

Belding Area Schools

**Financial Statements
With Supplemental Information**
June 30, 2009

Belding Area Schools

June 30, 2009

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Independent Auditor's Report

Independent Auditor's Report

To the Board of Education
Belding Area Schools
Belding, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area Schools as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Belding Area School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Belding Area Schools as of June 30, 2009 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2009 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Belding Area School's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the basic financial statements of Belding Area Schools. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

October 6, 2009

Management's Discussion and Analysis

Belding Area Schools
Management's Discussion and Analysis
June 30, 2009

This section of the Belding Area Schools' annual financial report represents our discussion and analysis of the School District's financial performance and is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2009.

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 Belding Area School District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund - the General Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Assets presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is organized as follows:

Management's Discussion & Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "Is the School District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Belding Area Schools

Management's Discussion and Analysis

June 30, 2009

These two statements report the 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 School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most *significant funds* - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (like the Food Service Fund) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds in a* reconciliation.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or *fiduciary* for its student activity funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2009

The School District As A Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2009 and 2008:

Table 1:

	Net Assets Summary	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 5,820,309	\$ 6,328,301
Capital assets	17,185,871	17,295,065
Total assets	<u>23,006,180</u>	<u>23,623,366</u>
Current and other liabilities	\$ 2,696,498	\$ 2,171,692
Long-term liabilities	19,453,542	21,016,678
Total liabilities	<u>22,150,040</u>	<u>23,188,370</u>
Net assets		
Invested in capital assets, net of related debt	(3,043,596)	(4,474,280)
Restricted for debt service	50,981	263,080
Unrestricted	3,848,755	4,646,196
Total expenses	<u>\$ 856,140</u>	<u>\$ 434,996</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$856,140 at June 30, 2009. Invested in capital assets, net of related debt totaling \$(3,043,596) compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approval property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. Net assets restricted for debt service totaled \$50,981. The remaining amount of net assets, \$3,848,755, was unrestricted.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2009

The \$3,848,755 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund 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 School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for fiscal year 2009 and 2008.

Table 2:

	Governmental Activities	
	2009	2008
Revenues		
Program revenues		
Charges for services	\$ 548,178	\$ 578,273
Grants and Categoricals	4,754,892	3,794,601
General Revenues		
Property taxes	3,673,544	3,804,485
State foundation allowance	13,725,571	14,694,676
Other general revenues	150,108	223,902
Total revenues	22,852,293	23,095,937
Functions/Program Expenses		
Instruction	12,356,941	12,013,286
Support services	6,899,041	6,989,978
Food services	951,479	790,623
Athletics	592,026	591,877
Community service	83,563	73,395
Interest on long-term debt	953,026	814,633
Depreciation (unallocated)	595,073	583,540
Total expenses	22,431,149	21,857,332
Increase (decrease) in net assets	\$ 421,144	\$ 1,238,605

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$22,431,149. Certain activities were partially funded from those who benefited from the program (\$548,178) or by governments and organizations that subsidized certain programs with grants and categorical (\$4,754,892). We paid for the remaining "public benefit" portion of our governmental activities with \$3,673,544 in taxes, \$13,725,571 in state Foundation Allowance, and with our other revenues, like interest and general entitlements.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2009

The School District experienced an increase in net assets of \$421,144. The key reason for the change in net assets was continued expenditure management.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the School District is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the School District's overall financial health.

As the School District completed this year; our governmental funds reported a combined fund balance of \$4,547,284 which is an decrease of \$855,017 from last year. The primary reasons for these are:

Our general fund is our principal operating fund. The fund balance in the general fund decreased \$580,900 to \$4,169,114. The decrease is due to declining enrollment and revenues not increasing sufficiently to offset increasing expenditures. The high school air conditioning project in the amount of \$589,000 was also completed.

Our special revenue funds showed a net decrease of \$29,018, due to food services' rising food costs and equipment purchases. Indirect costs were also transferred to the general fund.

The debt service funds showed a decrease of \$245,099. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

The Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming year prior to July 1.

Over the course of the year, the district's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

Budget revenues were decreased \$239,400 from the original budget. The student count was 27 students lower than originally projected.

Belding Area Schools
 Management's Discussion and Analysis
 June 30, 2009

Budget expenditures were decreased \$414,690 to more closely reflect program expenditures.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009, the School District had \$16,719,023 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$81,732, or .5%, from last year.

Capital Assets at Year-End

	June 30, 2009	June 30, 2008
Land	\$ 188,726	\$ 188,726
Construction in process	0	122,919
Buildings	15,378,576	15,482,170
Buses and other vehicles	540,604	532,284
Furniture and equipment	611,117	474,656
Total capital assets	\$ 16,719,023	\$ 16,800,755

This year's additions of \$785,946 included school buses, technology upgrades and building capital outlay purchases. No debt was issued for these additions.

Debt

At the end of this year, the School District had \$15,597,846 in bonds outstanding versus \$16,704,272 last year - a decrease of \$1,106,426. Those bonds consisted of:

Outstanding Debt at Year-End

	June 30, 2009	June 30, 2008
General obligation bonds	\$ 15,597,846	\$ 16,704,272

Belding Area Schools
Management's Discussion and Analysis
June 30, 2009

The School District's general obligation bond rating was increased to A+ rating in 2009. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e. debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding general obligation debt of \$15,597,846 is significantly below the statutory imposed limit. Other obligations include termination benefits and a School Bond Loan.

The borrowings and accrued interest owed to the School Bond Loan fund decreased \$410,439 during the year. This was due to a payment of \$625,679 that exceeded the additional accrued interest on the balance owed.

We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2009-2010 fiscal year budget and tax rates. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2010 fiscal year is 25% and 75% of the February 2009 and September 2009 student counts, respectively. The 2009-2010 budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. Approximately 90% of total general fund revenue is from the Foundation Allowance.

Under State law, the School District cannot access additional property tax revenue for general operations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data, we anticipate that the fall student count will be higher than the currently approved 2009-2010 budget and will require a budget amendment after the count is final.

Personnel levels have been reduced for the 2009-2010 budget. Three teaching staff positions in elementary, two middle school positions and two high school positions were eliminated. These positions were eliminated through a retirement incentive program.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State of Michigan's economy continues to struggle. The District has currently planned for a foundation allowance of \$7,316 per pupil, which is unchanged from the previous year. The District has also budgeted for a reduction of 60 students from the 2008-2009 school year. The State of Michigan legislature is considering reducing or prorating the foundation allowance for the upcoming year in order to balance its budget. As of the issuance of this report, the state appropriation amount is most likely going to be a \$165 per pupil proration.

The District has a contract with the Belding Education Support Personnel Association that expired June 30, 2009. The District has a labor contract with the Belding Education Association which expires June 30, 2010.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2009

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Mary Beth Rogers
Finance Director
Belding Area Schools
1975 Orchard Street
Belding, MI 48809
(616) 794-4707

Government-Wide Financial Statements

Belding Area Schools
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 1,771,053
Accounts receivable	80,967
Taxes receivable	147
Due from other governments	3,183,585
Inventory	697,247
Prepaid expense	87,310
Total current assets	5,820,309
Noncurrent Assets	
Deferred charges, net of amortization	466,848
Capital assets	28,366,893
Less: accumulated depreciation	(11,647,870)
Total noncurrent assets	17,185,871
Total Assets	\$ 23,006,180
Liabilities	
Current Liabilities	
Accounts payable	\$ 781,111
Salaries and withholdings payable	487,792
Accrued interest payable	106,266
Deferred revenue	4,122
Voluntary severance plan due within one year	150,000
Long-term liabilities due within one year	
Bonds payable- due within one year	1,167,207
Total Current Liabilities	2,696,498
Noncurrent Liabilities	
Bonds and other loans payable	19,062,260
Voluntary severance plan, not due within one year	60,000
Compensated absences, not due within one year	331,282
Total Noncurrent Liabilities	19,453,542
Total Liabilities	22,150,040
Net Assets	
Investment in capital assets- net of related debt	(3,043,596)
Restricted for debt service	50,981
Unrestricted	3,848,755
Total Net Assets	\$ 856,140
Total Liabilities and Net Assets	\$ 23,006,180

Fund Financial Statements

Belding Area Schools

Statement of Activities

June 30, 2009

	Program Revenues			Governmental Activities
Expenses	Charges for Service	Operating Grants	Net (Expenses) Revenues and Changes in Net Assets	
Governmental activities:				
Instruction	\$ 12,356,941	\$ 25,470	\$ 3,854,968	\$ (8,476,503)
Support services	6,899,041	102,319	155,944	(6,640,778)
Food service	951,479	256,522	743,980	49,023
Athletics	592,026	68,962	0	(523,064)
Community services	83,563	94,905	0	11,342
Interest on long- term debt	953,026	0	0	(953,026)
Depreciation (unallocated)	595,073	0	0	(595,073)
Total governmental activities	\$ 22,431,149	\$ 548,178	\$ 4,754,892	(17,128,079)
General revenues:				
Taxes				
Property taxes, levied for general purpose				1,449,344
Property taxes, levied for debt service				2,224,200
State aid not restricted to specific purposes				13,725,571
Interest and investment earnings				39,399
Other				110,709
				17,549,223
				17,549,223
Changes in Net Assets				421,144
Net Assets- Beginning of year				434,996
Net Assets-End of year				\$ 856,140

Belding Area Schools
 Governmental Funds
 Balance Sheet
 June 30, 2009

	General	Other Non-Major Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 1,434,644	\$ 336,409	\$ 1,771,053
Accounts receivable	39,428	41,539	80,967
Due from other funds	235,299	233,415	468,714
Taxes receivable	0	147	147
Due from other governments	3,177,563	6,022	3,183,585
Inventory	681,437	15,810	697,247
Prepaid expenses	84,900	2,410	87,310
	<u>\$ 5,653,271</u>	<u>\$ 635,752</u>	<u>\$ 6,289,023</u>
 Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 765,434	\$ 15,677	\$ 781,111
Salaries and withholdings payable	486,873	919	487,792
Due to other funds	230,986	237,728	468,714
Deferred revenue	864	3,258	4,122
	<u>1,484,157</u>	<u>257,582</u>	<u>1,741,739</u>
 Fund Equity			
Fund balances			
Designated for debt retirement	0	157,247	157,247
Unreserved and undesignated, food service	0	182,163	182,163
Unreserved and undesignated, athletics	0	38,760	38,760
Undesignated	3,459,714	0	3,459,714
Designated for building allocations	5,400	0	5,400
Designated for compensated absences	350,000	0	350,000
Designated for build-a-home development costs	354,000	0	354,000
	<u>4,169,114</u>	<u>378,170</u>	<u>4,547,284</u>
	<u>\$ 5,653,271</u>	<u>\$ 635,752</u>	<u>\$ 6,289,023</u>

Belding Area Schools
 Governmental Funds
 Reconciliation of Balance Sheet of Governmental Funds to Net Assets
 June 30, 2009

Total fund Balances- Governmental Funds **\$ 4,547,284**

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

Capital assets used in government activities
 are not financial resources, and are not reported in the funds

Deferred charges, net of amortization	\$	466,848	
Capital assets cost:		28,366,893	
Accumulated depreciation:		<u>(11,647,870)</u>	
Net Capital Assets			17,185,871

Long term and other liabilities are not due and payable
 in the current period and are not reported in the funds

Bonds and other loans payable		(15,989,074)	
Accrued Interest		(106,266)	
Compensated absences		(331,282)	
Voluntary severance plan		(210,000)	
School Bond Loan payable		<u>(4,240,393)</u>	

Net Assets of Governmental Activities **\$ 856,140**

Belding Area Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 1,810,171	\$ 2,561,659	\$ 4,371,830
State sources	15,113,186	68,579	15,181,765
Federal sources	1,742,705	675,401	2,418,106
Other	880,592	0	880,592
Total revenues	19,546,654	3,305,639	22,852,293
Expenditures			
Instruction			
Basic programs	9,358,334	0	9,358,334
Added needs	2,800,372	0	2,800,372
Adult and continuing education	28,282	0	28,282
Support services			
Pupil	831,261	0	831,261
Instructional staff	711,095	0	711,095
General administration	437,638	0	437,638
School administration	1,180,086	0	1,180,086
Business and central services	4,158,234	0	4,158,234
Athletics	0	469,899	469,899
Food service	0	947,647	947,647
Community services	83,563	0	83,563
Other transactions	202,457	0	202,457
Debt services			
Redemption of bonds/notes	0	1,106,426	1,106,426
Bond issuance costs	0	0	0
Interest and fiscal charges	0	1,392,016	1,392,016
Total expenditures	19,791,322	3,915,988	23,707,310
Excess (deficiency) of revenues over expenditures	(244,668)	(610,349)	(855,017)
Other financing sources (uses)			
Operating transfers in	68,768	405,000	473,768
Operating transfers out	(405,000)	(68,768)	(473,768)
Total other financing sources (uses)	(336,232)	336,232	0
Excess (deficiency) of revenues over expenditures and other sources (uses)	(580,900)	(274,117)	(855,017)
Fund balances at beginning of year	4,750,014	652,287	5,402,301
Fund balances at end of year	\$ 4,169,114	\$ 378,170	\$ 4,547,284

Belding Area Schools
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to Statement of Activities
 Year Ended June 30, 2009

Net Change in fund Balances- Total Governmental funds \$ (855,017)

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

Governmental funds reported capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(867,678)
Capital outlay	785,946

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	33,000
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Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities)

Principal repayment	1,106,426
Amortization of premiums on 2006/2008 debt issuances	23,013
Amortization of 2006/2008 bond issue costs	(10,904)
Amortization of deferred amounts on 2006/2008 bond refundings	(16,558)
Accrued interest on school bond loan fund	410,439

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

Change in accrued compensated absences	22,477
Change in accrued voluntary severance plan liability	(210,000)

Net Change in fund Balances- Governmental Activities	\$ 421,144
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Belding Area Schools
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Agency Funds- Student Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$ 152,911</u>
Liabilities	
Due to Student groups	<u>\$ 152,911</u>

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Belding Area Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The district does not allocate indirect costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The District first utilizes restricted resources to finance qualifying activities.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

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 district, except those required to be accounted for in another fund.

The government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects funds are used to account for the construction of fixed assets.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes assessed as of December 31 and the related property taxes are levied and become a lien on December 1. These taxes are billed on December 1st and are due February 15th. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The 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 categorical 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.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as revenue and expensed when received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

The General Fund inventory also includes the construction cost of any unsold trade skills homes and street improvement costs allocated to unused building sites, which are held for sale by the district. The amount at June 30, 2009 is \$608,623.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipments, and vehicles are depreciated using the straight-line method over the following useful lives:

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

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications – Comparative data is not included in the district's financial statements.

Use of Estimates- The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds – The school district did not have significant expenditure budget variances.

Note 3 – Deposits and Investments

At year-end, the school district had no investments. All liquid assets were located in deposit accounts.

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

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 3 – Deposits and Investments (Continued)

mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

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

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

Custodial credit risk- deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2009, \$1,736,066 of the School District's bank balance of \$2,524,652 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Custodial credit risk- investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial control credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

The above amounts as previously reported in Note 3:

Deposits-including Fiduciary Funds of \$152,911	\$ 1,923,764
Petty cash	200
Investments	0
Total	<u>\$ 1,923,964</u>

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

Cash-Fiduciary Fund	\$ 152,911
Cash and cash equivalents-District Wide	1,771,053
Investments-District Wide	0
Total	<u>\$ 1,923,964</u>

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 4 – Receivables

Receivables as of year-end for the school district's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Non-major and Other Funds	Total
Receivables:			
Various	\$ 39,428	\$ 41,539	\$ 80,967
Intergovernmental	3,177,563	6,022	3,183,585
Net Receivables	\$ 3,216,991	\$ 47,561	\$ 3,264,552

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

	<u>Unearned</u>
Payments received prior to meeting all eligibility requirements:	\$4,122

Note 5 – Capital Assets

Capital asset activity of the school district's Governmental activities was as follows:

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Assets not being depreciated:				
Land	\$ 188,726	\$ 0	\$ 0	\$ 188,726
Work in Process	122,919	0	122,919	0
Subtotal	311,645	0	122,919	188,726
Capital assets being depreciated:				
Building and building improvements	24,444,992	589,162	0	25,034,154
Buses and other vehicles	1,292,303	148,070	105,418	1,334,955
Furniture and equipment	1,654,813	171,633	17,388	1,809,058
Subtotal	27,392,108	908,865	122,806	28,178,167
Accumulated depreciaton:				
Building and building improvements	8,962,822	692,756	0	9,655,578
Buses and other vehicles	760,019	139,750	105,418	794,351
Furniture and equipment	1,180,157	35,172	17,388	1,197,941
Subtotal	10,902,998	867,678	122,806	11,647,870
Net capital assets being depreciated	16,489,110	41,187	0	16,530,297
Net capital assets	\$ 16,800,755	\$ 41,187	\$ 122,919	\$ 16,719,023

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to activities of the school as follows:

Governmental Activities

Instruction	\$	7,782
Support Services		138,552
Food Services		4,052
Athletics		122,219
Unallocated		595,073
		\$ 867,678

Note 6 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due From	Fund Due To		Total
	General Fund	Other Nonmajor Funds	
General Fund	\$ -	\$ 230,986	\$ 230,986
Other Nonmajor Funds	235,299	2,429	237,728
Total	\$ 235,299	\$ 233,415	\$ 468,714

	Transfer Out		Total
	General Fund	Food Service	
Transfer in:			
General Fund	\$ -	\$ 68,768	\$ 68,768
Other Nonmajor Funds-operations	405,000	0	405,000
	\$ 405,000	\$ 68,768	\$ 473,768

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 7 – Long-Term Debt

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include severance pay, school bond loan fund payable and two leases.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 17,118,512	\$ 0	\$ 1,129,438	\$ 15,989,074	\$ 1,167,207
Total bonds payable	<u>17,118,512</u>	<u>0</u>	<u>1,129,438</u>	<u>15,989,074</u>	<u>1,167,207</u>
School Bond Loan Fund	4,650,833	215,239	625,679	4,240,393	0
Severance Plan	0	210,000	0	210,000	150,000
Compensated Absences	<u>353,759</u>	<u>0</u>	<u>22,477</u>	<u>331,282</u>	<u>0</u>
Total other obligation	<u>5,004,592</u>	<u>425,239</u>	<u>648,156</u>	<u>4,781,675</u>	<u>0</u>
Total	<u>\$ 22,123,104</u>	<u>\$ 425,239</u>	<u>\$ 1,777,594</u>	<u>\$ 20,770,749</u>	<u>\$ 1,167,207</u>

Annual debt service requirements, to maturity for the above bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2010	\$ 1,167,207	\$ 641,114	\$ 1,808,321
2011	1,218,027	589,306	1,807,333
2012	1,263,884	534,292	1,798,176
2013	1,438,728	509,888	1,948,616
2014	1,385,000	428,875	1,813,875
2015-2019	4,020,000	1,557,350	5,577,350
2020-2024	3,705,000	724,350	4,429,350
2025-2026	<u>1,400,000</u>	<u>84,900</u>	<u>1,484,900</u>
Total	<u>\$ 15,597,846</u>	<u>\$ 5,070,075</u>	<u>\$ 20,667,921</u>

Belding Area Schools
Notes to Financial Statements
June 30, 2009

Note 7 – Long-Term Debt (Continued)

General obligation bonds and leases payable consist of:

\$9,370,000 bonded debt of February 19, 2008, due in annual installments of \$550,000 to \$1,090,000 through May 1, 2026, interest at 3.25% to 5.0%	\$ 9,370,000
\$3,725,000 bonded debt of March 2, 2006, due in annual installments of \$175,000 to \$295,000 through May 1, 2026; interest at 3.5% to 4.2%.	3,265,000
\$3,720,000 bonded debt of February 26, 1998 due in annual installments of \$895,000 to \$915,000 through May 1, 2026; interest at 4.60% to 4.85%.	2,805,000
Durant School Improvement Bonds of 1999 due in annual installments of \$13,104 to \$103,728 through May, 2013; variable interest rate. The State of Michigan is the only revenue source for making the annual debt service payment on the bonds. On or about, May 10, 2007, the State of Michigan refinanced these bonds to eliminate the annual payments due May 2007 through May 2008. A lump sum payment of \$103,728 is now scheduled for 2013.	157,846
Less: Deferred amount on 2006 bond refunding (net)	(98,762)
Less: Deferred amount on 2008 bond refunding (net)	(182,721)
Plus: Premium on 2008 bond issuance (net)	361,846
Plus: Premium on 2006 bond issuance (net)	29,381
Subtotal - Bonds Payable	15,707,590
School Bond Loan payable when the Debt Retirement Funds has excess funds as determined by the State. Interest is determined each year by the State. The interest rate is 5.75% at June 30, 2009.	4,240,393
Severance Plan	210,000
Compensated Absences	331,282
Total Long-term Debt	<u>\$ 20,489,265</u>

Durant Non-Plaintiff Bond – Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$16,426 to \$103,728 associated with this Bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any District debt levy or utilization of any other District financial resources.

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 8 – Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for all risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Defined Benefit Pension Plan and Post Retirement Benefits

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each 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 pension benefit rate totaled 16.72 percent for the period from July 1, 2008 to September 30, 2008, and 16.54 percent from October 1, 2008 through June 30, 2009, for the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2009, 2008, and 2007 were \$1,830,646, \$1,806,304 and \$1,891,475, respectively.

Post Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision overages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

Belding Area Schools

Notes to Financial Statements

June 30, 2009

Note 10 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any to be minimal.

The School District is involved in lawsuits from time to time. The ultimate outcome of any of these lawsuits cannot be presently determined; and the amount of damages, if any, cannot be determined at this time.

Required Supplemental Information

Belding Area Schools
Required Supplemental Information
Budgetary Comparison Schedule- General Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 1,792,000	\$ 1,822,500	\$ 1,810,171	\$ (12,329)
State sources	15,915,700	15,122,200	15,113,186	(9,014)
Federal sources	960,000	1,755,600	1,742,705	(12,895)
Other	1,159,000	887,000	880,592	(6,408)
Total revenues	19,826,700	19,587,300	19,546,654	(40,646)
Expenditures				
Instruction				
Basic programs	9,255,400	9,367,255	9,358,334	8,921
Added needs	2,856,600	2,823,010	2,800,372	22,638
Adult and continuing education	31,700	31,700	28,282	3,418
Support services				
Pupil	825,000	831,300	831,261	39
Instructional staff	657,430	713,945	711,095	2,850
General administration	465,000	435,900	437,638	(1,738)
School administration	1,174,500	1,186,000	1,180,086	5,914
Business and central services	4,263,200	4,167,030	4,158,234	8,796
Community services	78,550	85,550	83,563	1,987
Other transactions	660,000	211,000	202,457	8,543
Total expenditures	20,267,380	19,852,690	19,791,322	61,368
Excess (deficiency) of revenues over expenditures	(440,680)	(265,390)	(244,668)	20,722
Other financing sources (uses)				
Operating transfers in	0	100,000	68,768	(31,232)
Operating transfers out	(430,000)	(430,000)	(405,000)	25,000
Total other financing sources (uses)	(430,000)	(330,000)	(336,232)	(6,232)
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (870,680)</u>	<u>\$ (595,390)</u>	(580,900)	<u>\$ 14,490</u>
Fund balances at beginning of year			4,750,014	
Fund balances at end of year			<u>\$ 4,169,114</u>	

Other Supplemental Information

Belding Area Schools
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Nonmajor Special Revenue Funds		Other Nonmajor Funds			Nonmajor Governmental Funds	
	Food Service	Athletics	Durant	1998 Refunding Debt	2006 Refunding Debt	2008 Refunding Debt	Total
Cash	\$ 57,373	\$ 121,936	\$ 0	\$ 147,716	\$ 9,384	\$ 0	\$ 336,409
Accounts Receivable	41,539	0	0	0	0	0	41,539
Due from other funds	230,986	0	0	0	0	2,429	233,415
Due from other governments	6,022	0	0	0	0	0	6,022
Taxes receivable	0	0	0	147	0	0	147
Prepaid expenses	225	2,185	0	0	0	0	2,410
Inventory of supplies - at cost	15,810	0	0	0	0	0	15,810
Total Assets	\$ 351,955	\$ 124,121	\$ 0	\$ 147,863	\$ 9,384	\$ 2,429	\$ 635,752
Liabilities							
Accounts payable	\$ 15,677	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,677
Deferred Revenue	3,258	0	0	0	0	0	3,258
Due to other funds	150,360	84,939	0	2,429	0	0	237,728
Salaries payable	497	422	0	0	0	0	919
Total Liabilities	169,792	85,361	0	2,429	0	0	257,582
Fund Balance	182,163	38,760	0	145,434	9,384	2,429	378,170
Total Liabilities and Fund Balance	\$ 351,955	\$ 124,121	\$ 0	\$ 147,863	\$ 9,384	\$ 2,429	\$ 635,752

Belding Area Schools
Other Supplemental Information
Combining Statement of Revenue, Expenditures
and changes in fund balances
Non Major Governmental Funds
Year Ended June 30, 2009

	Nonmajor Special Revenue Funds		Other Nonmajor Funds			Total Nonmajor Governmental Funds	
	Food Service	Athletics	Durant	1998 Refunding Debt	2006 Refunding Debt		2008 Refunding Debt
Revenues							
Local sources							
Property taxes	\$ 0	\$ 0	\$ 0	\$ 1,703,483	71,362	\$ 449,355	\$ 2,224,200
Lunch sales	256,522	0	0	0	0	0	256,522
Game receipts & fees	0	68,962	0	0	0	0	68,962
Interest	2,674	884	0	5,655	2,762	0	11,975
Total Local Sources	259,196	69,846	0	1,709,138	74,124	449,355	2,561,659
Federal and state sources							
State aid-matching funds	47,853	0	20,726	0	0	0	68,579
Federal aid	618,236	0	0	0	0	0	618,236
Federal commodities	57,165	0	0	0	0	0	57,165
Total Federal and State Sources	723,254	0	20,726	0	0	0	743,980
Total Revenues	982,450	69,846	20,726	1,709,138	74,124	449,355	3,305,639
Expenditures							
Food & supplies	518,381	0	0	0	0	0	518,381
Salaries & wages	209,208	242,974	0	0	0	0	452,182
Fringe benefits	51,120	82,975	0	0	0	0	134,095
Repairs & capital outlay	24,951	636	0	0	0	0	25,587
Other	143,987	143,314	0	0	0	0	287,301
Debt Service							
Redemption of Serial Bonds	0	0	16,426	915,000	175,000	0	1,106,426
Interest	0	0	4,300	802,002	135,025	449,355	1,390,682
Bond issue Costs	0	0	0	0	0	0	0
Other	0	0	0	1,334	0	0	1,334
Total Expenditures	947,647	469,899	20,726	1,718,336	310,025	449,355	3,915,988
Excess (deficiency) of revenues over expenditures	34,803	(400,053)	0	(9,198)	(235,901)	0	(610,349)
Other financing sources (uses)							
Operating transfers in (out)	(68,768)	405,000	0	0	0	0	336,232
Total Other Financing Sources	(68,768)	405,000	0	0	0	0	336,232
Excess (deficiency) of revenues over expenditures & other sources (uses)	(33,965)	4,947	0	(9,198)	(235,901)	0	(274,117)
Fund balances at beginning of year	216,128	33,813	0	154,632	245,285	2,429	652,287
Fund balances at end of year	\$ 182,163	\$ 38,760	\$ 0	\$ 145,434	\$ 9,384	\$ 2,429	\$ 378,170

Belding Area Schools
 Other Supplemental Information
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year Ended June 30, 2009

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Local sources	\$ 1,822,500	\$ 1,810,171	\$ (12,329)
State sources	15,122,200	15,113,186	(9,014)
Federal sources	1,755,600	1,742,705	(12,895)
Other	887,000	880,592	(6,408)
Total revenues	<u>19,587,300</u>	<u>19,546,654</u>	<u>(40,646)</u>
Expenditures			
Instruction			
Basic programs	9,367,255	9,358,334	8,921
Added needs	2,823,010	2,800,372	22,638
Adult and continuing education	31,700	28,282	3,418
Support services			
Pupil	831,300	831,261	39
Instructional staff	713,945	711,095	2,850
General administration	435,900	437,638	(1,738)
School administration	1,186,000	1,180,086	5,914
Business and central services	4,167,030	4,158,234	8,796
Community services	85,550	83,563	1,987
Other transactions	211,000	202,457	8,543
Total expenditures	<u>19,852,690</u>	<u>19,791,322</u>	<u>61,368</u>
Excess (deficiency) of revenues over expenditures	<u>(265,390)</u>	<u>(244,668)</u>	<u>20,722</u>
Other financing sources (uses)			
Operating transfers in	100,000	68,768	(31,232)
Operating transfers out	(430,000)	(405,000)	25,000
Total other financing sources (uses)	<u>(330,000)</u>	<u>(336,232)</u>	<u>(6,232)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (595,390)</u>	<u>(580,900)</u>	<u>\$ 14,490</u>
Fund balances at beginning of year		<u>4,750,014</u>	
Fund balances at end of year		<u>\$ 4,169,114</u>	

Belding Area Schools
Other Supplemental Information
Special Revenue Funds
Statement of Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual
Year Ended June 30, 2009

	<u>Budget</u>	<u>Food Service Actual</u>	<u>Difference</u>
Revenues			
Local sources			
Lunch sales	\$ 257,300	\$ 256,522	\$ (778)
Game receipts & fees	0	0	0
Interest	<u>2,700</u>	<u>2,674</u>	<u>(26)</u>
Total Local Sources	260,000	259,196	(804)
Federal and state sources			
State aid-matching funds	48,000	47,853	(147)
Federal aid	617,000	618,236	1,236
Federal commodities	<u>27,000</u>	<u>57,165</u>	<u>30,165</u>
Total Federal and State Sources	<u>692,000</u>	<u>723,254</u>	<u>31,254</u>
Total Revenues	952,000	982,450	30,450
Expenditures			
Food & supplies	454,200	518,381	(64,181)
Salaries & wages	210,000	209,208	792
Fringe benefits	51,800	51,120	680
Repairs & capital outlay	25,000	24,951	49
Other	<u>145,000</u>	<u>143,987</u>	<u>1,013</u>
Total Expenditures	<u>886,000</u>	<u>947,647</u>	<u>(61,647)</u>
Excess (deficiency) of revenues over expenditures	66,000	34,803	(31,197)
Other financing sources (uses)			
Operating transfers in(out)	<u>(100,000)</u>	<u>(68,768)</u>	<u>(31,232)</u>
Excess (deficiency) of revenues over expenditures & other sources (uses)	<u>\$ (34,000)</u>	(33,965)	<u>\$ 35</u>
Fund balances at beginning of year		<u>216,128</u>	
Fund balances at end of year		<u>\$ 182,163</u>	

	Athletic Fund	
<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
\$ 0	\$ 0	\$ 0
69,100	68,962	(138)
<u>900</u>	<u>884</u>	<u>(16)</u>
70,000	69,846	(154)
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
0	0	0
<u>70,000</u>	<u>69,846</u>	<u>(154)</u>
0	0	0
247,000	242,974	4,026
89,700	82,975	6,725
700	636	64
<u>157,600</u>	<u>143,314</u>	<u>14,286</u>
<u>495,000</u>	<u>469,899</u>	<u>25,101</u>
(425,000)	(400,053)	24,947
<u>430,000</u>	<u>405,000</u>	<u>25,000</u>
<u>\$ 5,000</u>	4,947	<u>\$ (53)</u>
	<u>33,813</u>	
	<u>\$ 38,760</u>	

Belding Area Schools
 Other Supplemental Information
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2009

Student Activity Funds

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Assets				
Cash And Cash Equivalents	\$ 173,901	\$ 367,985	\$ 388,975	\$ 152,911
Liabilities				
Due To Student Groups	\$ 173,901	\$ 367,985	\$ 388,975	\$ 152,911

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
1998 Bonds
June 30, 2009

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>Principal May 1</u>	<u>Interest</u>		<u>Total Debt Requirement</u>
			<u>November 1</u>	<u>May 1</u>	
2010	4.70%	\$ 895,000	\$ 67,116	\$ 67,116	\$ 1,029,232
2011	4.80%	935,000	46,084	46,084	1,027,168
2012	4.85%	<u>975,000</u>	<u>23,644</u>	<u>23,644</u>	<u>1,022,288</u>
	Total	<u>\$ 2,805,000</u>	<u>\$ 136,844</u>	<u>\$ 136,844</u>	<u>\$ 3,078,688</u>

Purpose - Refunding the Schools District's 1992 Refunding Bonds dated August 5, 1992, and maturing May 1 in the years 2003 through 2009; refunding portions of the School District's 1996 Building and Site Refunding Bonds dated May 22, 1996 and maturing May 1 in the years 2007, 2009 through 2014, 2016, 2021 and 2026; and paying the costs of issuing the Bonds.

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2006 Refunding Bonds
June 30, 2009

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2010	3.50%	\$ 255,000	\$ 64,450	\$ 64,450	\$ 383,900
2011	3.50%	265,000	59,988	59,988	384,976
2012	4.00%	270,000	55,350	55,350	380,700
2013	4.00%	280,000	49,950	49,950	379,900
2014	4.00%	295,000	44,350	44,350	383,700
2015	4.00%	180,000	38,450	38,450	256,900
2016	4.00%	170,000	34,850	34,850	239,700
2017	4.00%	170,000	31,450	31,450	232,900
2018	4.00%	165,000	28,050	28,050	221,100
2019	4.00%	165,000	24,750	24,750	214,500
2020	4.00%	150,000	21,450	21,450	192,900
2021	4.00%	150,000	18,450	18,450	186,900
2022	4.00%	150,000	15,450	15,450	180,900
2023	4.10%	150,000	12,450	12,450	174,900
2024	4.10%	150,000	9,375	9,375	168,750
2025	4.20%	150,000	6,300	6,300	162,600
2026	4.20%	150,000	3,150	3,150	156,300
Total		<u>\$ 3,265,000</u>	<u>\$ 518,263</u>	<u>\$ 518,263</u>	<u>\$ 4,301,526</u>

Purpose- To refund the 1996 Bonds. The purpose of the 1996 bonds was to erect, furnish and equip a new elementary school and playgrounds; to erect, furnish and equip and addition or additions to and/or partially remodel, refurbish and re-equip the Ellis Elementary School and the High School; partially remodel for and install educational technology in school facilities; partially remodel, refurbish and re-equip the Hallpark School for an athletic facility; acquire additional land for site purposes; construct, develop and improve sites, playgrounds, outdoor physical education fields and athletic facilities and refunding all of the 1992 construction bonds.

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2008 Refunding Bonds
June 30, 2009

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2010	4.70%	\$ 0	\$ 187,231	\$ 187,231	\$ 374,463
2011	4.80%	0	187,231	187,231	374,463
2012	4.85%	0	187,231	187,231	374,463
2013	4.90%	1,055,000	187,231	187,231	1,429,463
2014	4.95%	1,090,000	170,088	170,088	1,430,175
2015	5.00%	650,000	152,375	152,375	954,750
2016	5.00%	640,000	141,000	141,000	922,000
2017	5.00%	630,000	125,000	125,000	880,000
2018	5.00%	630,000	109,250	109,250	848,500
2019	5.00%	620,000	93,500	93,500	807,000
2020	5.00%	615,000	81,100	81,100	777,200
2021	5.00%	600,000	68,800	68,800	737,600
2022	5.00%	595,000	56,800	56,800	708,600
2023	5.00%	575,000	44,900	44,900	664,800
2024	5.00%	570,000	33,400	33,400	636,800
2025	5.00%	550,000	22,000	22,000	594,000
2026	5.00%	550,000	11,000	11,000	572,000
Total		<u>\$ 9,370,000</u>	<u>\$ 1,858,138</u>	<u>\$ 1,858,138</u>	<u>\$ 13,086,275</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
 Other Supplemental Information
 Schedule of Bonded Debt
 Durant Issue
 June 30, 2009

Year Ended June 30	Principal	Interest	Total Debt Requirement
5/15/2010	\$ 17,207	\$ 3,519	\$ 20,726
5/15/2011	18,027	2,699	20,726
5/15/2012	18,884	1,841	20,725
5/15/2013	<u>103,728</u>	<u>35,525</u>	<u>139,253</u>
	<u>\$ 157,846</u>	<u>\$ 43,584</u>	<u>\$ 201,430</u>

Purpose - For the purchase of two general use school buses, one special ed lift bus, roof replacement at Ellis Elementary and administration building, air conditioning for elementary computer lab, Middle school and high school time-out rooms, high school parking lot repair and gymnasium floor refurbishing, Washington carpet replacement and soffitt repair.

Belding Area Schools
Other Supplemental Information
School Bond Loan Fund
June 30, 2009

Some bonds of the school district qualify for participation in the State of Michigan School Bond Loan Fund. If for any reason, the school district will be or is unable to pay the principal and interest on the bonds when due, then the school district shall borrow and the State of Michigan shall lend to it from the School Bond Loan Fund an amount sufficient to enable the school district to make the payment. The school district borrowed an amount of \$0 during the year ended June 30, 2009, in addition to the \$3,751,658 borrowed in previous years. The school paid \$625,679 of accrued interest during 2009. Accrued interest as of June 30, 2009 is \$488,735 leaving a total balance owing of \$4,240,393 as of June 30, 2009.

Federal Programs

INDEPENDENT AUDITOR'S 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

Board of Education
Belding Area Schools
Belding, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area Schools, Belding, Michigan, as of and for the year ended June 30, 2009, which collectively comprise the Belding Area Schools basic financial statements and have issued our report thereon dated October 6, 2009. 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 Belding Area School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Belding Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Belding Area Schools' 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 a 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 over financial reporting 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 described above.

Board of Education
Belding Area Schools

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Education, and the 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.

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

October 6, 2009

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

Board of Education
Belding Area Schools
Belding, Michigan

Compliance

We have audited the compliance of Belding Area Schools 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, 2009. Belding Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Belding Area Schools' management. Our responsibility is to express an opinion on Belding Area Schools' 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 Belding Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Belding Area Schools' compliance with those requirements.

In our opinion, Belding Area Schools 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, 2009.

Internal Control Over Compliance

The management of Belding Area Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Belding Area Schools' internal control over compliance with the 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 Belding Area Schools' internal control over compliance.

Board of Education
Belding Area Schools

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 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.

This report is intended solely for the information and use of management, Board of Education, others within the entity, 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.

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

October 6, 2009

Belding Area Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Belding Area Schools.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's 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.
3. No instances of noncompliance material to the financial statements of Belding Area Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Belding Area Schools expresses an unqualified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in Part C of this Schedule. There are no findings for the year ended June 30, 2009.
7. The program tested as a major program include: CFDA # 84.394. Total expenditures were \$835,773.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Belding Area Schools was determined to be a low-risk auditee.

B. Findings--Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

Belding Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2008	(Memo Only) Prior Year Expenditures	Current-Year Expenditures	Current-Year Federal Revenue Received	Accrued or (Deferred) Revenue at June 30, 2009	Adjustments
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed through the Michigan Department of Education								
National School Lunch/Breakfast/Summer Program								
Summer	10.559							
Project number 90900		\$ 5,692	\$ 0	\$ 0	\$ 1,570	\$ 5,692	\$ (4,122)	\$ 0
Project number 81900		1,192	0	0	1,192	1,192	0	0
Project number 80900		11,325	(5,082)	0	11,325	6,243	0	0
Total Summer		18,209	(5,082)	0	14,087	13,127	(4,122)	0
Lunch-Cash	10.555							
Project number 91950		47,647	0	0	47,647	47,647	0	0
Project number 91960		284,807	0	0	284,807	284,807	0	0
Project number 81950		49,517	1,064	42,689	6,828	7,892	0	0
Project number 81960		291,230	5,882	249,127	42,103	47,985	0	0
Total Lunch-Cash		673,201	6,946	291,816	381,385	388,331	0	0
Lunch-commodities								
Entitlement		43,899	0	0	43,899	43,899	0	0
Bonus		13,266	0	0	13,266	13,266	0	0
Total Commodities		57,165	0	0	57,165	57,165	0	0
Total lunch		730,366	6,946	291,816	438,550	445,496	0	0
Breakfast	10.553							
Project number 91970		205,897	0	0	205,897	205,897	0	0
Project number 81970		84,164	1,841	73,169	10,995	12,836	0	0
Total Breakfast		290,061	1,841	73,169	216,892	218,733	0	0
Total Child Nutrition Cluster		1,038,636	3,705	364,985	669,529	677,356	(4,122)	0
Child Care Food Program	10.558							
Project number 91920		5,208	0	0	5,245	5,208	37	0
Project number 81920		5,154	52	4,623	531	583	0	0
Project number 92010		87	0	0	87	87	0	0
Project number 82010		9	0	0	9	9	0	0
Total Child Care Food		10,458	52	4,623	5,872	5,887	37	0
Total U.S. Department of Agriculture		1,049,094	3,757	369,608	675,401	683,243	(4,085)	0
U.S. Department of Education								
Department of Education								
Title 1	84.010							
Project number 91530-0809		363,798	0	0	363,798	363,798	0	0
Project number 81530-0708		391,972	9,578	391,972	0	9,578	0	0
Total Title 1		755,770	9,578	391,972	363,798	373,376	0	0
Title 1 - Migrant	84.011							
Project number 91830-2009		148,003	0	0	15,098	0	15,098	0
Project number 91890-0809		184,606	0	0	184,606	173,203	11,403	0
Project number 81830-2008		157,749	39,629	39,629	118,120	157,749	0	0
Total Title 1 - Migrant		490,358	39,629	39,629	317,824	330,952	26,501	0

Belding Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2008	(Memo Only) Prior Year Expenditures	Current-Year Expenditures	Current-Year Federal Revenue Received	Accrued or (Deferred) Revenue at June 30, 2009	Adjustments
ARRA-State Stabilization Funds	*	84.394						
Project number 092525-0809		835,773	0	0	835,773	0	835,773	0
Total ARRA		835,773	0	0	835,773	0	835,773	0
Title IID		84.318						
Project number 94290-0809		3,139	0	0	3,139	3,089	50	0
Title III LEP		84.365						
Project number 90580-0809		34,337	0	0	34,337	22,059	12,278	0
Total Title III LEP		34,337	0	0	34,337	22,059	12,278	0
Title IIA - Improving Teacher Quality		84.367						
Project number 90520-0809		142,263	0	0	138,172	135,513	2,659	0
Project number 80520-0708		139,614	32,781	136,011	0	32,781	0	0
Total Title IIA		281,877	32,781	136,011	138,172	168,294	2,659	0
Total passed through Michigan Department of Education		2,401,254	81,988	567,612	1,693,043	897,770	877,261	0
Passed through Kent ISD Drug Free School Drug Free 0809		84.186						
Total passed through Kent ISD		6,168	0	0	3,618	3,283	335	0
Total passed through Kent ISD		6,168	0	0	3,618	3,283	335	0
Passed through Ionia ISD IDEA-Economic Recovery Act Project number 100455		84.391						
Total passed through Ionia ISD		202,000	0	0	31,044	0	31,044	0
Total passed through Ionia ISD		202,000	0	0	31,044	0	31,044	0
Total U.S. Department of Education		2,609,422	81,988	567,612	1,727,705	901,053	908,640	0
Corporation for National and Community Service Passed through Michigan Department of Human Services Learn and Serve Grant		94.004						
MSBF 09-34166		15,000	0	0	15,000	7,808	7,192	0
MSBF 08-34166		15,000	10,817	15,000	0	10,817	0	0
Total Learn and Serve		30,000	10,817	15,000	15,000	18,625	7,192	0
Total Corporation for National and Community Service		30,000	10,817	15,000	15,000	18,625	7,192	0
Total federal financial assistance		\$ 3,688,516	\$ 96,562	\$ 952,220	\$ 2,418,106	\$ 1,602,921	\$ 911,747	\$ 0

* = Major program

Belding Area Schools
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

- NOTE A: *Designates a major program.
- NOTE B: The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.
- NOTE C: Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to these amounts reported in the annual or final cost reports.
- NOTE D: Management has utilized the Grants Section Auditors Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards. Some timing differences occurred between amounts reported on the Form R7120 and the actual receipt of funds.
- NOTE E: U.S.D.A. commodities are recorded as revenues and expenditures when received. Amounts are based on U.S.D.A. value for donated food commodities. Reported commodity receipts values were computed using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.

Belding Area Schools
Schedule of Prior Audit Findings
June 30, 2009

Prior Audit Findings

None

To the Board of Education
Belding Area Schools
Belding, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area Schools for the year ended June 30, 2009, and have issued our report thereon dated October 6, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated May 11, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Belding Area Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Belding Area Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our conversations about planning matters on June 11, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Belding Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The most sensitive estimates affecting the financial statements were management's estimated lives of capital assets and their estimate of the liability of the payout of employee compensated absences. We evaluated the key factors and assumptions used to develop the estimated life span of capital assets and the estimated value of compensated absences in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 6, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

Biggs, Hausserman, Thompson & Dickinson, P.C.

Biggs, Hausserman, Thompson & Dickinson, P.C.
Certified Public Accountants
October 6, 2009