

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Ojibwe Charter School		County Chippewa	
Fiscal Year End June 30, 2007		Opinion Date August 10, 2007		Date Audit Report Submitted to State October 17, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe) Single Audit		<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue			City Kincheloe	State MI
			Zip 49788	
Authorizing CPA Signature 		Printed Name Phillip J. Wolf, CPA		License Number 1101017275

Ojibwe Charter School

**Financial Report
with Supplemental Information**

June 30, 2007

Contents

Independent Auditor’s Report	1 – 2
Management’s Discussion and Analysis	3 - 9
Basic Financial Statements	
School – wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Assets	15
Notes to Financial Statements	16 – 25
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	26
Budgetary Comparison Schedule – Food Services Fund	27
Reports on Compliance	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	28 – 29
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	30 – 31
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33
Schedule of Findings	34 – 35
Summary Schedule of Prior Audit Findings	36



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

Independent Auditor's Report

To the Members of the
Board of Education
Ojibwe Charter School
Brimley, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Ojibwe Charter School, as of and for the year ended June 30, 2007, which collectively comprise the Ojibwe Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ojibwe Charter 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 and the Michigan School Auditing Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Ojibwe Charter School, as of June 30, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Board of Education
Ojibwe Charter School

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2007, on our consideration of Ojibwe Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required budgetary comparison information identified in the Table of Contents 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ojibwe Charter School's basic financial statement purposes. 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 State, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to basic financial statements.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 10, 2007

Management's Discussion and Analysis

Ojibwe Charter School is a K-11 Public School Academy located in Chippewa County, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Ojibwe Charter School administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: School-wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the School's major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

School-wide Financial Statements:

The school-wide financial statements are maintained using the "full accrual" basis. They report all of the School's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the School are reported in the Statement of Net Assets of the school-wide financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**Summary of Net Assets:**

The following summarizes the net assets at fiscal year ended June 30, 2006 and 2007:

Net Assets Summary

	<u>2006</u>	<u>2007</u>
Assets		
Current assets	\$ 382,315	\$ 460,500
Capital assets	413,127	426,327
Less: accumulated depreciation	(98,277)	(157,285)
Capital assets, net book value	314,850	269,042
Total assets	<u>\$ 697,165</u>	<u>\$ 729,542</u>
Liabilities		
Current liabilities	\$ 186,794	\$ 214,611
Long-term liabilities	40,622	30,454
Total liabilities	<u>\$ 227,416</u>	<u>\$ 245,065</u>
Net assets		
Invested in capital assets, net of related debt (deficit)	\$ 264,501	\$ 228,420
Unrestricted	205,248	256,057
Total net assets	<u>\$ 469,749</u>	<u>\$ 484,477</u>

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

During fiscal year ended June 30, 2007, the School's net assets increased by \$14,728 as compared to a net increase of \$187,843 in the prior fiscal year. The primary difference between prior year net assets and current year net assets was due to a reduction in State Aid. In the fiscal year ending June 30, 2007, the charter school received \$517,220 in Impact Aid Grant funds, an increase over fiscal 2006. An issue facing the Board is the sustainability of keeping smaller class sizes to maximize student achievement. This is going to be dependent upon continued increases in the Impact Aid Grant from the Bureau of Indian Affairs. The likelihood of continued increases is uncertain at this time.

As of the 2007-2008 fiscal year we have hired an in-house business manager, Lillian Clark, who will be responsible for the accounting duties previously performed by the management company.

As of the 2007-2008 school year the Ojibwe Charter School is a self-managed Charter School academy.

As of the 2007-2008 school year we have hired an in-house food service staff member to have more internal control over the food service program which was previously catered out.

A. Results of Operations:

For the fiscal year ended June 30, 2006 and 2007, the School wide results of operations were:

	2006		2007	
	Amount	% of Total	Amount	% of Total
General revenue:				
State of Michigan aid - all sources	\$ 818,543	50.37%	\$ 736,369	48.19%
Federal Impact aid	495,969	30.52%	517,220	33.85%
Other	6,359	0.39%	3,694	0.24%
Total general revenue	<u>1,320,871</u>	<u>81.27%</u>	<u>1,257,283</u>	<u>82.27%</u>
Program revenue:				
Charges for services	11,440	0.70%	11,443	0.75%
Operating and capital grants	292,883	18.02%	259,472	16.98%
Total program revenue	<u>304,323</u>	<u>18.73%</u>	<u>270,915</u>	<u>17.73%</u>
Total revenue	<u>1,625,194</u>	<u>100.00%</u>	<u>1,528,198</u>	<u>100.00%</u>
Expenses:				
Instruction and instructional services	708,125	49.27%	757,238	50.03%
Support services	585,566	40.74%	642,958	42.48%
Food service	60,432	4.20%	52,198	3.45%
Interest on long-term debt	29,350	2.04%	2,068	0.14%
Depreciation (unallocated)	53,878	3.75%	59,008	3.90%
Total expenses	<u>1,437,351</u>	<u>100.00%</u>	<u>1,513,470</u>	<u>100.00%</u>
Increase (decrease) in net assets	187,843		14,728	
Net Assets - Beginning	<u>281,906</u>		<u>469,749</u>	
Net Assets - Ending	<u>\$ 469,749</u>		<u>\$ 484,477</u>	

B. State of Michigan Aid, Unrestricted

The State of Michigan aid, unrestricted is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Ojibwe Charter School foundation allowance was \$7,085 per student for the 2006 - 2007 school year.
- Student Enrollment: The School's student enrollment for the fall count of 2006 - 2007 was 97 students. For the fiscal year 2006-07 a membership blend of 75% of current year fall student count (September 2006) and 25% of the previous year winter student count (February 2006) is multiplied by the Academy's foundation allowance.

Subsequent to year-end June 30, 2007, preliminary student enrollments for 2007 - 2008 indicate that the 2007 fall student enrollment will be fairly consistent with 2006 - 2007 levels.

C. General Fund Budgetary Highlights**General Fund Operations**

The School's revenues and other sources from General Fund operations exceeded expenditures and other uses by \$50,809 for the fiscal year ended June 30, 2007. The board and administration has made an effort to contain costs during the fiscal year.

Final Budget vs. Actual

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Final Actual</u>
Revenues		
2005-2006	\$ 1,628,540	\$ 1,635,114
2006-2007	\$ 1,539,691	\$ 1,492,218
2007-2008 (projected)	\$ 1,575,837	\$ -
Expenditures		
2005-2006	\$ 1,775,480	\$ 1,724,634
2006-2007	\$ 1,568,079	\$ 1,439,961
2007-2008 (projected)	\$ 1,597,161	\$ -

Original vs. Final Budget

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.

As a matter of practice, Ojibwe Charter School amends its budget periodically as needed during the school year. For the fiscal year 2006 - 2007, the budget was amended in October 2006, February 2007 and June 2007. The June 2007 budget amendment was the final budget for the fiscal year. The Ojibwe Charter School Board does not budget for expenditures covered by grants or for the grant revenue until an award is received. The General Fund does not budget for financed capital outlays in the original budget.

Change from Original to Final General Fund Budget**Revenues:**

Total Revenues Original Budget	\$ 1,439,486
Total Revenues Final Budget	<u>1,539,691</u>
Increase in Budgeted Revenues	<u>\$ 100,205</u>

The School's final general fund revenues were less than the final budget by \$48,921.

C. General Fund Budgetary Highlights

The following are the significant changes in revenues from the original budget:

- Original budget had estimated an enrollment of 100 students and fall 2007 actual enrollment was 97.
- Original budget had estimated the foundation allowance at \$752,139 the actual foundation allowance for 2006-07 was \$736,639.
- Received increased funds from Impact Aid grant totaling \$21,251.

Expenditures:

The School's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$ 1,437,820
Total Expenditures Final Budget	<u>1,568,079</u>
 Increase in Budgeted Expenditures	 <u>\$ 130,259</u>

The School's actual expenditures were less than final budget by \$128,118 a variance of 8.17%. This variance was primarily a result of unspent federal grant allocations awarded to the Academy. Those allocations are available through September 30 and it is anticipated that these unspent allocations at June 30 will be used before the end of the grant period.

The following are the significant changes in expenditures from the original budget:

- Adjustment in instructional staffing to recognize the decrease in student enrollment.
- Adjustment in staffing and other costs to recognize the programmatic additions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The School's net investment in capital assets increased by \$45,808 during the fiscal year. This can be summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Non-depreciable capital assets	\$ -	\$ 13,200	\$ -	\$ 13,200
Depreciable capital assets	413,127	-	-	413,127
Less: accumulated depreciation	<u>(98,277)</u>	<u>(59,008)</u>	<u>-</u>	<u>(157,285)</u>
 Net investment in capital assets	 <u>\$ 314,850</u>	 <u>\$ (45,808)</u>	 <u>\$ -</u>	 <u>\$ 269,042</u>

B. Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the School’s financial statements.

For fiscal year ended June 30, 2007, the net increase in accumulated depreciation was \$59,008.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

C. Debt, Principal Payments

The School financed its school bus purchase during 2005-06 by entering into a long-term capital lease.

	<u>Balance 6/30/2006</u>	<u>New Financings</u>	<u>Principal Payments</u>	<u>Balance 6/30/2007</u>
Leases payable	\$ 50,349	\$ -	\$ 9,727	\$ 40,622
Tax anticipation notes payable	<u>19,926</u>	<u>250,000</u>	<u>241,631</u>	<u>28,295</u>
Total long-term obligations	<u>\$ 70,275</u>	<u>\$ 250,000</u>	<u>\$ 251,358</u>	<u>\$ 68,917</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The Preliminary Budget for the 2007-08 Fiscal Year was adopted by the Board of Education on June 15, 2007. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management’s best estimates based on perceived interest from the community. Some key factors and estimates used in the 2007-08 budget preparation process include:

- The State Aid foundation had been estimated to be \$7,085 per pupil;
- Enrollment projections of 100 students.
- Current teaching staff provides one teacher for every 8 students;
- Benefit costs would be based on group coverage rates through the Michigan Chamber of Commerce and Teamster’s Insurance.

Since the School’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 and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State’s available resources will be throughout the remainder of its fiscal year. Based on the results of the most recent conference, the State has estimated that funds will be sufficient to fund current appropriations.

CONTACTING THE SCHOOL'S MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the School's finances. If you have questions about this report or need additional information, contact the Administration Office, Ojibwe Charter School, 11507 West Industrial Drive, Brimley, Michigan.

Basic Financial Statements

Ojibwe Charter School

Statement of Net Assets June 30, 2007

	Governmental Activities
Assets	
Current Assets	
Cash and cash equivalents	\$ 229,603
Due from other governmental units	192,600
Accounts receivable	8,056
Prepaid expenses	30,241
Total current assets	<u>460,500</u>
Noncurrent Assets	
Capital assets	426,327
Less: accumulated depreciation	<u>(157,285)</u>
Total noncurrent assets	<u>269,042</u>
Total assets	<u><u>\$ 729,542</u></u>
Liabilities	
Current Liabilities	
Short-term notes payable	\$ 28,295
Accounts payable	16,228
Accrued salaries and withholding	103,434
Deferred revenue	4,718
Accrued expenses - related party	51,768
Leases payable - due within one year	10,168
Total current liabilities	<u>214,611</u>
Noncurrent Liabilities	
Leases payable	30,454
Total noncurrent liabilities	<u>30,454</u>
Total liabilities	<u>245,065</u>
Net Assets	
Invested in capital assets, net of related debt	228,420
Unrestricted	<u>256,057</u>
Total net assets	<u>484,477</u>
Total liabilities and net assets	<u><u>\$ 729,542</u></u>

**Statement of Activities
Year Ended June 30, 2007**

	Program Revenue			Governmental Activities
Expenses	Charges for Services	Operating Grants	Capital Grants	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs				
Governmental Activities:				
Instruction and Instructional Services	\$ 757,238	\$ 8,072	\$ 212,217	\$ -
Support services	642,958	-	-	13,200
Food services	52,198	3,371	34,055	-
Interest on long-term debt	2,068	-	-	-
Depreciation (Unallocated)	59,008	-	-	-
	<u>\$ 1,513,470</u>	<u>\$ 11,443</u>	<u>\$ 246,272</u>	<u>\$ 13,200</u>
Total Governmental Activities				(1,242,555)
General Revenues:				
				736,369
				517,220
				3,694
				1,257,283
Changes in Net Assets				14,728
Net assets:				
				469,749
				469,749
				\$ 484,477
				\$ 484,477

Ojibwe Charter School

Balance Sheet Governmental funds June 30, 2007

	General	Food Service	Total Governmental Funds
Assets			
Cash and investments	\$ 206,032	\$ 23,571	\$ 229,603
Due from other governmental units	188,913	3,687	192,600
Due from other funds	27,258	-	27,258
Accounts receivable	8,056	-	8,056
Prepaid expenses	30,241	-	30,241
	<u>\$ 460,500</u>	<u>\$ 27,258</u>	<u>\$ 487,758</u>
Liabilities			
Accounts payable	\$ 63,801	\$ -	\$ 63,801
Accrued salaries and withholdings	103,434	-	103,434
Due to other funds	-	27,258	27,258
Deferred revenue	4,718	-	4,718
Accrued expenses	4,195	-	4,195
Short term notes payable	28,295	-	28,295
	<u>204,443</u>	<u>27,258</u>	<u>231,701</u>
Fund Balances			
Unreserved and undesignated	<u>256,057</u>	<u>-</u>	<u>256,057</u>
	<u>256,057</u>	<u>-</u>	<u>256,057</u>
	<u>\$ 460,500</u>	<u>\$ 27,258</u>	

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	\$ 426,327	
Accumulated depreciation is	(157,285)	
		269,042

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

Leases payable		(40,622)
		<u>(40,622)</u>
Net assets of governmental activities		<u>\$ 484,477</u>

**Statement of Revenue, Expenditures, and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007**

	General	Food Service	Totals
Revenues			
Local sources	\$ 3,694	\$ -	\$ 3,694
State sources	736,369	3,849	740,218
Federal sources	742,635	30,208	772,843
Charges for Services	-	3,371	3,371
Other	8,072	-	8,072
Total Revenues	1,490,770	37,428	1,528,198
Expenditures			
Instructional Services:			
Elementary	319,766	-	319,766
Middle School	116,832	-	116,832
High School	130,914	-	130,914
Special Education	62,280	-	62,280
At Risk	39,801	-	39,801
Other Instruction	87,645	-	87,645
Support Services:			
Pupil services	118,926	-	118,926
Instructional Staff	49,261	-	49,261
General Administration	9,845	-	9,845
Executive Administration	142,067	-	142,067
School Administration	144,103	-	144,103
Business	17,623	-	17,623
Operations & Maintenance	141,086	-	141,086
Pupil Transportation	37,077	-	37,077
Central Services	7,965	-	7,965
Food Services	-	52,198	52,198
Total expenditures	1,425,191	52,198	1,477,389
Excess of Revenues (Expenditures)	65,579	(14,770)	50,809
Other Financing Sources (Uses)			
Operating transfers in	-	14,770	14,770
Operating transfers out	(14,770)	-	(14,770)
Total other financing sources (uses)	(14,770)	14,770	-
Net Changes in Fund Balances	50,809	-	50,809
Fund Balances - Beginning of year	205,248	-	205,248
Fund Balances - End of year	\$ 256,057	\$ -	\$ 256,057

Ojibwe Charter School

Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds To the Statement of Activities Year Ended June 30, 2007

Net Changes in Fund Balances – Total Governmental Funds \$ 50,809

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

Governmental funds report capital outlays as expenditures in the statement of revenues, expenditures and changes in fund balance.

These costs are allocated over their estimated useful lives as depreciation.

Capital Outlays	\$ 13,200	
Current Depreciation Expense	<u>(59,008)</u>	(45,808)

Repayments of lease and note principal is an expenditure in the Governmental funds, but not in the statement of activities (where it reduces long-term debt)

9,727

Change in Net Assets, Statement of Activities \$ 14,728

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007**

	<u>Agency</u>
Assets:	
Cash and Equivalents	\$ _____ -
Total Assets	\$ <u> </u> -
Liabilities:	
Due to PTO	\$ _____ -
Due to Student Organization	_____ -
Total Liabilities	\$ <u> </u> -

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Charter School – The Public School Academy was organized Pursuant to MCL 380.1 ct seg. This Law allows for the School to be eligible for State Aid and must comply with Michigan School Code provisions. The School operates under a grant agreement with the Board of Regents – Bay Mills Community College. The school was created to provide a learning experience, which includes Ojibwe culture, values, and traditions. The School Board may terminate the operating contract by notification. The College Board of Regents may terminate the operating contract for various failures to comply with laws and regulations, insolvency, bankruptcy, insufficient enrollment, fraud, or if the school operates with a fund balance deficit of two or more fiscal years among other provisions.

The accounting policies of Ojibwe Charter School conform to U.S. generally accepted accounting principles as applicable to Schools. The following is a summary of the significant accounting policies:

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. Based on application of the criteria, the entity does not contain component units.

Basic Financial Statements – School-wide Statements

The Academy's basic financial statements include both school-wide (reporting the School as a whole) and fund financial statements (reporting the School's major fund). The school-wide financial statements categorize primary activities as either governmental or business type. All of the School's activities are classified as governmental activities.

In the school-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The School first utilizes restricted resources to finance qualifying activities.

The school-wide Statement of Activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues (grants, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

Note 1 - Summary of Significant Accounting Policies (Continued)

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.)

The School does not allocate indirect costs. In creating the school-wide financial statements, the School has eliminated interfund transactions.

The school-wide focus is on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The accounts of the School are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows.

Governmental Funds – Governmental Funds are those funds through which most School functions typically are financed. The acquisition, use, and balances of the School's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund – The General Fund is used to record the general operations of the School pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved operating budget. The School reports its general fund as a major fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Food Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School reports the food service fund as a major fund.

Agency Funds – These Funds account for monies held on behalf of student organizations or school affiliated groups that use the School as a custodian of funds.

Measurement Focus and 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. It relates the timing of the measurements made regardless of the measurement focus and the governmental-wide statement uses the economic resources measurement focus.

Note 1 - Summary of Significant Accounting Policies (Continued)**Accrual**

Governmental activities and Fiduciary Funds in the school-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., 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 are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that the principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are impact aid, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The School reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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 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 School 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments – Investments are recorded at fair value, based on quoted market prices, or estimated fair value.

Inventories – Inventories, if present, are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School. The Food Services Fund inventory consists of food and paper goods. For all funds, expenditures are recorded at the time of use.

Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined as assets with an initial cost of \$500 or more and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Site Improvements	5 – 20 years
Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

Compensated Absences – The liability for compensated absences reported in the school-wide statements consist of unpaid, accumulated annual and vacation 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. There was no liability at year end.

Long-Term Obligations – In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Budgets

The Public School Academy formally adopted General Fund and Special Revenue Fund budgets by function for the fiscal year ended June 30, 2007. Expenditures at this level in excess of amounts budgeted is a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with U.S. generally accepted accounting principles.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplementary Information.

Note 3 - Deposits and Investments

Deposits

The School’s funds are deposited in a single financial institution. Deposits are carried at cost.

	Primary	Fiduciary
Deposits per Financial Statements:		
Checking, Savings and		
Certificates of Deposit	\$ <u>229,603</u>	\$ <u>-</u>

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The School’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The School’s investment policy does not have specific limits in excess of state law on investment credit risk. The School has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School’s deposits may not be returned. State law does not require and the School does not have a policy for deposit custodial credit risk. As of year end, \$231,491 of the School’s bank balance of \$331,491 was exposed to credit risk because it was uninsured and uncollateralized.

Note 3 - Deposits and Investments (Continued)Statutory Authority:

Michigan laws compiled Section 129.91, authorizes the School to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at this time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchase through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Schools deposits are in accordance with state statutes.

Note 4 - Capital Assets

A summary of changes in governmental capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Assets (Non depreciated)				
Construction in Progress	\$ -	\$ 13,200	\$ -	\$ 13,200
Assets (Depreciated)				
Site Improvements	5,506	-	-	5,506
Furniture and Equipment	195,963	-	-	195,963
Computer and Technology	<u>211,658</u>	<u>-</u>	<u>-</u>	<u>211,658</u>
Total Assets (Depreciated)	413,127	-	-	413,127
Less Accumulated Depreciation	<u>(98,277)</u>	<u>(59,008)</u>	<u>-</u>	<u>(157,285)</u>
Net Capital Assets Depreciated	<u>314,850</u>	<u>(59,008)</u>	<u>-</u>	<u>255,842</u>
Total Net Capital Assets	<u>\$ 314,850</u>	<u>\$ (45,808)</u>	<u>\$ -</u>	<u>\$ 269,042</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$59,008. The School determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Note 5 - Management Agreement

The charter school executed a management agreement on August 8, 2003 with Mosaica Education, Inc. (MEI) to provide educational services and certain administrative services for the public school academy. The original term of the agreement ends on the last school day of the 2010-2011 school year or upon termination of the charter and may be renewed. The agreement requires compensation to MEI based on an annual fee equivalent to 12.5% of the state, federal, and local school funds. Additionally, the Academy agrees to reimburse MEI for all costs incurred and paid by MEI in providing educational and administrative services to the School. MEI employs all personnel of the school including teachers, the Chief Administrative Officer, and support staff. Effective July 1, 2007, by mutual agreement of both parties, the management agreement was terminated.

Note 6 - Interfund Receivable and Payables, and Transfers

The School reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

Note 6 - Interfund Receivable and Payables, and Transfers (Continued)

The School reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE FROM OTHER	DUE TO OTHER FUNDS	
	General Fund	
Food Service	<u>\$ 27,258</u>	

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRANSFERS IN	TRANSFERS OUT	
	General Fund	
Food Service	<u>\$ 14,770</u>	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7 - Risk Management

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

Note 8 - Commitments and ContingenciesGrants

The Charter School has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School at June 30, 2007.

Transition Agreement

The Academy engaged a consultant to assist the School with self management functions and policies through fiscal 2008. The transition agreement requires payments for services not to exceed \$100,000 plus costs of travel.

Note 9 - Due From Other Governmental Units

Amounts due from other governmental units consist of \$192,600 in revenues due from state sources. These revenues represent amounts used for the operation of special programs and grant projects, as well as for the final payment of 2007 state aid, which was not received until after year end due to the state aid payment schedule.

Note 10 - Operating Lease

The charter school executed an operating lease with the Bay Mills Indian Community for buildings, parking areas and grounds located in Brimley, Michigan. The lease expires annually on June 30th. It is anticipated that the lease will be renewed in future years. Rent paid during fiscal 2007 was \$60,000 in accordance with the terms of the lease.

Note 11 - School Funding

The Ojibwe Charter School received approximately \$7,085 per student for basic State aid foundation for the 2006-2007 school year for the 96 enrolled students.

Note 12 - Related Party Transactions

The Public School Academy has a purchase service agreement with Mosaica Education, Inc., for management services, teaching services, fringe benefits and other expenses. These transactions included the following items during the period ended June 30, 2007:

Contracted Services	\$	896,430
Supplies		599
Fees		119,878
Accrued Expenses		51,768

Note 13 - Debt Obligations

The following is a listing of debt obligations at June 30, 2007:

During October 2006, the School executed a Short-Term State Aid Anticipation Note in the amount of \$250,000 for cash flow purposes. The note requires interest to be paid at 5.50% and was due June 30, 2007. The amount unpaid at year end was \$28,295.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
\$ 19,926	\$ 250,000	\$ 241,631	\$ 28,295

Note 14 - Capital Lease Obligations

The School executed a capital lease for the purchase of a vehicle listed below:

2008	\$ 11,795
2009	11,795
2010	11,795
2011	<u>8,745</u>
Total	44,130
Amount of Interest	<u>(3,508)</u>
Net Lease	40,622
% Interest	4.440%
Monthly Payment	\$ 983

Note 15 - Subsequent Event

During July 2007, the School executed a short-term tax anticipation note in the amount of \$425,000. Terms of the note state interest shall be paid periodically at 5.79% and the full amount of unpaid principal is due June 30, 2008.

Required Supplementary Information

Ojibwe Charter School

Required Supplementary Information Budgetary Comparison Schedule – General Fund Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over
	Original	Final		(Under)
Revenues:				
Local Sources	\$ -	\$ 2,500	\$ 3,694	\$ 1,194
State Sources	752,139	738,251	736,369	(1,882)
Federal Sources	687,347	790,868	742,635	(48,233)
Other Transactions	-	8,072	8,072	-
	1,439,486	1,539,691	1,490,770	(48,921)
Expenditures:				
Instructional Services:				
Elementary	315,400	338,625	319,766	18,859
Middle School	111,850	119,592	116,832	2,760
High School	139,550	140,188	130,914	9,274
Special Education	66,225	68,025	62,280	5,745
At Risk	44,639	44,522	39,801	4,721
Other Instruction	73,112	93,328	87,645	5,683
Support Services:				
Pupil Services	117,635	156,696	118,926	37,770
Instructional Staff	26,269	57,753	49,261	8,492
General Administration	18,500	16,700	9,845	6,855
Executive Administration	143,200	147,700	142,067	5,633
School Administration	150,650	147,820	144,103	3,717
Business	18,250	18,250	17,623	627
Operations & Maintenance	153,815	156,975	141,086	15,889
Pupil Transportation	40,800	38,700	37,077	1,623
Central Services	2,800	7,205	7,965	(760)
Other Transactions	15,125	16,000	14,770	1,230
	1,437,820	1,568,079	1,439,961	128,118
Excess of Revenues (Expenditures)	\$ 1,666	\$ (28,388)	50,809	\$ 79,197
Fund Balances – Beginning of year			205,248	
Fund Balances – End of year			\$ 256,057	

Ojibwe Charter School

Required Supplementary Information Budgetary Comparison Schedule – Food Service Fund Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over Under
	Original	Final	(Budgetary Basis)	(Under)
Revenues:				
State Sources	\$ 4,500	\$ 4,500	\$ 3,849	\$ (651)
Federal Sources	28,000	23,100	30,208	7,108
Charges for Services	5,500	4,000	3,371	(629)
Other Transactions	15,000	16,000	14,770	(1,230)
Total Revenues	53,000	47,600	52,198	4,598
Expenditures:				
Food Services	50,500	47,400	52,198	(4,798)
Total Expenditures	50,500	47,400	52,198	(4,798)
Excess of Revenues (Expenditures)	\$ 2,500	\$ 200	-	\$ (200)
Fund Balances – Beginning of year			-	
Fund Balances – End of year			\$ -	

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

CAO and Board of Education
Ojibwe Charter School
Brimley, Michigan

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Ojibwe Charter School, as of and for the year ended June 30, 2007, which collectively comprise Ojibwe Charter School's basic financial statements and have issued our report thereon, dated August 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Michigan School Auditing Manual, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ojibwe Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 the School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting as 07-1

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 School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of findings as item 07-1.

We noted certain matters that we reported to management of the Ojibwe Charter School in a separate letter dated August 10, 2007.

The School's response to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School's response and accordingly, we express no opinion on it.

This report is intended solely for the information 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.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 10, 2007



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

CAO and Board of Education
Ojibwe Charter School
Brimley, Michigan

Compliance

We have audited the compliance of the Ojibwe Charter School with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

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

Internal Control Over Compliance

The management of the School 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 the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

Our consideration of 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 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.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 10, 2007

Ojibwe Charter School

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2007

Federal Grantor/Pass-through/Program Title	Federal CFDA Number	Project Number	Approved Award/Grant Amount	Prior Year Expenditures	Accrued (Deferred) Revenue June 30, 2006	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2007
U.S. DEPARTMENT OF AGRICULTURE								
Passed through State of Michigan Department of Education (MDE):								
Entitlement Commodities	10.550	-	\$ 4,292	\$ -	\$ -	\$ 4,292	\$ 4,292	\$ -
Bonus Commodities	10.550	-	112	-	-	112	112	-
Subtotal Commodities			4,404	-	-	4,404	4,404	-
School Breakfast Program	10.553	071970	5,023	-	-	5,023	5,975	952
School Breakfast Program	10.553	061970	8,757	7,838	-	919	919	-
National School Lunch Program - All lunches	10.553	071950	1,947	-	-	1,947	1,947	-
National School Lunch Program - Free and Reduced	10.553	071960	11,973	-	-	11,972	14,707	2,735
National School Lunch Program - Free and Reduced	10.553	061950	2,515	2,198	-	317	317	-
National School Lunch Program - Free and Reduced	10.553	061960	16,984	15,045	-	1,939	1,939	-
Subtotal - Child Nutrition Cluster			47,199	25,081	-	22,117	25,804	3,687
Total - U. S. Department of Agriculture			51,603	25,081	-	26,521	30,208	3,687
U.S. DEPARTMENT OF EDUCATION								
Direct Awards:								
Small Rural Achievement Program	84.358	S358A066267	17,870	-	-	17,870	18,010	140
Small Rural Achievement Program	84.358	S358A056267	14,524	14,524	2,210	2,210	-	-
Subtotal - Small Rural Achievement Program			32,394	14,524	2,210	20,080	18,010	140
Indian Education	84.060	S060A062321	25,109	-	-	11,265	21,051	9,786
Safe and Drug Free Schools	84.184	Q184A050132	90,450	63,962	22,855	49,343	26,488	-
Safe and Drug Free Schools	84.184	Q184A050132	90,450	-	-	42,512	61,268	18,756
Subtotal - Safe and Drug Free Schools			180,900	63,962	22,855	91,855	87,756	18,756
Impact Aid	84.041	SO41B-2007-7079	528,911	-	-	528,911	528,911	-
Impact Aid	84.041	SO41B-2006-7079	337,002	335,493	(1,509)	-	1,509	-
Subtotal - Impact Aid			865,913	335,493	(1,509)	528,911	530,420	-
Total Direct Awards			1,104,316	413,979	23,556	652,111	657,237	28,682
Passed through State of Michigan Department of Education (MDE):								
Title I, Part A - Regular	84.010	061530 0506	42,201	33,035	(3,917)	5,249	9,166	-
Title I, Part A - Regular	84.010	061530 0607	7,861	-	-	7,861	7,861	-
Title I, Part A - Regular	84.010	071530 0607	50,062	-	-	24,810	44,626	19,816
Subtotal - Title I, Part A - Regular			100,124	33,035	(3,917)	37,920	61,653	19,816
Title II, Part D Education Technology	84.318	074290 0607	514	-	-	280	280	-
IDEA - Part B	84.027	070440 0607	4,000	-	-	3,850	3,850	-
Title II, Part A Teacher Training	84.367	070520 0607	6,214	-	-	6,214	6,214	-
Title V, Part A Innovative	84.298	060250 0506	1,000	-	-	1,000	1,000	-
Title V, Part A Innovative	84.298	060250 0607	50	-	-	50	50	-
Title V, Part A Innovative	84.298	070250 0607	450	-	-	437	437	-
Subtotal - Title V, Part A Innovative			1,500	-	-	1,487	1,487	-
Subtotal - MDE			112,352	33,035	(3,917)	49,751	73,484	19,816
Passed through Eastern Upper Peninsula Intermediate School District (EUPISD):								
Handicapped Persons Title VI - B Flowthrough: 2005-2006	84.027	-	15,400	15,400	8,168	8,168	-	-
Handicapped Persons Title VI - B Flowthrough: 2006-2007	84.027	060450-0607	23,712	-	-	5,351	11,914	6,563
Subtotal - EUPISD			39,112	15,400	8,168	13,519	11,914	6,563
Total - U. S. Department of Education			1,255,780	462,414	27,807	715,381	742,635	55,061
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,307,383	\$ 487,495	\$ 27,807	\$ 741,902	\$ 772,843	\$ 58,748

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ojibwe Charter School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Oversight Agency

The U.S. Department of Education is the oversight agency of the School, as this federal agency provided the largest amount of indirect and direct federal funding.

Note C - Food Distribution

Non-monetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. Entitlement donated commodities used during the year amounted to \$4,292, with ending inventory amounting to \$-0-. Bonus donated commodities used during the year amounted to \$112, with ending inventory amounting to \$-0-.

Note D - Reconciliation of Current Receipts to Form R7120 Payments

Payments per Form R7120	\$	70,762
State Funded Programs		(2,744)
Pass thru Grants:		
EUPISD		13,519
Other Awards:		
U.S. Department of Education		652,111
U.S. Department of Agriculture		4,404
Michigan Department of Education		<u>3,850</u>
	\$	<u>741,902</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.041	Impact Aid
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

NONCOMPLIANCE WITH STATE STATUTES

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 07-1

Condition: Our examination of procedures used by the School to adopt and maintain operating budgets for the School’s budgetary fund revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The School’s 2007 General Appropriations Act (budget) provided for expenditures of the Food Service Fund to be controlled to the activity level. As detailed, actual 2007 expenditures exceeded the board’s approved budget allocations for some fund activities.

During the fiscal year ended June 30, 2007, expenditures were incurred in excess of amounts appropriated in the amended budgets for the Food Service Fund as listed on page 27 of the financial statements.

Criteria: The expenditures of funds in excess of appropriations is contrary to the provisions of Section 16 of Public Act 2 of 1968, as amended.

Recommendation: We recommend that the School’s chief administrative officer and personnel responsible for administering the activities of the various funds of the School, develop budgetary control procedures for the Food Service Fund which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Management’s Response – Corrective Action Plan: Management will monitor and adjust the Food Service budget as appropriate.

- Contact Person(s) Responsible for Correction:
Stephanie Vittitow, CAO

- Anticipated Completion Date:
September 2007.

Section III – Federal Award Findings and Questioned Costs

NONE

Section II – Financial Statement Findings

NONCOMPLIANCE WITH STATE STATUTES

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 06-1

Condition: Our examination of procedures used by the School to adopt and maintain operating budgets for the School’s budgetary fund revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The School’s 2006 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level. As detailed, actual 2006 expenditures exceeded the board’s approved budget allocations for some general fund activities.

During the fiscal year ended June 30, 2006, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund as listed on page 26 of the financial statements.

Criteria: The expenditures of funds in excess of appropriations is contrary to the provisions of Section 16 of Public Act 2 of 1968, as amended.

Recommendation: We recommend that the School’s chief administrative officer and personnel responsible for administering the activities of the various funds of the School, develop budgetary control procedures for the General Fund which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Management’s Response—Corrective Action Plan: Transportation is over because the capital outlay for the bus that was financed via a lease transaction wasn’t budgeted. Neither the lease proceeds nor the capital outlay was budgeted which was an oversight in the June amendment.

Staff services is over budget because of how the MEGS budget for the charter school grant was approved by MDE – classroom technology was budgeted in MEGS in 111 function code as supplies and materials, when we posted the expense, we followed the state chart of accounts and posted the purchase to 225 (MDE doesn’t want items less than \$500 listed as capital outlay, however, board policy says that the purchase was capital outlay). The amount over in staff services was budgeted, just on a different line as a result of how the MEGS grant budget was approved.

Status: Corrected for General Fund.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

CAO and Board of Education
Ojibwe Charter Schools
Brimley, Michigan

We have audited the basic financial statements of the Ojibwe Charter Schools for the fiscal year ended June 30, 2007, and have issued our report thereon dated August 10, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether the Ojibwe Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Ojibwe Charter School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major Federal programs for the purpose of expressing an opinion on the Ojibwe Charter School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Ojibwe Charter School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Ojibwe Charter 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 2007. We noted no transactions entered into by the Ojibwe Charter School during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Ojibwe Charter School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Ojibwe Charter School, with individually or in the aggregate, indicate matters that could have a significant effect on the Ojibwe Charter School's financial reporting process.

Disagreement with Management

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

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.

Issues Discussed Prior to Retention of Independent Auditors

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 Ojibwe Charter School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

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

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements and other informational items we believe should be brought to your attention.

Prior Comments:

FOOD SERVICE (Prior Comment)

The accounts receivable amount for student and teacher lunches is not recorded; however, at a minimum a listing should be maintained. Additionally, all lunch collections should be performed by year end or the Board should authorize the direct charge off of these accounts. Amounts owed at year end may violate federal and state regulations regarding use of governmental funds and conversion to personal use.

Status: Accounts receivable for student and teacher lunches are now recorded via powerschool.

EXCESS EXPENDITURES (Prior Comment)

Public Act 621 of 1978 requires units of government to appropriate funds prior to actual expenditure of funds. The Board exceeded two functional areas in violation of the act. Budgets should be amended prior to year end to comply with the law.

Status: The food budget for the 2006-2007 school year was catered out, leaving the food service fund over budget at the end of the fiscal year. As of the 2007-2008 school year our food services program will be handled in-house.

AGENCY FUND (Prior Comment)

The school maintains agency funds for the parent-teacher organization and athletics that are not recorded on the general ledger but is under school's federal identification number. The PTO should obtain its own federal identification number or report the agency in the general ledger.

Status: The PTO and athletic funds are now (2007-2008 school year), will be recorded on the general ledger. The PTO has obtained it's own federal identification number.

FOOD & SUPPLY INVENTORY (Prior Comment)

The Board should authorize and record, at least annually, inventory of food and school supplies to properly reflect items on hand. Physical counts and price extensions should be performed.

Status: Food service is contracted by vendor, so no inventory exists at year end. However, for fiscal 2008 this procedure will be needed since the vendor was not contracted for 2008.

ATHLETIC FUND

The athletic fund account is not reconciled or recorded on the general ledger. Athletic fund accounts should be established in the general ledger and reconciled to the bank statements monthly.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any assistance in implementing the above recommendations, please contact us.

The information is intended solely for the 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.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 10, 2007