

Muskegon Area Intermediate School District

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2007

Muskegon Area Intermediate School District

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Muskegon Area Intermediate School District

Management's Discussion and Analysis

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, 2007.

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, Vocational Education (Career Tech Center) Fund, and Cooperative Education (Head Start) 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.

Muskegon Area Intermediate School District

Management's Discussion and Analysis

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.

Muskegon Area Intermediate School District

Management's Discussion and Analysis

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 \$16.1 million, which is an increase of approximately \$2.2 million from last year.

- The General Fund reflects a fund balance increase of \$290,525 from the prior year. Revenues increased by approximately 10.32% from prior year levels primarily due to increase in local revenues such as property taxes, investment income and transfers in primarily due to higher administrative fees from other funds and state funds due to new grants. The expenditures increased by 9.61% primarily due to purchased services.
- In the Special Education Fund, our largest fund, the fund balance increased by \$53,659 to \$1,208,613. This actual amount is a surplus instead of a budgeted deficit of \$88,437. Revenues increased 8.09% while expenditures increased by 8.21% in comparison with the prior year. Overall, actual Special Education revenues were within 3.2% higher and expenses were 2.8% higher of budgeted amounts.
- The Vocational Education Fund experienced a fund balance increase of \$1,956,866. 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. The fund balance at year end reflects property tax collections from the current year to be applied to building construction and leasing costs, classroom setups, and ongoing staffing and operational needs of our new Career Tech Center. 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.

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, 2007.

Muskegon Area Intermediate School District

Management's Discussion and Analysis

Table 1

	2005-06 Governmental Activities (in millions)	2006-07 Governmental Activities (in millions)
Assets		
Current and other assets	\$ 30.9	\$ 34.4
Capital assets – Net of accumulated depreciation	5.9	6.0
Total Assets	\$ 36.8	\$ 40.4
Liabilities		
Current liabilities	\$ 17.0	\$ 18.3
Long-term liabilities	1.1	1.0
Total Liabilities	\$ 18.1	\$ 19.3
Net Assets		
Invested in property and equipment – Net of related debt	\$ 5.3	\$ 5.4
Restricted	10.0	12.0
Unrestricted	3.4	3.7
Total Net Assets	\$ 18.7	\$ 21.1

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 \$21.1 million at June 30, 2007. 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, \$12.0 million, is legally restricted for special and vocational education programs, debt payments and donor-designated purposes. The remaining amount of net assets, \$3.7 million, is unrestricted. The operating results of all four major funds will have a significant impact on the change in unrestricted net assets from year to year.

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 2007. Since this is the fifth year the Intermediate School District has prepared financial statements following GASB Statement 34, revenue and expense comparison to fiscal year 2006 is available.

Muskegon Area Intermediate School District

Management's Discussion and Analysis

Table 2

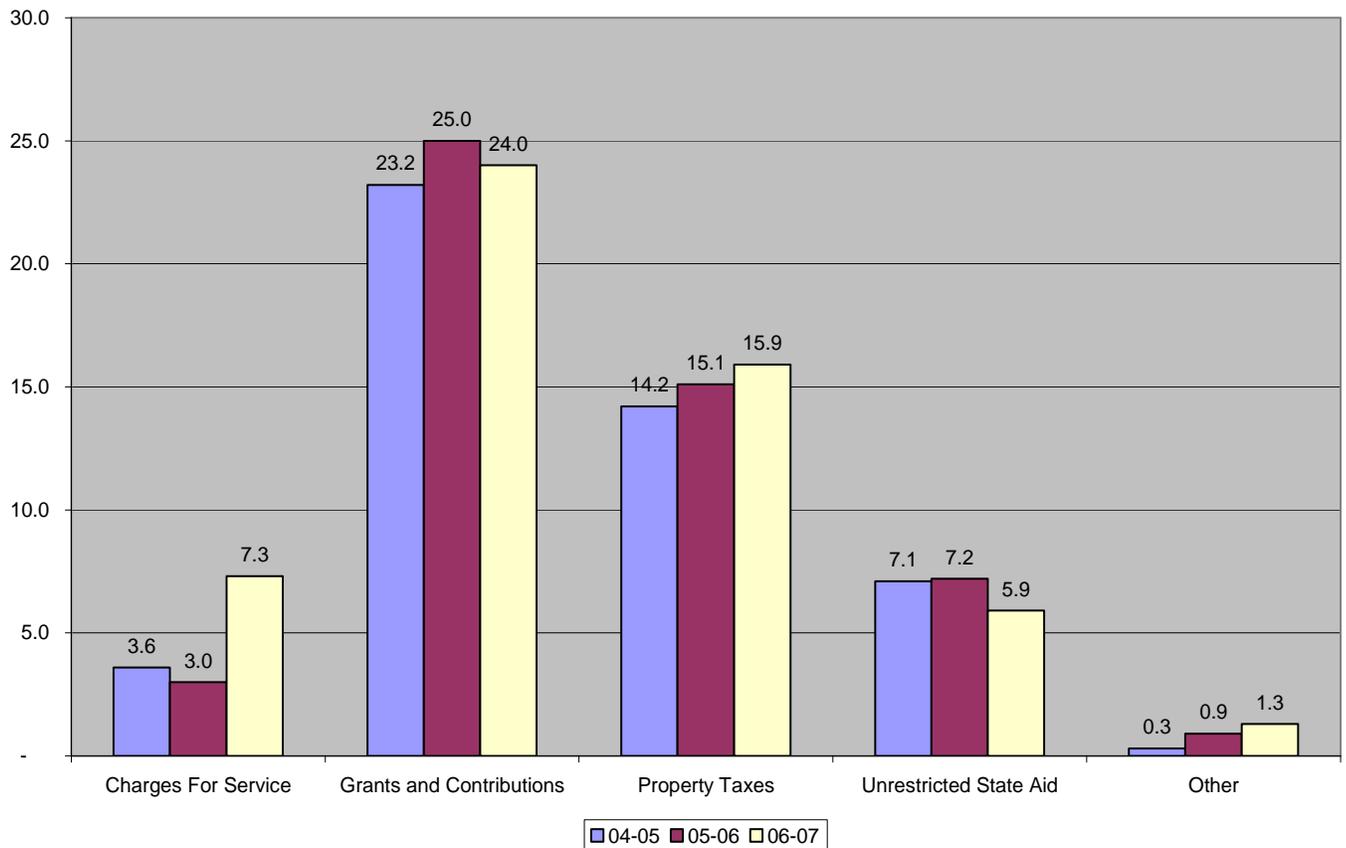
	2005-06 Governmental Activities (in millions)	2006-07 Governmental Activities (in millions)
Revenue		
Program Revenue		
Charges for services	\$ 3.0	\$ 7.3
Grants and categoricals	25.0	24.0
General revenue		
Property taxes	15.1	15.9
Unrestricted state aid	7.2	5.9
Other	.9	1.3
Total Revenue	\$ 51.2	\$ 54.4

FY2007 Revenues - \$54.4 Million

FY2006 Revenues - \$51.2 Million

FY2005 Revenues - \$48.4 Million

Revenue Comparison



Muskegon Area Intermediate School District

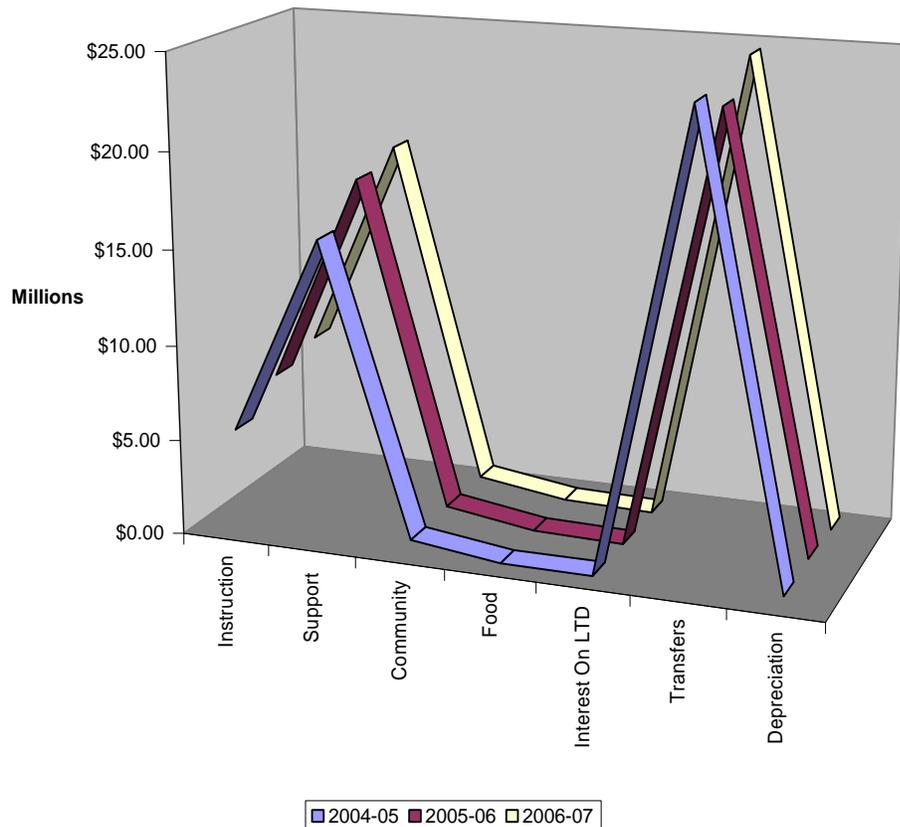
Management's Discussion and Analysis

Table 2 (cont'd)

Function/Program Expenses	2005-06	2006-07
	Governmental Activities (in millions)	Governmental Activities (in millions)
Instruction	\$ 6.9	\$ 7.6
Support services	17.8	18.5
Community services	.8	.8
Food services	.1	.1
Interest on long-term debt	.0	.0
Inter-district transfers	22.9	24.7
Unallocated depreciation	.5	.3
Total Expenses	\$ 49.0	\$ 52.0

FY2007 Expenses - \$52.0 Million
FY2006 Expenses - \$49.0 Million
FY2005 Expenses - \$46.5 Million

Comparison of Expenses



Muskegon Area Intermediate School District

Management's Discussion and Analysis

As reported in the statement of activities, the cost of all our governmental activities this year was \$52.0 million. Certain activities were partially funded by those who benefited from the programs (\$7.3M) or by other governments and organizations that subsidized certain programs with grants and categorical aid (\$24.0M). The Muskegon Area Intermediate School District paid for the remaining "public benefit" portion with \$15.9 million in property tax revenue, \$7.2 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 \$2.3 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 the majority of Intermediate School District 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, Vocational Education, and Cooperative Education fund budgets are as follows:

- **General Fund:** Budgeted revenues increased due to smaller reduction of state cuts than expected and budgeted revenues and expenditures increased based upon increases in the initial amounts of federal and state grants and the addition of new grants like High Priority Schools. This fund ended with a \$290K surplus. The total fund balance is \$3.2M.
- **Special Education Fund:** Budgeted revenues and expenditures increased based upon increases in the initial amounts of federal and state grants. The transportation consortium budget adjustments also affect the variances between the original and final budgets. The budgeted amounts for revenues and expenditures were exceeded due to the fact that local districts Special Education expenditures and number of students receiving service from the MAISD affect the final numbers available for distribution to districts. This fund ended the year with a \$54K surplus instead of \$88K deficit that was budgeted. The total fund balance is \$1.2M.
- **Vocational Education Fund:** Revenue adjustments reflect an increase over the original budget amounts due to additional tax revenues and additional state and federal grants income. Expenditures remained approximately the same as the previous year. This fund ended the year with a \$2.0M surplus. The total fund balance is \$10.8M.
- **Cooperative Education Fund:** The year end for our federal Head Start program is November, which creates budgeting difficulties in compliance with the Intermediate School District's fiscal year end. Total grant award amounts are initially budgeted, and then later adjusted to reflect a more accurate spending pattern for this large federal grant.

Muskegon Area Intermediate School District

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007 the Intermediate School District had \$11.7 million invested in capital assets. This amount represents a net increase, including additions and deletions, of \$55,739 or 1.05%, from last year.

	<u>2006</u>	<u>2007</u>
Land	\$ 100,500	\$ 100,500
Buildings & Improvements	8,258,556	8,277,306
Buses and other vehicles	1,391,819	1,292,180
Furniture and equipment	1,551,080	1,991,753
Total capital assets	\$ 11,301,955	\$ 11,661,739
Less accumulated depreciation	5,985,834	6,289,879
Net Capital Assets	<u>\$ 5,316,121</u>	<u>\$ 5,371,860</u>

This year's deductions of \$158,313 less \$60,216 accumulated depreciation for net deductions of \$98,097 were strictly vehicles. This year's additions equal \$518,097 less accumulated depreciation of \$364,261 for net additions of \$153,836. Additions include building and improvements, vehicles and equipment. Overall Net Capital Assets increased by \$55,739 or 1.05%.

The Intermediate School District issued \$750,000 Bonds in 2003 related to the construction of a Fiber Optic System. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Intermediate School District's ability to use those net assets for unrestricted day-to-day operations. The remaining amount of net assets, \$3,681,072 was unrestricted.

Debt Administration

At June 30, 2007, Muskegon Area Intermediate School District had \$1,043,131 in bonds outstanding. Those bonds are Durant obligation bonds at \$503,131 that are the responsibility of the State of Michigan and 2003 Fiber Optic System Bonds at \$540,000.

	<u>2006</u>	<u>2007</u>
Durant Bond Obligations	\$ 503,131	\$ 503,131
2003 Fiber Optic System Bonds	610,000	540,000
Total Outstanding Debt	<u>\$ 1,113,131</u>	<u>\$ 1,043,131</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

Muskegon Area Intermediate School District

Management's Discussion and Analysis

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 \$47,422 to \$203,569 including interest at 4.76% due May 2007 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, 2008 to 2014, plus interest ranging from 2.5 to 3.85% payable semi-annually.

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: an 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.

A variety of legislation was signed into law that affects school funding in earlier months. Some of the new laws affecting schools:

- a) Retirement for new school employees
- b) Health Care reform bidding process and availability of claims data
- c) Vocational Education funding and consideration and acquisition or construction of a career and technical education facility.

The 2007-08 State Aid Bill which establishes funding for schools was agreed upon on October 31, 2007 even though the schools fiscal year began July 1, 2007. There are continuous economic struggles in Michigan that prompted the legislature to increase taxes and make over \$400 million in cuts to balance the 2007-08 budget. The economic struggles are expected to continue in the foreseeable future.

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, 630 Harvey Street, Muskegon, MI 49442, phone 231-767-7207, fax 231-773-3498 or Email mdemetri@muskegonisd.org.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

November 6, 2007

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, 2007, 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, 2007, 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 November 6, 2007, 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
November 6, 2007
Page 2

The management's discussion and analysis and budgetary comparison information on pages i -ix and 29 - 32, 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 34 - 35 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.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

Muskegon Area Intermediate School District
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 17,477,210
Investments	7,056,808
Receivables	40,472
Due from other governmental units	9,753,328
Prepaid expenses	<u>107,422</u>
Total current assets	34,435,240
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	100,500
Depreciable	5,271,360
Notes and interest receivable	<u>615,735</u>
Total noncurrent assets	<u>5,987,595</u>
Total assets	40,422,835
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	5,924,275
Due to other governmental units	11,301,864
Deferred revenue	1,067,858
Bonds and other obligations, due within one year	<u>75,000</u>
Total current liabilities	18,368,997
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>968,131</u>
Total liabilities	<u>19,337,128</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,371,860
Restricted	
Special Education	1,208,613
Vocational Education	10,824,162
Unrestricted	<u>3,681,072</u>
Total net assets	<u>\$ 21,085,707</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, 2007

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Governmental activities				
Instruction	\$ 7,578,226	\$ 99,912	\$ 555,726	\$ (6,922,588)
Support services	18,461,232	7,097,031	5,169,669	(6,194,532)
Community services	802,444	19,461	532,934	(250,049)
Food services	93,934	3,572	99,636	9,274
Interest on long-term debt	19,608	-	-	(19,608)
Interdistrict transfers	24,667,457	113,663	17,577,524	(6,976,270)
Unallocated depreciation	364,261	-	-	(364,261)
Total governmental activities	<u>\$ 51,987,162</u>	<u>\$ 7,333,639</u>	<u>\$ 23,935,489</u>	(20,718,034)
General revenues				
Property taxes levied for				
General purposes				1,982,121
Special education				9,732,996
Vocational education				4,232,386
Grants and contributions not restricted to specific programs				5,908,413
Investment earnings				1,149,110
Miscellaneous				150,835
Gain (loss) on sale of capital assets				(95,480)
Total general revenues				<u>23,060,381</u>
Change in net assets				2,342,347
Net assets at July 1, 2006				<u>18,743,360</u>
Net assets at June 30, 2007				<u>\$ 21,085,707</u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
BALANCE SHEET
 Governmental Funds
 June 30, 2007

	General Fund	Special Education	Cooperative Education	Vocational Education	Other governmental funds	Total governmental funds
ASSETS						
Cash and cash equivalents	\$ 1,559,410	\$ 3,828,042	\$ 8,845	\$ 11,103,066	\$ 977,845	\$ 17,477,208
Investments	2,551,473	4,032,304	-	42,812	430,219	7,056,808
Taxes receivable	2,118	9,064	-	3,941	-	15,123
Accounts receivable	-	-	-	2,633	37,839	40,472
Due from other governmental units	765,688	7,708,396	865,353	394,273	4,493	9,738,203
Due from other funds	14,361	-	-	-	399,154	413,515
Prepaid expenses	57,946	43,857	1,308	4,312	-	107,423
Total assets	\$ 4,950,996	\$ 15,621,663	\$ 875,506	\$ 11,551,037	\$ 1,849,550	\$ 34,848,752
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 179,472	\$ 4,200,318	\$ 35,160	\$ 159,397	\$ 795,832	\$ 5,370,179
Accrued liabilities	38,706	262,769	12,143	150,872	-	464,490
Due to other governmental units	267,588	9,872,789	828,203	333,284	-	11,301,864
Due to other funds	337,176	49,304	-	4,352	105,905	496,737
Deferred revenue	961,018	27,870	-	78,970	-	1,067,858
Total liabilities	1,783,960	14,413,050	875,506	726,875	901,737	18,701,128
Fund balances						
Reserved						
Prepaid expenses	57,946	43,857	-	4,312	-	106,115
Capital projects	-	-	-	-	937,494	937,494
Unreserved						
Designated for ISD wide projects	-	379,004	-	-	-	379,004
Designated for special education facilities	-	447,001	-	-	-	447,001
Designated for vocational education	-	-	-	10,806,318	-	10,806,318
Designated for compensated absences	56,443	38,751	-	13,532	-	108,726
Undesignated						
General Fund	3,052,647	-	-	-	-	3,052,647
Special Education	-	300,000	-	-	-	300,000
School service	-	-	-	-	10,319	10,319
Total fund balances	3,167,036	1,208,613	-	10,824,162	947,813	16,147,624
Total liabilities and fund balance:	\$ 4,950,996	\$ 15,621,663	\$ 875,506	\$ 11,551,037	\$ 1,849,550	\$ 34,848,752

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, 2007

Total fund balance—governmental funds \$ 16,147,624

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	\$ 11,661,740	
Accumulated depreciation	<u>(6,289,879)</u>	5,371,861

Other long-term note and interest receivable in governmental activities is not reported in the governmental funds.	615,735
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Accrued interest in governmental activities is not reported in the governmental funds.	(89,604)
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Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.	(1,043,131)
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Internal service funds fund balances are not part of the governmental funds, but are reported in the Statement of Net Assets	<u>83,222</u>
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Net assets of governmental activities in the Statement of Net Assets	<u><u>\$ 21,085,707</u></u>
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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, 2007

	General Fund	Special Education	Cooperative Education	Vocational Education	Other governmental funds	Total governmental funds
REVENUES						
Local sources						
Property taxes	\$ 1,979,496	\$ 9,719,184	\$ -	\$ 4,214,109	\$ -	\$ 15,912,789
Medicaid reimbursement	-	2,718,136	-	-	-	2,718,136
Investment earnings	200,541	318,496	-	551,834	80,140	1,151,011
Drivers education / poly plot	10,615	-	-	-	-	10,615
Tuition / fees	44,276	-	1,841	-	-	46,117
Rental income	(264)	29,184	-	-	-	28,920
Resale charges	126,523	-	-	-	-	126,523
Data processing	32,620	-	-	-	-	32,620
Printing	55,183	-	-	-	-	55,183
Other	255,568	43,264	-	171,996	11,449	482,277
Total local sources	<u>2,704,558</u>	<u>12,828,264</u>	<u>1,841</u>	<u>4,937,939</u>	<u>91,589</u>	<u>20,564,191</u>
State sources	1,821,631	7,832,916	-	1,602,748	7,342	11,264,637
Federal revenues	1,126,308	7,653,578	5,864,747	953,350	92,294	15,690,277
Total revenues	<u>5,652,497</u>	<u>28,314,758</u>	<u>5,866,588</u>	<u>7,494,037</u>	<u>191,225</u>	<u>47,519,105</u>
EXPENDITURES						
Instruction	16,460	4,812,119	-	2,829,343	-	7,657,922
Support services	6,758,168	8,406,978	706,205	2,105,614	-	17,976,965
Community services	158,387	26,001	618,056	-	-	802,444
Food services	-	-	-	-	93,934	93,934
Debt service						
Principal	-	-	-	-	70,000	70,000
Interest and other charges	-	-	-	-	20,153	20,153
Capital projects	-	-	-	-	528,461	528,461
Total expenditures	<u>6,933,015</u>	<u>13,245,098</u>	<u>1,324,261</u>	<u>4,934,957</u>	<u>712,548</u>	<u>27,149,879</u>
Excess (deficiency) of revenues over (under) expenditures	(1,280,518)	15,069,660	4,542,327	2,559,080	(521,323)	20,369,226
OTHER FINANCING SOURCES (USES)						
Transfers from other governmental units and other transactions	1,426,731	5,011,739	17,837	14,247	160,076	6,630,630
Proceeds from sale of equipment	-	-	2,555	-	-	2,555
Transfers in	969,361	-	-	-	290,525	1,259,886
Transfers out	(290,525)	(633,768)	-	(335,593)	-	(1,259,886)
Transfers to other governmental units and other transactions	(534,524)	(19,393,972)	(4,562,719)	(280,868)	(9,274)	(24,781,357)
Total other financing sources (uses)	<u>1,571,043</u>	<u>(15,016,001)</u>	<u>(4,542,327)</u>	<u>(602,214)</u>	<u>441,327</u>	<u>(18,148,172)</u>
Net change in fund balances	290,525	53,659	-	1,956,866	(79,996)	2,221,054
Fund balances at July 1, 2006	<u>2,876,511</u>	<u>1,154,954</u>	<u>-</u>	<u>8,867,296</u>	<u>1,027,809</u>	<u>13,926,570</u>
Fund balances at June 30, 2007	<u>\$ 3,167,036</u>	<u>\$ 1,208,613</u>	<u>\$ -</u>	<u>\$ 10,824,162</u>	<u>\$ 947,813</u>	<u>\$ 16,147,624</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, 2007

Net change in fund balances—total governmental funds	\$	2,221,054
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	\$	518,098
Depreciation expense		<u>(364,261)</u>
		153,837
Governmental funds report the entire proceeds from sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets.		
		(98,097)
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.		
		(2,294)
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.		
		16,372
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.		
		70,000
Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.		
		(15,826)
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>(2,699)</u>
Change in net assets of governmental activities	\$	<u><u>2,342,347</u></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, 2007

ASSETS	
Due from other funds	\$ 83,222
 LIABILITIES AND NET ASSETS	
Liabilities	<u> -</u>
Net assets	
Unrestricted	<u><u>\$ 83,222</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, 2007

REVENUES	
Charges for services	\$ -
EXPENSES	
Costs of services	<u>2,699</u>
Change in net assets	(2,699)
Net assets at July 1, 2006	<u>85,921</u>
Net assets at June 30, 2007	<u><u>\$ 83,222</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, 2007

Cash flows from operating activities	
Payments for premiums and claims	\$ 2,699
Payments from other funds for services	<u>(2,699)</u>
Net increase in cash	-
Cash balances at July 1, 2006	<u>-</u>
Cash balances at June 30, 2007	<u><u>\$ -</u></u>
Cash flows from operating activities	
Change in net assets	\$ (2,699)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
(Increase) decrease in operating assets	
Due from other funds	<u>2,699</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, 2007

		Agency funds	
	Combined	Student activities	Fiber consortium
ASSETS			
Cash and cash equivalents	\$ 40,198	\$ 40,198	\$ -
Accounts receivable	709,308	-	709,308
	\$ 749,506	\$ 40,198	\$ 709,308
 LIABILITIES			
Deposits held for others	\$ 749,506	\$ 40,198	\$ 709,308

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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—CONTINUED
June 30, 2007

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, cooperative education and vocational education activities in the special revenue funds.

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—CONTINUED
June 30, 2007

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, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

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 2006 to August 2007. Thus, the unpaid portion at June 30, 2007 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—CONTINUED
June 30, 2007

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—CONTINUED
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Property Taxes—Continued

For the year ended June 30, 2007, the School District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	0.4597
Special Education Fund - Homestead and non-homestead	2.2987
Vocational Education Fund - Homestead and non-homestead	0.9996

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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

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—CONTINUED
June 30, 2007

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, 2007. The School District does not consider these amendments to be significant.

Excess of Expenditures Over Appropriations

The General Fund's outgoing transfers exceeded budget by \$113,204 due to the transfer of \$290,525 to the Capital Projects Fund. Special Education transfers exceeded budget by \$1,664,349. Vocational Education transfers exceeded budget by \$23,211. Both Special Education and Vocational Education transfers were funded by increased grant revenues.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 June 30, 2007

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2007, 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				
Cash Management Class	\$ 552	1	AAAm	0.02 %
MAX Class	4,487	1	AAAm	0.06
Fixed income portfolio				
MILAF and Term C	2,051,769	81	AAAm	29.07
MILAF and Term C	<u>5,000,000</u>	<u>51</u>	<u>AAAm</u>	<u>70.85</u>
Total fair value	<u>\$ 7,056,808</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>60</u>		

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, 2007, \$18,312,732 of the School District's bank balance of \$18,512,732 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 June 30, 2007

NOTE C—DEPOSITS AND INVESTMENTS—Continued

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.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 100,500	\$ -	\$ -	\$ 100,500
Capital assets, being depreciated:				
Buildings and improvements	8,258,556	18,750	-	8,277,306
Equipment	1,551,080	440,673	-	1,991,753
Vehicles	1,391,819	58,674	158,313	1,292,180
Total capital assets, being depreciated	<u>11,201,455</u>	<u>518,097</u>	<u>158,313</u>	<u>11,561,239</u>
Less accumulated depreciation:				
Buildings and improvements	4,681,651	168,676	-	4,850,327
Equipment	550,716	62,796	-	613,512
Vehicles	753,467	132,789	60,216	826,040
Total accumulated depreciation	<u>5,985,834</u>	<u>364,261</u>	<u>60,216</u>	<u>6,289,879</u>
Total capital assets, being depreciated, net	<u>5,215,621</u>	<u>153,836</u>	<u>98,097</u>	<u>5,271,360</u>
Capital assets, net	<u>\$ 5,316,121</u>	<u>\$ 153,836</u>	<u>\$ 98,097</u>	<u>\$ 5,371,860</u>

Depreciation

Depreciation expense has been charged as unallocated depreciation.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 June 30, 2007

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Education Fund	\$ 10,009
General Fund	Vocational Education Fund	4,352
Food service fund	General Fund	2,724
Capital projects fund	General Fund	290,525
Capital projects fund	2003 Fiber capital project fund	105,905
Internal Service Fund	General Fund	43,927
Internal Service Fund	Special Education Fund	39,295
		<u>\$ 496,737</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 \$290,525 to the Capital Project Fund, the Special Education Fund transferred \$633,768 to the General Fund and the Vocational Education Fund transferred \$335,593 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.

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, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds	\$ <u>1,113,131</u>	\$ <u>-</u>	\$ <u>70,000</u>	\$ <u>1,043,131</u>	\$ <u>75,000</u>

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

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 \$47,422 to \$299,470 including interest at 4.76% due May 2007 to 2013. The School District is only obligated to make the annual payments to the extent of annual State of Michigan appropriations.	\$ 503,131
2003 Fiber Optic System bonds payable in annual installments ranging from \$75,000 to \$85,000 due May 2007 to 2014; plus interest ranging from 2.79% to 3.85% payable semi-annually	<u>540,000</u>
Total bonded debt	<u><u>\$ 1,043,131</u></u>

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

The annual requirements of principal and interest to amortize bonded debt outstanding as of June 30, 2007 follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 75,000	\$ 18,540	\$ 93,540
2009	122,422	28,851	151,273
2010	124,678	24,292	148,970
2011	127,044	19,457	146,501
2012	129,519	14,347	143,866
2013-2014	<u>464,468</u>	<u>112,184</u>	<u>576,652</u>
	<u><u>\$ 1,043,131</u></u>	<u><u>\$ 217,671</u></u>	<u><u>\$ 1,260,802</u></u>

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

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.

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, 2007, was 17.74 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, 2007, 2006 and 2005 were approximately \$1,580,000, \$1,407,000, and \$1,152,000, 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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 June 30, 2007

NOTE G—EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN—Continued

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, 2007 were approximately \$17,400 provided to thirteen participants.

NOTE H—COMMITMENTS AND CONTINGENCIES

Commitments

- **Operating Leases** – The School District has lease agreements expiring at various dates through December 2012. Expense for the year ended June 30, 2007 was approximately \$65,000. The following is a schedule of future minimum rental payments required under operating leases for School District office equipment.

Year ending June 30,	Amount
2008	\$ 80,498
2009	73,578
2010	38,976
2011	34,752
2012	16,895
	<u>\$ 244,699</u>

The School District also entered into a lease of real property which terminates August 2008. The lease requires monthly payments of \$894 in the first year and \$920 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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 June 30, 2007

NOTE H—COMMITMENTS AND CONTINGENCIES—Continued

Commitments—Continued

- **Career Tech Center Lease** – The School District has entered into a lease with Muskegon Community College (College) to lease a Career Tech Center on the College campus. The lease payments are equivalent to the College’s debt service needs of the \$8,070,000 bonds issued to construct the Career Tech Center, plus \$25,000 a year for capital maintenance. The following is a schedule of future minimum rental payments required under the lease.

Year ending June 30,	Amount
2008	\$ 594,355
2009	611,855
2010	613,730
2011	628,680
2012	631,980
2013-2017	3,237,955
2018-2022	3,357,540
2023	682,720
	\$ 10,358,815

Contingencies

- **Litigation** - The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.
- **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—CONTINUED
June 30, 2007

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 22.6 percent of General Fund revenues, approximately 23.5 percent of Special Education revenues and 21.3 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, 2007 or any of the prior three years.

NOTE J—SUBSEQUENT EVENT

The School District has entered into several contracts to purchase computer software, equipment and transportation equipment totaling approximately \$1,094,000.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Local sources	\$ 3,136,468	\$ 2,654,151	\$ 2,704,558	\$ 50,407
State sources	1,369,010	2,073,521	1,821,631	(251,890)
Federal sources	1,518,866	2,162,769	1,126,308	(1,036,461)
Incoming transfers and other transactions	1,768,172	2,554,339	2,396,092	(158,247)
Total revenues	7,792,516	9,444,780	8,048,589	(1,396,191)
EXPENDITURES				
Instruction				
Basic programs	11,699	293	-	293
Adult and continuing education	12,791	19,052	16,460	2,592
Support services				
Pupil	333,805	524,600	348,482	176,118
Instructional staff	3,095,365	3,814,715	2,696,393	1,118,322
General administration	547,814	483,143	450,292	32,851
School administration	109,318	157,004	131,790	25,214
Business	1,205,444	1,123,123	1,063,907	59,216
Operations and maintenance	308,632	316,049	302,677	13,372
Pupil transportation services	53,073	60,836	55,687	5,149
Central	1,877,077	1,897,392	1,708,939	188,453
Community services	143,490	176,821	158,388	18,433
Outgoing transfers and other transactions	227,034	711,845	825,049	(113,204)
Total expenditures	7,925,542	9,284,873	7,758,064	1,526,809
Excess (deficiency) of revenues over (under) expenditures	\$ (133,026)	\$ 159,907	290,525	\$ 130,618
Fund balance at July 1, 2006			2,876,511	
Fund balance at June 30, 2007			\$ 3,167,036	

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Special Education Fund
For the year ended June 30, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Local sources	\$ 11,889,802	\$ 12,026,580	\$ 12,828,264	\$ 801,684
State sources	7,036,301	7,153,155	7,832,916	679,761
Federal sources	8,725,660	8,885,922	7,653,578	(1,232,344)
Incoming transfers and other transactions	3,860,300	4,311,984	5,011,739	699,755
Total revenues	31,512,063	32,377,641	33,326,497	948,856
EXPENDITURES				
Instruction				
Added needs	4,935,395	5,034,953	4,812,119	222,834
Support services				
Pupil	1,841,207	1,878,948	1,726,968	151,980
Instructional staff	1,079,668	1,146,266	951,434	194,832
General administration	99,299	226,329	212,927	13,402
School administration	490,521	483,077	462,658	20,419
Business	170,020	50,020	1,251	48,769
Operations and maintenance	998,444	1,069,506	958,054	111,452
Pupil transportation services	4,031,711	4,069,046	4,002,115	66,931
Central	240,497	112,322	91,571	20,751
Community services	31,000	32,220	26,001	6,219
Outgoing transfers and other transactions	17,569,031	18,363,391	20,027,740	(1,664,349)
Total expenditures	31,486,793	32,466,078	33,272,838	(806,760)
Excess (deficiency) of revenues over (under) expenditures	\$ 25,270	\$ (88,437)	53,659	\$ 142,096
Fund balance at July 1, 2006			1,154,954	
Fund balance at June 30, 2007			\$ 1,208,613	

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 Cooperative Education Fund
 For the year ended June 30, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Local sources	\$ 1,685	\$ 1,732	\$ 1,841	\$ 109
Federal sources	5,781,614	5,967,218	5,864,747	(102,471)
Incoming transfers and other transactions	2,215	14,976	20,392	5,416
Total revenues	5,785,514	5,983,926	5,886,980	(96,946)
EXPENDITURES				
Support services				
General administration	3,000	2,475	2,475	-
Business	86,217	85,313	82,987	2,326
Pupil transportation services	599,946	662,359	618,487	43,872
Central	96,984	4,016	2,256	1,760
Community services	654,489	655,236	618,056	37,180
Outgoing transfers and other transactions	4,344,878	4,574,527	4,562,719	11,808
Total expenditures	5,785,514	5,983,926	5,886,980	96,946
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund balance at July 1, 2006			-	
Fund balance at June 30, 2007			\$ -	

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

Vocational Education Fund
For the year ended June 30, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Local sources	\$ 4,396,181	\$ 4,614,291	\$ 4,937,939	\$ 323,648
State sources	1,554,225	1,625,534	1,602,748	(22,786)
Federal sources	1,000,327	1,045,133	953,350	(91,783)
Incoming transfers and other transactions	10,065	17,676	14,247	(3,429)
Total revenues	6,960,798	7,302,634	7,508,284	205,650
EXPENDITURES				
Instruction				
Added needs	2,162,200	2,863,322	2,811,816	51,506
Adult and continuing education	18,099	30,508	17,527	12,981
Support services				
Pupil	182,584	310,377	287,302	23,075
Instructional staff	425,623	398,528	337,962	60,566
General administration	9,095	8,925	4,813	4,112
School administration	442,608	444,076	431,319	12,757
Business	1,600	1,600	1,509	91
Operations and maintenance	908,768	1,007,960	992,197	15,763
Pupil transportation services	10,000	56,799	18,950	37,849
Central	44,994	32,117	31,562	555
Outgoing transfers and other transactions	1,771,246	593,250	616,461	(23,211)
Total expenditures	5,976,817	5,747,462	5,551,418	196,044
Excess (deficiency) of revenues over (under) expenditures	\$ 983,981	\$ 1,555,172	1,956,866	\$ 401,694
Fund balance at July 1, 2006			8,867,296	
Fund balance at June 30, 2007			\$ 10,824,162	

OTHER SUPPLEMENTARY INFORMATION

Muskegon Area Intermediate School District
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2007

	<u>Total other governmental funds</u>	<u>Food service</u>	<u>Capital projects</u>	<u>2003 Fiber capital project</u>	<u>Durant debt service</u>
ASSETS					
Cash and cash equivalents	\$ 977,845	\$ 7,598	\$ 970,247	\$ -	\$ -
Investments	430,219	-	-	430,219	-
Accounts receivable	37,839	-	-	37,839	-
Due from other governmental units	4,493	4,493	-	-	-
Due from other funds	<u>399,154</u>	<u>2,724</u>	<u>396,430</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,849,550</u>	<u>\$ 14,815</u>	<u>\$ 1,366,677</u>	<u>\$ 468,058</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 795,832	\$ 4,496	\$ -	\$ 791,336	\$ -
Due to other funds	<u>105,905</u>	<u>-</u>	<u>-</u>	<u>105,905</u>	<u>-</u>
Total liabilities	901,737	4,496	-	897,241	-
 Fund balances					
Reserved					
Capital projects	937,494	-	1,366,677	(429,183)	-
Unreserved					
Undesignated	<u>10,319</u>	<u>10,319</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>947,813</u>	<u>10,319</u>	<u>1,366,677</u>	<u>(429,183)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,849,550</u>	<u>\$ 14,815</u>	<u>\$ 1,366,677</u>	<u>\$ 468,058</u>	<u>\$ -</u>

Muskegon Area Intermediate School District
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

Other Governmental Funds
For the year ended June 30, 2007

	Total other governmental funds	Food service	Capital projects	2003 Fiber capital project	Durant debt service
REVENUES					
Local sources					
Investment earnings	\$ 80,140	\$ 3,572	\$ 76,568	\$ -	\$ -
Other	11,449	-	-	11,449	-
Total local sources	91,589	3,572	76,568	11,449	-
State sources	7,342	7,342	-	-	-
Federal sources	92,294	92,294	-	-	-
Total revenues	191,225	103,208	76,568	11,449	-
EXPENDITURES					
Food services	93,934	93,934	-	-	-
Debt service					
Principal	70,000	-	-	70,000	-
Interest and other charges	20,153	-	-	20,153	-
Capital projects	528,461	-	17,906	510,555	-
Total expenditures	712,548	93,934	17,906	600,708	-
Excess (deficiency) of revenues over (under) expenditures	(521,323)	9,274	58,662	(589,259)	-
OTHER FINANCING SOURCES					
Transfers from other governmental units	160,076	-	-	160,076	-
Transfers in	290,525	-	290,525	-	-
Transfers to other governmental units and other transactions	(9,274)	(9,274)	-	-	-
Total other financing sources	441,327	(9,274)	290,525	160,076	-
Net change in fund balances	(79,996)	-	349,187	(429,183)	-
Fund balances at July 1, 2006	1,027,809	10,319	1,017,490	-	-
Fund balances at June 30, 2007	\$ 947,813	\$ 10,319	\$ 1,366,677	\$ (429,183)	\$ -

Muskegon Area Intermediate School District

**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditors' Reports

June 30, 2007

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 6, 2007

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

We have audited the financial statements of the Muskegon Area Intermediate School District as of and for the year ended June 30, 2007 and have issued our report thereon dated November 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Muskegon Area Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Muskegon Area Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Muskegon Area Intermediate School District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

BRICKLEY DELONG

Board of Education
November 6, 2007
Page 2

Compliance

As part of obtaining reasonable assurance about whether Muskegon Area Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive style with a large, looped initial "B".

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 6, 2007

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

Compliance

We have audited the compliance of the Muskegon Area Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Muskegon Area Intermediate School District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Muskegon Area Intermediate School District's management. Our responsibility is to express an opinion on the Muskegon Area Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Muskegon Area Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Muskegon Area Intermediate School District's compliance with those requirements.

In our opinion, the Muskegon Area Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Board of Education
November 6, 2007
Page 2

Internal Control Over Compliance

The management of Muskegon Area Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Muskegon Area Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Muskegon Area Intermediate School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Muskegon Area Intermediate School District as of and for the year ended June 30, 2007 and have issued our report thereon dated November 6, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2006	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2007
					Prior year	Current year	Total	
U.S. Department of Education								
Direct programs:								
Fund for the Improvement of Education U215X050040	84.215	\$ 886,130	\$ 1,770	\$ 222,120	\$ 93,852	\$ 224,911	\$ 318,763	\$ 4,561
Programs passed through Michigan								
Department of Education:								
Adult Basic Education	84.002							
061130-610586		180,400	34,370	34,370	180,400	-	180,400	-
061190-610586		7,300	390	390	7,300	-	7,300	-
		<u>187,700</u>	<u>34,760</u>	<u>34,760</u>	<u>187,700</u>	<u>-</u>	<u>187,700</u>	<u>-</u>
Title I	84.010							
051570-0506		40,000	5,883	5,883	40,000	-	40,000	-
061570-0607		280,000	-	3,459	-	10,574	10,574	7,115
		<u>320,000</u>	<u>5,883</u>	<u>9,342</u>	<u>40,000</u>	<u>10,574</u>	<u>50,574</u>	<u>7,115</u>
Handicapped Preschool and School Program	84.027							
050450-0405		6,765,492	203,117	203,117	959,657	-	959,657	-
060450-0506		6,945,461	1,579,577	2,450,987	5,796,418	1,149,043	6,945,461	277,633
060490-TS		90,000	9,141	9,141	90,000	-	90,000	-
070440-0607		4,000	-	2,950	-	2,950	2,950	-
070450-0607		6,972,513	-	4,592,155	-	5,832,826	5,832,826	1,240,671
070480-EOSD		55,000	-	45,852	-	55,000	55,000	9,148
070490-TS		90,000	-	75,121	-	88,864	88,864	13,743
		<u>20,922,466</u>	<u>1,791,835</u>	<u>7,379,323</u>	<u>6,846,075</u>	<u>7,128,683</u>	<u>13,974,758</u>	<u>1,541,195</u>
Voc Education Regional Allocation	84.048							
063540-6014-9		483,148	108,315	108,315	483,148	-	483,148	-
073540-7014-9		495,131	-	404,034	-	495,131	495,131	91,097
		<u>978,279</u>	<u>108,315</u>	<u>512,349</u>	<u>483,148</u>	<u>495,131</u>	<u>978,279</u>	<u>91,097</u>
Handicapped Preschool and School Program	84.173							
060460-0506		293,631	49,126	80,757	258,696	34,935	293,631	3,304
070460-0607		289,031	-	182,218	-	225,181	225,181	42,963
		<u>582,662</u>	<u>49,126</u>	<u>262,975</u>	<u>258,696</u>	<u>260,116</u>	<u>518,812</u>	<u>46,267</u>
Infant and Toddler Early Childhood Intervention Program	84.181							
051340-190		241,984	2,204	2,204	81,064	-	81,064	-
061340-190		223,552	18,134	70,956	168,825	54,727	223,552	1,905
071340-190		221,974	-	132,912	-	151,844	151,844	18,932
		<u>687,510</u>	<u>20,338</u>	<u>206,072</u>	<u>249,889</u>	<u>206,571</u>	<u>456,460</u>	<u>20,837</u>

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2007

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2006	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2007
					Prior year	Current year	Total	
U.S. Department of Education—Continued								
Programs passed through Michigan Department of Education—continued								
Drug-Free Schools and Communities Act of 1986	84.186							
052860-0506		\$ 54,388	\$ 2,882	\$ 2,882	\$ 54,388	\$ -	\$ 54,388	\$ -
062860-0506		263,502	85,860	85,860	226,213	-	226,213	-
072860-0506		207,344	-	83,013	-	179,865	179,865	96,852
062860-0607		263,502	-	37,289	-	37,289	37,289	-
		<u>788,736</u>	<u>88,742</u>	<u>209,044</u>	<u>280,601</u>	<u>217,154</u>	<u>497,755</u>	<u>96,852</u>
Voc Education Technical Prep	84.243							
063540-6014-9		101,739	4,708	4,708	101,739	-	101,739	-
073540-7014-9		97,490	-	92,435	-	97,490	97,490	5,055
		<u>199,229</u>	<u>4,708</u>	<u>97,143</u>	<u>101,739</u>	<u>97,490</u>	<u>199,229</u>	<u>5,055</u>
Title V Part A Innovation	84.298							
060250-0506		27,900	167	12,102	8,841	11,935	20,776	-
060520-0607		27,900	-	6,765	-	7,124	7,124	359
070520-0607		14,301	-	2,712	-	2,937	2,937	225
		<u>70,101</u>	<u>167</u>	<u>21,579</u>	<u>8,841</u>	<u>21,996</u>	<u>30,837</u>	<u>584</u>
Title IIA, Teacher Quality Form	84.367							
070520-0607		475	-	475	-	475	475	-
Total passed through the Michigan Department of Education		<u>24,737,158</u>	<u>2,103,874</u>	<u>8,733,062</u>	<u>8,456,689</u>	<u>8,438,190</u>	<u>16,894,879</u>	<u>1,809,002</u>
Program passed through Department of Labor and Economic Growth:								
Federal Adult Education ABE Instruction	84.002A							
610586		23,000	23,000	23,000	23,000	-	23,000	-
061130-710587		34,200	-	17,500	-	34,200	34,200	16,700
071130-710587		205,132	-	113,932	-	205,132	205,132	91,200
071190-710587		7,300	-	-	-	7,300	7,300	7,300
		<u>269,632</u>	<u>23,000</u>	<u>154,432</u>	<u>23,000</u>	<u>246,632</u>	<u>269,632</u>	<u>115,200</u>
Total U.S. Department of Education		25,892,920	2,128,644	9,109,614	8,573,541	8,909,733	17,483,274	1,928,763

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2007

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2006	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2007
					Prior year	Current year	Total	
U.S. Department of Agriculture								
Programs passed through Michigan Department of Education:								
National School Lunch and Breakfast	10.555							
061950		\$ 5,727	\$ 373	\$ 1,064	\$ 5,036	\$ 691	\$ 5,727	\$ -
061960		44,964	2,855	8,245	39,574	5,390	44,964	-
071950		5,407	-	5,407	-	5,407	5,407	-
071960		54,541	-	43,053	-	46,059	46,059	3,006
		<u>110,639</u>	<u>3,228</u>	<u>57,769</u>	<u>44,610</u>	<u>57,547</u>	<u>102,157</u>	<u>3,006</u>
National School Breakfast Program	10.553							
061970 Breakfast		20,693	1,581	3,972	18,302	2,391	20,693	-
071970 Breakfast		21,354	-	21,355	-	22,842	22,842	1,487
		<u>42,047</u>	<u>1,581</u>	<u>25,327</u>	<u>18,302</u>	<u>25,233</u>	<u>43,535</u>	<u>1,487</u>
Entitlement Commodities	10.550	9,199	-	9,199	-	9,199	9,199	-
Total U.S. Department of Agriculture		<u>161,885</u>	<u>4,809</u>	<u>92,295</u>	<u>62,912</u>	<u>91,979</u>	<u>154,891</u>	<u>4,493</u>
U.S. Department of Health and Human Services								
Direct programs								
Head Start	93.600							
05CH8258/07		5,912,478	708,715	3,305,250	3,313,943	2,596,535	5,910,478	-
05CH8258/08		5,895,921	-	2,410,051	-	3,268,212	3,268,212	858,161
		<u>11,808,399</u>	<u>708,715</u>	<u>5,715,301</u>	<u>3,313,943</u>	<u>5,864,747</u>	<u>9,178,690</u>	<u>858,161</u>
Program passed through the Community Mental Health Services of Muskegon County:								
Great Start Collaborative	93.575							
0401MICCDF/06		70,000	11,666	24,414	57,252	12,748	70,000	-
0401MICCDF/07		70,000	-	35,000	-	52,500	52,500	17,500
		<u>140,000</u>	<u>11,666</u>	<u>59,414</u>	<u>57,252</u>	<u>65,248</u>	<u>122,500</u>	<u>17,500</u>
Program passed through the Early Childhood Investment Corporation:								
Great Start Collaborative	93.575	150,000	(2,329)	80,476	22,671	82,805	105,476	-
Program passed through the Michigan Department of Social Services:								
Medical assistance program XIX 393	93.778	247,483	-	247,483	-	247,483	247,483	-
Total U.S. Department of Health and Human Services		<u>12,345,882</u>	<u>718,052</u>	<u>6,102,674</u>	<u>3,393,866</u>	<u>6,260,283</u>	<u>9,654,149</u>	<u>875,661</u>
U.S. Corporation for National and Community Service								
Program passed through the Michigan Department of Labor and Economic Growth:								
Learn and Serve	94.004							
MCSC / ISDLS / F-10/06		49,942	(2,294)	47,648	-	49,942	49,942	-
Total U.S. Corporation for National and Community Service		<u>49,942</u>	<u>(2,294)</u>	<u>47,648</u>	<u>-</u>	<u>49,942</u>	<u>49,942</u>	<u>-</u>
U.S. Department of Labor								
Programs passed through the County of Muskegon:								
Workforce Investment Act	17.258							
27314013/WIA-04/05		310,295	(64,232)	-	3,472	64,232	67,704	-
27314013/WIA-05/06		379,627	52,207	122,638	346,116	33,511	379,627	(36,920)
27314013/WIA-06/07		262,118	-	212,261	-	262,986	262,986	50,725
Total U.S. Department of Labor		<u>952,040</u>	<u>(12,025)</u>	<u>334,899</u>	<u>349,588</u>	<u>360,729</u>	<u>710,317</u>	<u>13,805</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 39,402,669</u>	<u>\$ 2,837,186</u>	<u>\$ 15,687,130</u>	<u>\$ 12,379,907</u>	<u>\$ 15,672,666</u>	<u>\$ 28,052,573</u>	<u>\$ 2,822,722</u>

The notes accompanying are an integral part of this schedule.

Muskegon Area Intermediate School District
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2007

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

Revenues from federal sources per June 30, 2007

Governmental funds financial statements

General Fund	\$ 1,126,308	
Special Education Fund	7,653,578	
Cooperative Education Fund	5,864,747	
Vocational Education Fund	953,350	
Other governmental funds (includes Food Service Fund)	92,294	\$ 15,690,277

Less variance in food service beginning receivable and federal revenues actually received for the prior year (315)

Less state portion of Medical Assistance Program included in federal revenues in the financial statements (17,296)

Expenditures per single audit report \$ 15,672,666
 Schedule of Expenditures of Federal Awards \$ 15,672,666

Muskegon Area Intermediate School District
SCHEDULE OF FINDINGS AND RESPONSES
 Year ended June 30, 2007

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Muskegon Area Intermediate School District.
2. *No* significant deficiencies in internal control were disclosed by the audit of the financial statements.
3. *No* instances of noncompliance material to the financial statements of the Muskegon Area Intermediate School District were disclosed during the audit.
4. *No* significant deficiencies in internal control were disclosed by the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Muskegon Area Intermediate School District expresses an unqualified opinion.
6. There were *no* audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

<u>Name</u>	<u>CFDA Number</u>
<i>U.S. Department of Education</i>	
Special Education Cluster	84.027 and 84.173
Voc Education Regional Allocation	84.048

8. The threshold for distinguishing Types A and B programs was \$470,180.
9. Muskegon Area Intermediate School District was determined to be a low-risk auditee.

B. FINDINGS RELATING TO THE AUDIT OF THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

NONE

C. FINDINGS RELATING TO THE MAJOR FEDERAL AWARD PROGRAMS AUDIT, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH OMB CIRCULAR A-133

NONE

SUPPLEMENTAL INFORMATION

BRICKLEY DELONG
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

November 6, 2007

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

We have audited the financial statements of the Muskegon Area Intermediate School District as of and for the year ended June 30, 2007 and have issued our report thereon dated November 6, 2007. Our audit was made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on pages 14 – 22 are provided for purposes of additional analysis and are not a required part of the financial statements or the accompanying Schedule of Expenditures of Federal Awards. Such supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements of the Muskegon Area Intermediate School District and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Brickley DeLong, PLC

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS
For the year ended June 30, 2007

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

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2006	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2007
						Prior year	Current year	Total	
Handicapped Preschool and School Program									
Fruitport Community Schools	84.027	060450-0506	\$ 1,483,624	\$ 276,851	\$ 419,029	\$ 1,331,688	\$ 151,936	\$ 1,483,624	\$ 9,758
Holton Public Schools			30,500	-	10,803	14,000	16,500	30,500	5,697
Montague Public Schools			113,022	500	23,000	90,522	22,500	113,022	-
Muskegon Technical Academy			43,007	-	18,292	24,715	18,292	43,007	-
North Muskegon Public Schools			63,454	-	13,500	49,954	13,500	63,454	-
Oakridge Public Schools			77,322	21,839	21,839	77,322	-	77,322	-
Public Schools of the City of Muskegon			1,454,125	315,958	394,036	1,339,697	114,428	1,454,125	36,350
Ravenna Public Schools			39,311	6,753	6,753	39,311	-	39,311	-
Reeths-Puffer Schools			1,502,247	15,419	350,730	1,082,199	420,048	1,502,247	84,737
School District of the City of Muskegon Heights			551,579	-	87,634	438,659	112,920	551,579	25,286
Timberland Charter Academy			109,907	-	59,119	50,788	59,119	109,907	-
Three Oaks Public Academy			34,645	3,921	3,921	34,645	-	34,645	-
Tri-Valley Academy			63,316	63,316	63,316	63,316	-	63,316	-
Whitehall District Schools			155,855	122,855	122,855	122,855	33,000	155,855	33,000
Total subrecipient amounts			\$ 5,721,914	\$ 827,412	\$ 1,594,827	\$ 4,759,671	962,243	\$ 5,721,914	\$ 194,828
Muskegon Area Intermediate School District							186,800		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 1,149,043		
Fruitport Community Schools	84.027	070450-0607	\$ 1,322,437	\$ -	\$ 966,878	\$ -	\$ 1,211,156	\$ 1,211,156	\$ 244,278
Holton Public Schools			19,540	-	19,286	-	19,540	19,540	254
Mona Shores Public Schools			555,498	-	473,800	-	555,498	555,498	81,698
Montague Public Schools			124,318	-	101,784	-	124,318	124,318	22,534
Muskegon Technical Academy			45,395	-	25,506	-	25,506	25,506	-
North Muskegon Public Schools			107,138	-	88,188	-	107,138	107,138	18,950
Oakridge Public Schools			100,977	-	77,940	-	100,514	100,514	22,574
Public Schools of the City of Muskegon			1,373,812	-	1,004,528	-	1,271,580	1,271,580	267,052
Ravenna Public Schools			85,390	-	68,184	-	82,191	82,191	14,007
Reeths-Puffer Schools			1,511,165	-	966,705	-	1,283,281	1,283,281	316,576
School District of the City of Muskegon Heights			531,605	-	259,940	-	322,512	322,512	62,572
Three Oaks Public Academy			37,033	-	17,512	-	37,033	37,033	19,521
Timberland Charter Academy			130,513	-	-	-	130,213	130,213	130,213
Tri-Valley Academy			50,174	-	24,238	-	50,174	50,174	25,936
Whitehall District Schools			84,720	-	-	-	84,720	84,720	84,720
Total subrecipient amounts			\$ 6,079,715	\$ -	\$ 4,094,489	\$ -	5,405,374	\$ 5,405,374	\$ 1,310,885
Muskegon Area Intermediate School District							427,452		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 5,832,826		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2007

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

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2006	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2007
						Prior year	Current year	Total	
Handicapped Preschool and School Program—Continued									
	84.173	060460-0506							
Fruitport Community Schools			\$ 87,338	\$ 4,825	\$ 32,450	\$ 59,713	\$ 27,625	\$ 87,338	\$ -
Mona Shores Public Schools			18,185	-	-	18,185	-	18,185	-
Orchard View Schools			10,541	794	794	10,541	-	10,541	-
Public Schools of the City of Muskegon			54,019	6,730	6,730	54,019	-	54,019	-
Reeths-Puffer Schools			100,551	1,500	1,500	99,210	1,341	100,551	1,341
School District of the City of Muskegon Heights			13,371	-	-	13,371	-	13,371	-
Timberland Charter Academy			5,883	-	3,321	2,562	3,321	5,883	-
Tri-Valley Academy			1,604	-	-	-	1,604	1,604	1,604
Total subrecipient amounts			<u>\$ 291,492</u>	<u>\$ 13,849</u>	<u>\$ 44,795</u>	<u>\$ 257,601</u>	33,891	<u>\$ 291,492</u>	<u>\$ 2,945</u>
Muskegon Area Intermediate School District							1,044		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 34,935</u>		
Fruitport Community Schools	84.173	070460-0607	\$ 87,695	\$ -	\$ 30,788	\$ -	\$ 36,867	\$ 36,867	\$ 6,079
Mona Shores Public Schools			22,313	-	22,313	-	22,313	22,313	-
Public Schools of the City of Muskegon			61,231	-	47,818	-	61,231	61,231	13,413
Reeths-Puffer Schools			97,036	-	72,563	-	93,534	93,534	20,971
School District of the City of Muskegon Heights			12,454	-	8,736	-	12,345	12,345	3,609
Total subrecipient amounts			<u>\$ 280,729</u>	<u>\$ -</u>	<u>\$ 182,218</u>	<u>\$ -</u>	226,290	<u>\$ 226,290</u>	<u>\$ 44,072</u>
Muskegon Area Intermediate School District							(1,109)		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 225,181</u>		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2007

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

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2006	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2007
						Prior year	Current year	Total	
Adult Basic Education									
Orchard View Schools	84.002A	061130-710587	\$ <u>34,200</u>	\$ -	\$ <u>34,200</u>	\$ -	\$ <u>34,200</u>	\$ <u>34,200</u>	\$ -
Fruitport Community Schools	84.002A	071130-710587	\$ 9,844	\$ -	\$ 9,844	\$ -	\$ 9,844	\$ 9,844	\$ -
Orchard View Schools			45,940	-	45,940	-	45,940	45,940	-
Public Schools of the City of Muskegon			69,071	-	69,071	-	69,071	69,071	-
School District of the City of Muskegon Heights			27,433	-	27,433	-	27,433	27,433	-
Shelby Public Schools			13,351	-	13,351	-	13,351	13,351	-
Whitehall District Schools			<u>29,765</u>	-	<u>29,765</u>	-	<u>29,765</u>	<u>29,765</u>	-
Total subrecipient amounts			<u>\$ 195,404</u>	<u>\$ -</u>	<u>\$ 195,404</u>	<u>\$ -</u>	195,404	<u>\$ 195,404</u>	<u>\$ -</u>
Muskegon Area Intermediate School District							<u>9,728</u>		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 205,132</u>		
Public Schools of the City of Muskegon	84.002A	071190-710587	\$ 4,526	\$ -	\$ 4,526	\$ -	\$ 4,526	\$ 4,526	\$ -
Shelby Public Schools			<u>2,774</u>	-	<u>2,774</u>	-	<u>2,774</u>	<u>2,774</u>	-
Total subrecipient amounts			<u>\$ 7,300</u>	<u>\$ -</u>	<u>\$ 7,300</u>	<u>\$ -</u>	<u>\$ 7,300</u>	<u>\$ 7,300</u>	<u>\$ -</u>

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2007

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

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2006	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2007
						Prior year	Current year	Total	
Drug Free Schools and Communities Act of 1986									
Fruitport Community Schools	84.186	072860-0506	\$ 9,243	\$ -	\$ 3,085	\$ -	\$ 9,243	\$ 9,243	\$ 6,158
Hart Public Schools			7,133	-	-	-	2,816	2,816	2,816
Holton Public Schools			4,704	-	107	-	107	107	-
Mona Shores Public Schools			8,730	-	8,730	-	8,730	8,730	-
Muskegon Technical Academy			1,446	-	1,446	-	1,446	1,446	-
North Muskegon Public Schools			1,684	-	-	-	1,684	1,684	1,684
Oakridge Public Schools			7,507	-	7,507	-	7,507	7,507	-
Orchard View Schools			9,833	-	9,833	-	9,833	9,833	-
Ravenna Public Schools			3,038	-	3,038	-	3,038	3,038	-
Reeths-Puffer Schools			10,780	-	10,780	-	10,780	10,780	-
Public Schools of the City of Muskegon			23,557	-	6,132	-	23,557	23,557	17,425
School District of the City of Muskegon Heights			31,082	-	-	-	31,082	31,082	31,082
Shelby Public Schools			7,250	-	7,250	-	7,250	7,250	-
Walkerville Public Schools			2,663	-	-	-	2,663	2,663	2,663
Whitehall District Schools			6,987	-	-	-	6,987	6,987	6,987
Total subrecipient amounts			<u>\$ 135,637</u>	<u>\$ -</u>	<u>\$ 57,908</u>	<u>\$ -</u>	126,723	<u>\$ 126,723</u>	<u>\$ 68,815</u>
Muskegon Area Intermediate School District							53,142		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 179,865</u>		
Public Schools of the City of Muskegon	84.186	062860-0607	<u>\$ 31,347</u>	<u>\$ -</u>	<u>\$ 31,347</u>	<u>\$ -</u>	\$ 31,347	<u>\$ 31,347</u>	<u>\$ -</u>
Muskegon Area Intermediate School District							5,942		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 37,289</u>		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2007

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

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2006	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2007
						Prior year	Current year	Total	
Head Start									
Fruitport Community Schools	93.600	05CH8258/07	\$ 259,516	\$ 18,304	\$ 126,349	\$ 151,471	\$ 108,045	\$ 259,516	\$ -
Hart Public Schools			194,238	-	93,311	85,923	93,311	179,234	-
Public School of the City of Muskegon			1,482,713	376,462	961,939	891,255	585,477	1,476,732	-
Orchard View Schools			873,638	-	435,610	355,679	435,610	791,289	-
School District of the City of Muskegon Heights			625,584	69,096	316,556	378,124	247,460	625,584	-
Shelby Public Schools			303,651	31,800	151,001	184,450	119,201	303,651	-
Whitehall District Schools			902,021	178,932	573,080	464,180	394,148	858,328	-
Total subrecipient amounts			\$ 4,641,361	\$ 674,594	\$ 2,657,846	\$ 2,511,082	1,983,252	\$ 4,494,334	\$ -
Muskegon Area Intermediate School District							613,283		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 2,596,535		
Fruitport Community Schools	93.600	05CH8258/08	\$ 147,039	\$ -	\$ 84,689	\$ -	\$ 147,039	\$ 147,039	\$ 62,350
Hart Public Schools			107,011	-	100,741	-	106,463	106,463	5,722
Public School of the City of Muskegon			857,950	-	616,284	-	823,580	823,580	207,296
Orchard View Schools			440,656	-	209,566	-	420,870	420,870	211,304
School District of the City of Muskegon Heights			350,037	-	178,743	-	342,944	342,944	164,201
Shelby Public Schools			167,043	-	142,573	-	161,374	161,374	18,801
Whitehall District Schools			493,844	-	334,007	-	492,983	492,983	158,976
Total subrecipient amounts			\$ 2,563,580	\$ -	\$ 1,666,603	\$ -	2,495,253	\$ 2,495,253	\$ 828,650
Muskegon Area Intermediate School District							772,959		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 3,268,212		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
 For the year ended June 30, 2007

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

<u>Pass-through grantee</u>	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2006	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2007
						Prior year	Current year	Total	
<i>Early Childhood Investment Corporation</i>	93.575	ECIC-06-GSC-Musk009							
Fruitport Community Schools			\$ 2,500	\$ -	\$ 2,500	\$ -	\$ 2,500	\$ 2,500	\$ -
Mona Shores Public Schools			2,500	-	2,500	-	2,500	2,500	-
Public Schools of the City of Muskegon			1,250	-	1,250	-	1,250	1,250	-
Reeths-Puffer Schools			2,500	-	2,500	-	2,500	2,500	-
Whitehall District Schools			2,500	-	-	-	2,500	2,500	2,500
Total subrecipient amounts			<u>\$ 11,250</u>	<u>\$ -</u>	<u>\$ 8,750</u>	<u>\$ -</u>	11,250	<u>\$ 11,250</u>	<u>\$ 2,500</u>
Muskegon Area Intermediate School District							71,555		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 82,805</u>		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2007

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

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2006	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2007
						Prior year	Current year	Total	
<i>Medical Assistance Program XIX</i>	93.778	393							
Fruitport Public Schools			\$ 34,550	\$ -	\$ 27,806	\$ -	\$ 34,550	\$ 34,550	\$ 6,744
Holton Public Schools			4,213	-	2,745	-	4,213	4,213	1,468
Mona Shores Public Schools			19,099	-	15,047	-	19,099	19,099	4,052
Montague Public Schools			5,597	-	3,650	-	5,597	5,597	1,947
North Muskegon Public Schools			3,167	-	2,064	-	3,167	3,167	1,103
Oakridge Public Schools			13,805	-	9,860	-	13,805	13,805	3,945
Orchard View Schools			13,675	-	8,956	-	13,675	13,675	4,719
Public Schools of the City of Muskegon			74,992	-	65,034	-	74,992	74,992	9,958
Ravenna Public Schools			6,013	-	4,297	-	6,013	6,013	1,716
Reeths-Puffer Schools			23,113	-	14,810	-	23,113	23,113	8,303
School District of the City of Muskegon Heights			11,357	-	8,881	-	11,357	11,357	2,476
Three Oaks Public Academy			211	-	211	-	211	211	-
Whitehall District Schools			9,113	-	5,366	-	9,113	9,113	3,747
Total subrecipient amounts			\$ <u>218,905</u>	\$ <u>-</u>	\$ <u>168,727</u>	\$ <u>-</u>	218,905	\$ <u>218,905</u>	\$ <u>50,178</u>
Muskegon Area Intermediate School District							28,578		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ <u>247,483</u>		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
 For the year ended June 30, 2007

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

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2006	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2007
						Prior year	Current year	Total	
<i>Learn and Serve</i>	94.004	MCSC / ISDLS / F-10/06							
North Muskegon Public Schools			\$ 49,792	\$ -	\$ 47,647	\$ -	\$ 49,792	\$ 49,792	\$ 2,145
Total subrecipient amounts			\$ 49,792	\$ -	\$ 47,647	\$ -	49,792	\$ 49,792	\$ 2,145
Muskegon Area Intermediate School District							150		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 49,942		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2007

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

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2006	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2007
						Prior year	Current year	Total	
Workforce Investment Act									
Fruitport Public Schools	17.258	27314013/WIA-06/07	\$ 44,950	\$ -	\$ 32,209	\$ -	\$ 55,598	\$ 55,598	\$ 23,389
Public Schools of the City of Muskegon			70,847	-	32,125	-	57,723	57,723	25,598
Orchard View Schools			18,485	-	13,948	-	25,566	25,566	11,618
School District of the City of Muskegon Heights			33,365	-	18,465	-	35,721	35,721	17,256
Shelby Public Schools			30,724	-	17,909	-	35,967	35,967	18,058
Whitehall District Schools			37,536	-	19,027	-	51,543	51,543	32,516
Total subrecipient amounts			\$ 235,907	\$ -	\$ 133,683	\$ -	262,118	\$ 262,118	\$ 128,435
Muskegon Area Intermediate School District							868		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 262,986		

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 6, 2007

Michigan Department of Education
Lansing, Michigan

The Muskegon Area Intermediate School District respectfully advises you that there were *no* audit findings or questioned costs reported in our single audit report, dated October 19, 2006, for the year ended June 30, 2006.

Sincerely,

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

Marios Demetriou
Associate Superintendent

CORRECTIVE ACTION PLAN

November 6, 2007

Michigan Department of Education
Lansing, Michigan

The Muskegon Area Intermediate School District respectfully submits the following Corrective Action Plan for the year ended June 30, 2007.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2007

The findings from the Schedule of Findings and Responses for the year ended June 30, 2007 provided *no* findings in either Section B or Section C. Accordingly, there are *no* matters requiring corrective action as shown below.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

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

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

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

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

Sincerely,



Marios Demetriou
Associate Superintendent