

**AUGRES-SIMS SCHOOL DISTRICT**  
**AuGres, Michigan**

**Financial Statements**  
**June 30, 2007**

AUGRES-SIMS SCHOOL DISTRICT  
AUGRES, MICHIGAN  
JUNE 30, 2007

BOARD OF EDUCATION

Robert Lutz	President
Douglas Furtah	Vice-President
Karl Edmonds	Secretary
Mike Stanley	Treasurer
Jeffrey Taylor	Trustee
Bonnie Svanberg	Trustee
Eric Forton	Secretary/ Treasurer Pro-Tem

ADMINISTRATION

Gary Marchel	Superintendent
--------------	----------------

## TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	
Management's Discussion and Analysis	1
District-Wide Statement of Net Assets	9
District-Wide Statement of Activities	10
Governmental Funds Balance Sheet	11
Reconciliation of Balance Sheet of Governmental Funds to District-Wide Statement of Net Assets	12
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the District-Wide Statement of Activities	14
Statement of Fiduciary Net Assets	15
Notes to Financial Statements	16
Required Supplemental Information	
Budgetary Comparison	28
Additional Supplemental Information	
Schedules of Outstanding Bonded Indebtedness	30
Agency Funds, Schedule of Activity and Amounts Due to Student Groups	31
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	32



Gardner | Provenzano  
Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

October 27, 2007

To the Board of Education  
AuGres-Sims School District  
AuGres, Michigan

We have audited the accompanying financial statements of the governmental activities of AuGres-Sims School District, as of and for the year ended June 30, 2007, which comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of AuGres-Sims School District's management. Our responsibility is to express an opinion 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 of the AuGres-Sims School District as of June 30, 2007, 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.

To the Board of Education  
AuGres-Sims School District  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2007, on our consideration of AuGres-Sims School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information 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 supplementary information. However, we did not audit the information and express no opinion on it.

*Gardner, Provenzano, Schaumman & Thomas, PC*

Certified Public Accountants

**AUGRES-SIMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

---

This section of the annual financial report presents management's discussion and analysis of AuGres-Sims School District's performance during the fiscal year ending June 30, 2007. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the School District.

**Annual Report**

The annual report consists of our Management's Discussion and Analysis, a series of financial statements, notes to those statements, and supplemental information. The financial statements are divided into two sections. The District-Wide Financial Statements (Government-Wide Financial Statements) provide information about the activities of the School District as a whole. They present a year-end aggregate view and a longer-term view of the District's finances. All funds and capital assets and debt are combined. The Fund Financial Statements (Governmental Fund Statements) provide more detail showing the year's activity by fund. They also show the amount available to finance future programs. Fund Statements do not include long-term items such as capital assets or long-term debt.

**District-Wide Financial Statements**

The District-Wide Financial Statements appear first in the financial statements. They present information on the School District as a whole. They show net assets and a statement of activities for the year. These statements include all assets and liabilities using the accrual basis of accounting, 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.

Net assets, the difference between assets and liabilities, are one way of measuring the financial health of the School District. In the statement of activities, the revenues less the expenses result in an increase or decrease in the net assets. Increases or decreases in net assets, over time, affect the financial health of the District. However, the goal of the School District is to provide quality education and a safe environment, not to make a profit.

The statement of activities covers all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid, and State and Federal grants finance most of these activities.

AUGRES-SIMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

**Fund Financial Statements**

The Fund Financial Statements provide detailed information on a fund level instead of the School District as a whole. Some funds are required to be established by State law and by bond covenants. Many of the other funds are created to help control and manage money for a particular purpose or to meet legal responsibilities for certain taxes, grants, and other money. The governmental funds of the School District focus on showing how money flows into and out of funds and the balances left at year-end. They provide a detailed, short-term view of the operations and services of the School District. This helps determine whether more or fewer financial resources are available for future programs. An accounting method called modified accrual accounting is used in fund accounting. This method measures cash and all other financial assets that can readily be converted to cash.

The relationship between governmental activities (District-Wide Financial Statements) and governmental fund activities (Fund Financial Statements) will be reconciled later in the annual report.

**Agency and Trust Accounts**

The School District acts as an agent for various student activity funds. These net assets are reported in separate statements. We exclude these net assets from the School District's other financial statement because we cannot use these assets to finance our operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

AUGRES-SIMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

**Summary of District-Wide Financial Statement**

Table 1 provides a summary of our net assets as of June 30, 2007 and June 30, 2006. They represent the School District as a whole.

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current and other assets	\$ 1,151,073	\$ 1,189,417
Capital assets - net of accumulated depreciation	<u>6,741,667</u>	<u>6,998,564</u>
Total Assets	<u>7,892,740</u>	<u>8,187,981</u>
<b>Liabilities</b>		
Current liabilities	829,638	705,319
Long-term liabilities	<u>4,614,607</u>	<u>4,984,504</u>
Total Liabilities	<u>5,444,245</u>	<u>5,689,823</u>
<b>Net assets</b>		
Invested in capital assets - net of related debt	1,961,667	1,978,564
Restricted for debt service	270,583	202,758
Unrestricted	<u>216,245</u>	<u>316,836</u>
Total Net Assets	<u>\$ 2,448,495</u>	<u>\$ 2,498,158</u>

**Analysis of Overall Financial Position and Results of Operations**

The school district's net assets were \$2,448,495 as of June 30, 2007. Capital assets, net of related debt, totaled \$1,961,667. This represents the original cost, less depreciation of the School District's capital assets, less long-term debt related to capital assets. Restricted net assets of \$270,583 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. The remaining amount of net assets was unrestricted. The \$216,245 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

AUGRES-SIMS SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Analysis of Overall Financial Position and Results of Operations (cont.)**

The following table provides a summary of the operations as a whole for the years ended June 30, 2007 and 2006.

Revenue	<u>2007</u>	<u>2006</u>
Program revenue		
Charges for services	\$ 123,915	\$ 148,465
Grants and contributions	617,404	705,926
General revenue		
Property taxes	2,279,085	2,069,889
State foundation allowance	1,592,088	1,770,050
Other	108,911	80,859
	<u>4,721,403</u>	<u>4,775,189</u>
Function/Program expenses		
Instruction	2,501,034	2,655,603
Support services	1,500,780	1,452,989
Food services	219,058	233,844
Athletics	72,508	72,650
Interest & misc. expense on long-term debt	220,789	246,881
Depreciation (unallocated)	256,897	312,776
	<u>4,771,066</u>	<u>4,974,743</u>
Increase (decrease) in Net Assets	<u>\$ (49,663)</u>	<u>\$ (199,554)</u>

As reported in the statement of activities, the cost of all governmental activities this year was \$4,771,066. Certain activities were partially funded from those who benefited from the programs, \$123,915, or by other governments and organizations that subsidized certain programs with grants and categoricals, \$617,404. The remaining "public benefit" portion of the governmental activities was paid with \$2,279,085 in taxes, \$1,592,088 in State Foundation Allowance, and with other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets of \$49,663. The assets decreased primarily as a result of ongoing operations in the School District.

AUGRES-SIMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

**Analysis of Overall Financial Position and Results of Operations (cont.)**

As discussed above, the net cost shows the financial burden that was placed on the State and the AuGres-Sims 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.

**School District's Funds**

As the School District completed this year, the governmental funds reported a combined fund balance of \$679,792, which is a decrease of \$142,914 from last year. In the General Fund, our principal operating fund, the balance decreased \$210,739 to \$409,209. The decrease in the fund balance was the result of the District providing the same level of service while student enrollment declined. This decrease was not as large as the District had anticipated. The overall, actual General Fund revenue and expenses were within 97 percent of budgeted amounts.

The food service fund was almost self-supporting needing a transfer from the general fund of only \$2,231 to subsidize the program. The athletic fund needed a general fund transfer of \$43,453.

The Debt Service Fund showed a fund balance increase of \$67,825. Millage rates are determined annually to ensure that the School District accumulates sufficient funds to pay annual bond issue-related debt service. The fund balance in the Debt Service Fund is reserved since it can only be used to pay debt service obligations.

**Fund Budget Analysis**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the District revises its budget to reflect changes in revenues and expenditures. For fiscal year 2006-07 the budget was amended March 2007 and June 2007. A budgetary comparison schedule showing the school district's original budget and final amended budget amounts compared with actual amounts for revenue and expenditures is provided in required supplemental information of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

**Final Budget vs. Original Budget**

The general fund original budget revenues were \$10,302 less than the final budget estimate of \$4,009,644. Significant changes to the general fund original revenue budget were as follows:

- Local revenues decreased overall by \$203,179. This decrease was the result of lower than projected property tax values.
- State revenues increased overall by \$165,638. This increase was the result of an increase in the per pupil state aid allocation. The district also received additional revenues from the state for declining enrollment and an equity payment.

The general fund original budget expenditures were \$14,431 more than the final budget estimate of \$4,260,711 or less than 1%. The original budget was amended to include the following changes:

- Decrease in basic programs attributable to three teachers accepting the voluntary severance package that was offered at the end of the 2005-06 school year. The district only needed to replace two of the teachers.
- Decrease in school administration attributable to combining the high school principal and elementary principal positions into one K-12 principal position.

**Actual vs. Final Budget**

- The general fund actual revenues were \$73,903 less than the final revenue budget estimate of \$4,009,644. This variance is due to Section 31A (At Risk) funds, Title I funds, and Title IIA funds carried over to school year 2007-08. September 30, 2007 is the deadline for the Title I and Title IIA funds to be spent.

The general fund actual expenditures were \$114,231 less than the final expenditure budget projection of \$4,260,711.

- Section 31A (At Risk) funds and Title I/Title II-A funds were not expended. These amounts were not reflected in the final budget.

AUGRES-SIMS SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

**Capital Assets**

Capital projects budgeted for school year 2007-08 include asbestos removal in five rooms and door replacements. The funding for these projects will be provided from the sale of district property and from the final asbestos settlement payment which the district should receive in 2008. The upgrades to the athletic complex are still ongoing. The football field lights have been installed and the new field house/concessions stand is under construction. The upgrades are being funded with donations from the community. Capital assets at June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Land	\$ 7,079	\$ 7,079
Construction in progress	9,800	9,800
Land improvements	307,964	307,964
Buildings	8,527,376	8,527,376
Library books	375,683	375,683
Machinery & Equipment	808,231	808,231
Furniture	334,200	334,200
Buses	410,534	456,358
Vehicles	<u>42,297</u>	<u>42,297</u>
Total Capital Assets	10,823,164	10,868,988
Less accumulated depreciation	<u>4,081,497</u>	<u>3,870,424</u>
Net Capital Assets	<u>\$ 6,741,667</u>	<u>\$ 6,998,564</u>

**Debt**

As of June 30, 2007, the School District had \$4,972,964 in Long-Term Debt versus \$5,323,112 in the previous year – a change of 7%.

	<u>2007</u>	<u>2006</u>
Governmental Activities		
Bonds	\$ 4,780,000	\$ 5,020,000
Contracts payable/Retirement	44,722	84,722
Accrued compensated absences	6,769	6,616
Due to State of Michigan	<u>141,473</u>	<u>211,774</u>
Totals	<u>\$ 4,972,964</u>	<u>\$ 5,323,112</u>

The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the School District's boundaries. If the School District issued "qualified debt," such obligations are not subject to this debt limit. The School District has no unqualified general obligation debt. Other obligations include employee-compensated absences, retirement incentives, and due to State of Michigan. The notes to the financial statements contain detailed information on long-term liabilities.

AUGRES-SIMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

**Economic Conditions Affecting Next Year's Budget**

The District's student enrollment has been gradually declining. A preliminary student count for 2007-2008 indicates the enrollment will decrease from the 2006-2007 level by approximately 22 students. This will have a direct impact on the revenue the District will receive from the State.

**Contacting the School District's Financial Management**

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

Gary Marchel  
Superintendent  
AuGres-Sims School District  
310 Court Street  
P.O. Box 648  
AuGres, Michigan 48703

AUGRES-SIMS SCHOOL DISTRICT  
DISTRICT-WIDE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 657,732
Receivables	62,642
Inventories	3,788
Due from other governmental units	354,647
Prepays	72,264
Capital assets less accumulated depreciation	6,741,667
Total Assets	<u>7,892,740</u>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	114,163
Accrued liabilities	289,613
Deferred revenue	67,505
Bonds payable, due within one year	265,000
Retirement incentive, due within one year	23,056
Due to State of Michigan, due within one year	70,301
<b>Long-term liabilities</b>	
Bonds payable, due in more than one year	4,515,000
Retirement incentive, due in more than one year	21,666
Due to State of Michigan, due in more than one year	71,172
Compensated absences, due in more than one year	6,769
Total Liabilities	<u>5,444,245</u>
<b>Net Assets</b>	
Invested in capital assets net of related debt	1,961,667
Restricted for debt service	270,583
Unrestricted	216,245
Total Net Assets	<u>\$ 2,448,495</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT  
DISTRICT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 2,501,034	\$ 16,390	\$ 363,282	\$ (2,121,362)
Support services	1,500,780	7,200	90,821	(1,402,759)
Food services	219,058	71,287	142,575	(5,196)
Athletics	72,508	29,038	20,726	(22,744)
Interest & misc. expense on long-term debt	220,789	-	-	(220,789)
Depreciation (unallocated)	256,897	-	-	(256,897)
Totals	<u>\$ 4,771,066</u>	<u>\$ 123,915</u>	<u>\$ 617,404</u>	<u>(4,029,747)</u>
General revenues:				
Taxes:				
Property taxes levied for general purposes				1,756,511
Property taxes levied for debt service				522,574
State aid - unrestricted				1,592,088
Interest				58,985
Other				49,926
Total General Revenues				<u>3,980,084</u>
Change in Net Assets				(49,663)
Net Assets - Beginning of Year				2,498,158
Net Assets - End of Year				<u>\$ 2,448,495</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2007

	General	Food Service	Athletic	Debt Service	Totals
<u>Assets</u>					
Cash	\$ 380,806	\$ 1,089	\$ 5,254	\$ 270,583	\$ 657,732
Accounts receivable	62,589	53	-	-	62,642
Inventory	-	3,788	-	-	3,788
Due from other funds	4,066	2,757	-	-	6,823
Due from other governments	352,667	1,980	-	-	354,647
Prepaid expenditures	71,886	378	-	-	72,264
Total Assets	<u>\$ 872,014</u>	<u>\$ 10,045</u>	<u>\$ 5,254</u>	<u>\$ 270,583</u>	<u>\$ 1,157,896</u>
<u>Liabilities and Fund Balance</u>					
Liabilities					
Accounts payable	\$ 114,163	\$ -	\$ -	\$ -	\$ 114,163
Due to other funds	2,455	-	4,368	-	6,823
Deferred revenue	67,505	-	-	-	67,505
Accrued expenditures	278,682	10,045	886	-	289,613
Total Liabilities	<u>462,805</u>	<u>10,045</u>	<u>5,254</u>	<u>-</u>	<u>478,104</u>
Fund Balance					
Reserved for debt retirement	-	-	-	270,583	270,583
Designated for capital improvements	71,000	-	-	-	71,000
Undesignated & unreserved	338,209	-	-	-	338,209
Total Fund Balance	<u>409,209</u>	<u>-</u>	<u>-</u>	<u>270,583</u>	<u>679,792</u>
Total Liabilities and Fund Balance	<u>\$ 872,014</u>	<u>\$ 10,045</u>	<u>\$ 5,254</u>	<u>\$ 270,583</u>	<u>\$ 1,157,896</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT  
 RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL  
 FUNDS TO DISTRICT-WIDE STATEMENT OF NET ASSETS  
 JUNE 30, 2007

---

Total Fund Balances - Governmental Funds	\$ 679,792
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	10,823,164
Accumulated depreciation is	(4,081,497)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(4,780,000)
Contracts payable/Retirement incentive	(44,722)
Compensated absences	(6,769)
Due to State of Michigan	(141,473)
Total Net Assets - Governmental Activities (District Wide)	<u>\$ 2,448,495</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT  
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2007

	General	Food Service	Athletic	Debt Service	Totals
<b>Revenue</b>					
Local	\$ 1,871,473	\$ 74,255	\$ 29,055	\$ 539,780	\$ 2,514,563
State	1,802,248	14,697	-	-	1,816,945
Federal	156,234	127,875	-	-	284,109
Other	105,786	-	-	-	105,786
Total Revenue	<u>3,935,741</u>	<u>216,827</u>	<u>29,055</u>	<u>539,780</u>	<u>4,721,403</u>
<b>Expenditures</b>					
<b>Instruction</b>					
Basic programs	1,962,304	-	-	-	1,962,304
Added needs	578,730	-	-	-	578,730
<b>Support services</b>					
Pupil	90,486	-	-	-	90,486
Instructional staff	133,641	-	-	-	133,641
General administration	178,449	-	-	-	178,449
School administration	216,016	-	-	-	216,016
Business	153,244	-	-	-	153,244
Operation and maintenance	503,313	-	-	-	503,313
Pupil transportation services	207,614	-	-	-	207,614
Central	5,136	-	-	-	5,136
Other	1,561	-	-	-	1,561
Debt service	70,302	-	-	471,955	542,257
Food service	-	219,058	-	-	219,058
Athletic	-	-	72,508	-	72,508
Total Expenditures	<u>4,100,796</u>	<u>219,058</u>	<u>72,508</u>	<u>471,955</u>	<u>4,864,317</u>
Excess (Deficiency) of Revenues Over Expenditures	(165,055)	(2,231)	(43,453)	67,825	(142,914)
<b>Other Financing Sources (Uses)</b>					
Sources	-	2,231	43,453	-	45,684
Uses	(45,684)	-	-	-	(45,684)
Total Other Financing Sources (Uses)	<u>(45,684)</u>	<u>2,231</u>	<u>43,453</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(210,739)	-	-	67,825	(142,914)
Fund Balances - Beginning of Year	619,948	-	-	202,758	822,706
Fund Balances - End of Year	<u>\$ 409,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,583</u>	<u>\$ 679,792</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
 TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2007

---

Net Change in Fund Balances - Governmental Funds	\$ (142,914)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are capitalized and depreciated over their estimated useful lives.	
Depreciation expense	(256,897)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities	240,000
The proceeds from long-term debt are a revenue in the governmental funds, but not in the statement of activities	
Contracts payable/Retirement incentive	10,000
In the statement of activities, certain expenses (retirement incentives, compensated absences) are measured by the amounts earned during the year. The governmental funds measure the financial resources used (paid). This year, the amount of these items paid (earned) exceeded the amounts earned (paid)	
Compensated absences	(153)
Contracts payable/Retirement incentive	30,000
Due to State of Michigan	70,301
	<hr/>
Change in Net Assets of Governmental Activities (District Wide)	<u>\$ (49,663)</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2007

---

Agency Funds

Assets	
Cash, student organizations	\$ 59,765
Total Assets	<u>\$ 59,765</u>
Liabilities	
Due to student organizations	\$ 59,765
Total Liabilities	<u>\$ 59,765</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 1--Summary of Significant Accounting Policies

The AuGres-Sims School District (the "School District") operates under an elected Board of Education and provides educational services to approximately 479 students.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

B. District-Wide Statements

The District-Wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the primary government. The purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Governmental activities, which 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 to be 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 students 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 included among program revenues are reported instead as general revenue.

The District-Wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The District-Wide approach is focused more on the sustainability of the School District as an entity and the change in the District's net assets from the current year's activities.

AUGRES-SIMS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 1--Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements

The accounts of the School District are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the School District:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the District.

General Fund is the general operating fund of the School District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Food Service and Athletic funds are special revenue funds.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School District programs.

The School District has opted to display information for all funds without regard to the criteria established by GASB 34 for determination of major funds. The School District's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used for activities or obligations of the government, these funds are not incorporated in the District-Wide statements.

AUGRES-SIMS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 1--Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting records revenues when earned and expenses 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.

Modified Accrual

The modified accrual basis recognizes revenues when they are 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 year. Expenditures are still recognized when 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.

E. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

Receivables

Receivables consist of all revenues earned at year-end but not yet received. In general, outstanding balances between funds are reported as "due to/from other funds".

Inventories

Inventories consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method.

AUGRES-SIMS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Prepaid

Prepaid amounts consist of payments for which the District will have a future benefit and will be used up at a date beyond the current year-end.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The School District does not possess infrastructure type assets.

Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Buildings	50 years
Land improvements	20 years
Buses and other vehicles	8 years
Furniture, equipment and computers	5-20 years

Accounts Payable

Accounts payable consist of items from which the District benefited during the current fiscal year but has not yet paid.

Accrued Liabilities

Accrued liabilities consist of amounts due on employees' contracts that are due and payable for the current fiscal year and items related to salaries payable, specifically the District's portion of FICA and Medicare taxes and retirement contributions.

Deferred Revenue

Deferred revenue represents amounts for which the District has received or is due to receive but has not yet earned. Deferred revenue is usually caused by the receipt of certain categorical funds that are not expended by the close of the fiscal year. The revenues are deferred until the proceeds have been fully expensed/expended.

AUGRES-SIMS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Long-Term Liabilities

Bonds payable are the result of long-term obligations issued for the purpose of making capital purchases and improvements or the refinancing of previously issued obligations. Retirement incentives are the result of agreements made between the District and certain employees opting for early retirement. The liability for compensated absences reported in the District-Wide statements consists of unused, accumulated absence balances per support staff. The liability has been calculated based on a per employee limit of 100 days accumulated at a \$10.00 per day payment. Payments are to be made if an employee accumulates over the 100-day limit or retires. The District has concluded that estimating a current portion of compensated absences would be impossible; therefore, no portion is recorded as such. Due to the State of Michigan is as a result of a Department of Treasury audit in which the Department of Treasury concluded the District had been overpaid for state school aid. The Michigan Department of Education is allowing the District to repay the overpayment over five years.

Inter-fund Activity

Inter-fund activity is reported as loans, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables and are eliminated upon consolidation. Transfers are eliminated upon consolidation.

NOTE 2--Stewardship, Compliance, and Accountability

The School District is required to adopt an annual budget before the beginning of the fiscal year for the General Fund, Food Service Fund, and the Athletic Fund. The accounting basis of the budgets is the modified accrual method. Following are the procedures used in establishing the budgetary data reflected in the financial statements:

1. The District's Superintendent submits to the Board of Education a proposed budget by June 30 of each year. The budget includes proposed expenditures and the means to finance them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The Superintendent is authorized to transfer budgeted amounts within functional expense lines as approved by the Board; however, any revisions that alter functional expenditure lines of any fund must be approved by the Board of Education.

AUGRES-SIMS SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 2--Stewardship, Compliance, and Accountability (continued)

4. Budgeted amounts shown in the supplemental information reflect amendments through June 30.

The budgetary comparison 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 School District to have its budget in place by June 30. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. The School District variances are illustrated in the required supplemental information.

NOTE 3--Deposits and Investments

The School District is authorized, by the State of Michigan, to deposit its fund in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The District is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker's acceptance of U.S. banks,
- f. Mutual funds – investments which local unit can make directly.

All cash is held by federally insured financial institutions. The FDIC insures up to \$100,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposit for the \$100,000 limitation.

A summary of bank cash and investments is as follows:

Cash	Total	Insured	Collateralized	Uninsured
				Uncollateralized
General Fund	\$ 553,634	\$ 100,143	\$ -	\$ 453,491
Special revenue	6,343	-	-	6,343
Agency	61,202	-	-	61,202
Debt service	270,585	-	-	270,585
Total	<u>\$ 891,764</u>	<u>\$ 100,143</u>	<u>\$ -</u>	<u>\$ 791,621</u>

The primary objective of the District's investment policy, in priority order, of investment activities shall be safety, liquidity and yield.

AUGRES-SIMS SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 4--Capital Assets and Accumulated Depreciation

Capital asset activity of the School District was as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Capital assets not subject to depreciation				
Land	\$ 7,079	\$ -	\$ -	\$ 7,079
Construction in progress				
Athletic complex	9,800	-	-	9,800
Subtotal	<u>16,879</u>	<u>-</u>	<u>-</u>	<u>16,879</u>
Capital assets subject to depreciation				
Land Improvements	307,964	-	-	307,964
Buildings	8,527,376	-	-	8,527,376
Library books	375,683	-	-	375,683
Machinery & Equipment	808,231	-	-	808,231
Furniture	334,200	-	-	334,200
Buses	456,358	-	45,824	410,534
Vehicles	42,297	-	-	42,297
Subtotal	<u>10,852,109</u>	<u>-</u>	<u>45,824</u>	<u>10,806,285</u>
Total Capital Assets	<u>10,868,988</u>	<u>-</u>	<u>45,824</u>	<u>10,823,164</u>
Accumulated depreciation				
Land Improvements	244,284	10,523	-	254,807
Buildings	2,017,869	170,402	-	2,188,271
Library books	375,683	-	-	375,683
Machinery & Equipment	669,693	51,471	-	721,164
Furniture	160,756	-	-	160,756
Buses	365,841	23,168	45,824	343,185
Vehicles	36,298	1,333	-	37,631
Total Accumulated Depreciation	<u>3,870,424</u>	<u>256,897</u>	<u>45,824</u>	<u>4,081,497</u>
Total Net Capital Assets	<u>\$ 6,998,564</u>	<u>\$ (256,897)</u>	<u>\$ -</u>	<u>\$ 6,741,667</u>

Depreciation expense was not charged to activity as the District considers its capital assets to impact multiple activities and allocation is not practical.

AUGRES-SIMS SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 5--Inter-fund – Receivables, Payables, and Transfers

The makeup of inter-fund balances and transfers is as follows:

Due From/Due To			
Fund	Receivable	Fund	Payable
General	\$ 4,066	Athletics	\$ 4,066
Food Service	2,455	General	2,455
Food Service	302	Athletics	302
	<u>\$ 6,823</u>		<u>\$ 6,823</u>

  

Transfers			
Fund	Transfer In	Fund	Transfer Out
Food	\$ 2,231	General	\$ 2,231
Athletics	43,453	General	43,453
	<u>\$ 45,684</u>		<u>\$ 45,684</u>

For the year ended June 30, 2007, transfers from the general fund to the athletic and food service funds were to subsidize these programs.

NOTE 6--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 District. Other long-term debts include compensated absences, retirement incentives and due to the State of Michigan.

Long-term debt activity is summarized as follows:

	Balance July 1, 2006	Additions	Retirements	Adjustments	Balance June 30, 2007
Governmental Activities					
Bonds	\$ 650,000	\$ -	\$ 190,000	-	\$ 460,000
Refunding bonds	4,370,000	-	50,000	-	4,320,000
Contracts payable/Retirement 2004	9,722	-	8,333	-	1,389
Contracts payable/Retirement 2006	75,000	-	21,667	10,000	43,333
Accrued compensated absences	6,616	153	-	-	6,769
Due to State of Michigan	211,774	-	70,301	-	141,473
Totals	<u>\$ 5,323,112</u>	<u>\$ 153</u>	<u>\$ 340,301</u>	<u>\$ 10,000</u>	<u>\$ 4,972,964</u>

AUGRES-SIMS SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 6--Long-Term Debt (continued)

Annual debt service requirements to maturity for the above governmental bonds and retirement obligations are as follows:

<u>Fiscal Year Ended</u>	<u>Due to State</u>	<u>Retirement &amp; Compensated Absences</u>	<u>Bonds Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 70,301	\$ 23,056	\$ 265,000	\$ 209,438	\$ 567,795
2009	71,172	21,666	295,000	196,650	584,488
2010	-	6,769	315,000	182,162	503,931
2011	-	-	340,000	169,562	509,562
2012	-	-	365,000	155,962	520,962
2013-2017	-	-	2,185,000	499,600	2,684,600
2018-2019	-	-	1,015,000	61,200	1,076,200
Totals	<u>\$ 141,473</u>	<u>\$ 51,491</u>	<u>\$ 4,780,000</u>	<u>\$ 1,474,574</u>	<u>\$ 6,447,538</u>

For the year ended June 30, 2007, the total interest paid on bonded debt was \$220,787.

Governmental Activities:

General obligation bonds consist of the following:

1999 partially refunded in 2005 serial and term bonds  
 due in annual installments of \$70,000 to  
 \$245,000 through May 1, 2009;  
 interest at 5.125% to 5.300%

\$ 460,000

2005 refunding serial bonds  
 due in annual installments of \$50,000 to  
 \$515,000 through 2019; interest 2.5% to 4%

4,320,000

Total Bonded Debt

\$ 4,780,000

NOTE 7--Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The District has joined together with other school districts in Michigan to form SET-SEG, a public entity risk pool currently operating as a common risk management and insurance program for member Michigan school districts. The District pays an annual premium to SET-SEG for its workers' compensation insurance coverage. The Agreement for formation of SET-SEG provides that SET-SEG will be self-sustaining through member premiums. The District continues to carry commercial insurance for all other risks of loss.

AUGRES-SIMS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 8--Pension Plan

The School District's defined benefit pension plan provides retirement, survivor and disability benefits to its employees. The District participates in the Michigan Public School Employees Retirement System (MPSERS), a cost sharing multiple-employer, statewide plan governed by the State of Michigan. Benefit provisions are established by state statute. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the MPSERS Directors, PO Box 30673, Lansing, Michigan 48909 or by calling (517) 322-6235.

Funding Policy

The School District is required to contribute at an actuarially determined rate; the current rate at June 30, 2007 was 17.74% of covered payroll. Employees hired before January 1, 1990 contribute 3.9% of their gross pay. Employees hired January 1, 1990 or later contribute between 3% and 4.3%. The contribution requirements are established and may be amended by the State of Michigan.

The contribution requirements of plan members are established and may be amended by the State of Michigan. The District's contributions to MPSERS for the current year and the preceding two years were \$388,872, \$398,274, and \$365,180, respectively, which was 100% of the annual required contribution.

NOTE 9--Operating Lease

The District has a lease for its copiers. Lease expense for the year ended June 30, 2007 was \$14,904. Subsequent payments are as follows:

<u>June 30,</u>	<u>Payments</u>
2008	\$ 14,904
2009	14,904
2010	6,210
	<u>\$ 36,018</u>

NOTE 10--Self-Funded Insurance

The AuGres-Sims School District has a self-insured dental and vision plan. Participants and their eligible dependents are entitled to benefits as outlined by the AuGres-Sims School District.

AUGRES-SIMS SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 11--Deferred Compensation Plan

The AuGres-Sims School District established a Section 457(b) deferred compensation plan for its employees. The plan, which became effective as of January 1, 2003, is available to all employees of the District. For 2007, employees can defer up to the lesser of the Internal Revenue Service threshold or 100% of their compensation. Contribution limits are subject to changes in U.S. tax laws. AuGres-Sims School District does not make any contributions to the Plan.

NOTE 12--Fund Balance Reservations and Designation

AuGres-Sims School District has reserved the following amounts in fund balance:

	General	Food Service	Debt Service	Total
Reserved for debt retirement	\$ -	\$ -	\$ 270,583	\$ 270,583
Designated for capital improvements	71,000	-	-	71,000
Total Reservations & Designations	<u>\$ 71,000</u>	<u>\$ -</u>	<u>\$ 270,583</u>	<u>\$ 341,583</u>

NOTE 13--Advance Refund of Bond Resulting in Defeasance of Debt

During the fiscal year ended June 30, 2005, the District issued \$4,420,000 in general obligation-refunding bonds with interest rates ranging between 2.50% and 4.00%. The District issued the bonds to advance refund \$4,470,000 of the outstanding series 1999 general obligation bonds with interest rates ranging from 5.25% to 5.30%. The District used the net proceeds, along with other sources, to purchase State and Local Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded 1999 series bonds. As a result, the 1999 series bonds are considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$4,320,000 as of June 30, 2007.

The advance refunding reduced the total debt service payments over the next 16 years by \$460,617. This results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$234,293.

REQUIRED SUPPLEMENTAL INFORMATION

AuGres-Sims School District  
 Budgetary Comparison  
 For the Year Ended June 30, 2007

	General Fund			Special Revenue Funds (Food Service and Athletic)			
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Positive (Negative) Variance
<b>Revenue</b>							
Local	\$ 2,059,008	\$ 1,855,364	\$ 1,871,473	\$ 122,450	\$ 103,636	\$ 103,310	\$ (326)
State	1,701,502	1,867,140	1,802,248	10,416	14,696	14,696	-
Federal	191,720	197,697	156,234	130,000	130,000	127,876	(2,124)
Incoming transfers and other	47,112	89,443	105,786	45,613	43,189	45,684	2,495
<b>Total Revenues</b>	<b>3,999,342</b>	<b>4,009,644</b>	<b>3,935,741</b>	<b>308,479</b>	<b>291,521</b>	<b>291,566</b>	<b>45</b>
<b>Expenditures</b>							
Instruction							
Basic programs	2,128,502	1,979,663	1,962,304	-	-	-	-
Added needs	559,397	646,508	578,730	-	-	-	-
Support Services							
Pupil	91,779	93,743	90,486	-	-	-	-
Instructional staff	120,816	164,825	133,641	-	-	-	-
General administration	196,610	181,222	178,449	-	-	-	-
School administration	266,339	218,339	216,016	-	-	-	-
Business	140,963	160,637	153,244	-	-	-	-
Operation and maintenance	453,300	485,001	503,313	-	-	-	-
Pupil transportation services	188,506	203,034	207,614	-	-	-	-
Central							
Other	400	10,050	5,136	-	-	-	-
Food service	-	-	1,561	-	-	-	-
Athletic activities	-	-	-	233,787	223,177	219,058	4,119
Debt service	72,500	72,500	70,302	74,692	68,344	72,508	(4,164)
Outgoing transfers	56,030	45,189	45,684	-	-	-	-
<b>Total Expenditures</b>	<b>4,275,142</b>	<b>4,260,711</b>	<b>4,146,480</b>	<b>308,479</b>	<b>291,521</b>	<b>291,566</b>	<b>(45)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(275,800)</b>	<b>(251,067)</b>	<b>(210,739)</b>				
Fund Balance - Beginning of Year	619,948	619,948	619,948				
Fund Balance - End of Year	\$ 344,148	\$ 368,881	\$ 409,209	\$ -	\$ -	\$ -	\$ -

See independent auditor's report.

ADDITIONAL SUPPLEMENTAL INFORMATION

AuGres-Sims School District  
Schedules of Outstanding Bonded Indebtedness  
June 30, 2007

Date of Issue: November 8, 1999

Original Amount of Issue: \$5,890,000  
Partially refunded in 2005

Purpose of the Issue: Erecting, furnishing, and equipping additions to and remodeling, refurbishing, and re-equipping school buildings; and developing and improving sites.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2008	5.25	\$ 215,000	\$ 24,150	\$ 239,150
2009	5.25	245,000	12,862	257,862
		<u>\$ 460,000</u>	<u>\$ 37,012</u>	<u>\$ 497,012</u>

Date of Issue: March 2005

Original Amount of Issue: \$4,420,000  
Refunding Bonds

Purpose of the Issue: Erecting, furnishing, and equipping additions to and remodeling, refurbishing, and re-equipping school buildings; and developing and improving sites.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2008	3.00	\$ 50,000	\$ 185,288	\$ 235,288
2009	3.25	50,000	183,788	233,788
2010	4.00	315,000	182,162	497,162
2011	4.00	340,000	169,562	509,562
2012	4.25	365,000	155,962	520,962
2013	5.00	390,000	140,450	530,450
2014	5.00	415,000	120,950	535,950
2015	5.00	440,000	100,200	540,200
2016	4.00	460,000	78,200	538,200
2017	4.00	480,000	59,800	539,800
2018	4.00	500,000	40,600	540,600
2019	4.00	515,000	20,600	535,600
		<u>\$ 4,320,000</u>	<u>\$ 1,437,562</u>	<u>\$ 5,757,562</u>

See independent auditor's report.

AuGres-Sims School District  
Agency Funds  
Schedule of Activity and Amount Due to Student Groups  
For the Year Ended June 30, 2007

Activity Accounts	Cash Balance July 1, 2006	Cash Receipts	Cash Disbursements	Cash Balance June 30, 2007
Annual	\$ 1,194	\$ 3,823	\$ -	\$ 5,017
Art Club	143	-	-	143
Band Account	111	80	107	84
Baseball	2,321	2,587	3,029	1,879
Basketball/Boys	7,690	5,710	7,605	5,795
Basketball/Girls	3,211	4,614	4,172	3,653
Cheerleaders/JH	80	-	-	80
Cheerleaders/JV V	155	-	-	155
Class of 2005	7	-	7	-
Class of 2006	532	-	532	-
Class of 2007	1,407	549	1,897	59
Class of 2008	23	3,595	2,147	1,471
Class of 2009	-	170	-	170
Class of 2010	-	300	-	300
Delores Jose Corey Scholarship	2,750	-	500	2,250
Drama Club	1,133	670	1,125	678
Elementary Education	11,849	16,563	16,812	11,600
Football	1,128	8,086	7,261	1,953
Foreign Language	122	-	-	122
G. Bellissimo Scholarship	-	2,370	-	2,370
Irene Nowak Scholarship fund	265	300	565	-
Leadership class	300	2,002	2,152	150
Library-JH/HS	(2)	-	-	(2)
Middle School Student Council	2,333	5,061	2,920	4,474
Miscellaneous	132	2,093	915	1,310
National Honor Society	419	1,044	1,071	392
Pay to Participate	(60)	9,610	9,550	-
Principal/Miscellaneous	504	1,676	1,659	521
Ron Christie Fund	778	-	-	778
Science Club	6	1,303	1,034	275
Softball	2,909	5,101	6,207	1,803
Special Ed	408	-	408	-
Student Assistance	22	-	5	17
Student Council	556	1,612	1,840	328
Student Purchases	4,386	10,114	7,749	6,751
Teachers	322	2,054	1,092	1,284
Tom Wallis Scholarship Fund	-	100	100	-
Track	-	3,953	1,066	2,887
Voice	16	25	-	41
Volleyball	1,937	2,933	4,297	573
Wood Shop	404	-	-	404
<b>Total Due to Students Groups</b>	<b>\$ 49,491</b>	<b>\$ 98,098</b>	<b>\$ 87,824</b>	<b>\$ 59,765</b>

See independent auditor's report.



**Gardner | Provenzano  
Schauman & Thomas**

**CERTIFIED PUBLIC ACCOUNTANTS**

Frederick C. Gardner  
Giacomo Provenzano  
James R. Schauman  
Heather A. Thomas

**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**

October 27, 2007

To the Board of Education  
AuGres-Sims School District  
AuGres, Michigan

We have audited the financial statements of the governmental activities of AuGres-Sims School District as of and for the year ended June 30, 2007, which comprise AuGres-Sims School District's basic financial statements, and have issued our report thereon dated October 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects AuGres-Sims School District'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 AuGres-Sims School District's financial statements that is more than inconsequential will not be prevented or detected by AuGres-Sims School District's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

We noted an absence of appropriate segregation of duties consistent with appropriate control objectives.

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 AuGres-Sims School District'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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance**

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

To the Board of Education  
AuGres-Sims School District  
Page Three

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

*Gardner, Prosenyano, Schaumann & Thomas, P.C.*

Certified Public Accountants



**Gardner | Provenzano  
Schauman & Thomas**

**CERTIFIED PUBLIC ACCOUNTANTS**

October 27, 2007

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

To the Board of Education  
AuGres-Sims School District  
Arenac County, Michigan

In planning and performing our audit of the financial statements of the School District for the year ended June 30, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency.

**Property Tax Revenue**

While reconciling property tax revenue for the year ended June 30, 2006, we noted that revenue received was approximately \$23,000 less than calculated using the property tax values as of August 18, 2006 as listed on the Michigan Department of Education's website.

When inquiries were made with the County Treasurer, we were told that the County had settled before the values had increased and that the difference would be made up through the 2006-2007 State Aid payments.

While conducting field work for the 2006-2007 fiscal year, we were unable to find the adjustment for the change in the 2005-2006 property values.

We understand your staff has been attempting to resolve this issue for several months. We recommend your staff continue to attempt to reconcile the property tax adjustments on the State Aid report until this issue is resolved.

The preceding comment and recommendation is intended solely for the information and use of the management and others within the organization and should not be used by anyone other than these specified parties.

Very truly yours,

*Gardner, Provenzano, Schauman & Thomas P.C.*

Gardner, Provenzano, Schauman & Thomas, P.C.  
4855 State Street | P.O. Box 6457 | Saginaw, Michigan 48608 | 989.790.3900 | Fax: 989.790.3155  
526 West Genesee Street | Frankenmuth, Michigan 48734 | 989.652.6220 | Fax: 989.652.2245