45,898
End of year	<u>\$ 46,769</u>	<u>\$ -</u>	<u>\$ 46,769</u>

**MECOSTA-OSCEOLA INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS  
DURANT NON-PLAINTIFF BOND  
YEAR ENDED JUNE 30, 2009**

1998 Refunding Bonds

<u>Year ending June 30,</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
2010	\$ 33,371	\$ 6,824	\$ 40,195
2011	34,961	5,235	40,196
2012	36,623	3,571	40,194
2013	<u>38,366</u>	<u>1,827</u>	<u>40,193</u>
	<u>\$ 143,321</u>	<u>\$ 17,457</u>	<u>\$ 160,778</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under section 11g(3) of Act 94 to the School District (the “State Aid Payments”). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority’s Depository.