

**DeWitt Public Schools
DeWitt, Michigan**

FINANCIAL STATEMENTS

June 30, 2007

DeWitt Public Schools
DeWitt, Michigan
BOARD OF EDUCATION
June 30, 2007

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DeWitt Public Schools

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
DeWitt Public Schools
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of DeWitt Public Schools as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of DeWitt Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007 on our consideration of DeWitt Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DeWitt Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary 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 the basic financial statements taken as a whole.

Abraham & Gaffney P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 1, 2007



**Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2007**

DeWitt Public Schools is a K-12 public school district located in Clinton County, Michigan. This section of the annual financial statements, titled Management’s Discussion and Analysis, represents management’s review of the District’s financial performance during the fiscal year ended June 30, 2007. The Management’s Discussion and Analysis is intended to be read in conjunction with the District’s financial statements.

Generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: Government-wide financial statements and Fund level financial statements.

District-wide Financial Statements:

District-wide financial statements provide information about the activities of the entire school district. They present an overall view of the District’s finances, reporting the district’s assets and liabilities on a both short and long term basis. District-wide financial statements are reported on a full accrual basis.

Fund-level Financial Statements:

Fund-level financial statements are reported on a more detail level than government-wide statements. Fund level statements provide information on the district’s most significant funds. The General Fund is the District’s only major fund. Activity for all other funds are combined and presented in a single column labeled Other Nonmajor Governmental Funds. Fund financial statements are reported on a modified accrual basis, reporting only those assets that are “measurable” and “currently available”. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

Statement of Fiduciary Net Assets:

The District is also required to present information about assets it holds as a fiduciary. The Statement of Fiduciary Net Assets presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents. These activities are excluded from the district’s other financial statements because as a fiduciary, the District is unable to use these assets for its operations. The school district’s responsibility for assets reported in the Statement of Fiduciary Net Assets is to ensure the funds are used for their intended purposes.

Summary of Net Assets:

The following table summarizes the District’s net assets for the fiscal year ended June 30, 2007 and 2006.

Net Assets Summary

	Governmental Activities	
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Assets		
Current assets	\$ 7,417,101	\$ 7,757,064
Capital assets, net	<u>42,427,223</u>	<u>43,384,779</u>
Total assets	<u>\$ 49,844,324</u>	<u>\$ 51,141,843</u>



**Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2007**

Net Assets Summary - continued

	Governmental Activities	
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Liabilities		
Current liabilities	\$ 7,747,511	\$ 7,839,890
Noncurrent liabilities	<u>54,082,886</u>	<u>56,526,460</u>
Total liabilities	61,830,397	64,366,350
Net Assets		
Invested in capital assets, net of related debt	(14,625,183)	(16,240,684)
Unrestricted	<u>2,639,110</u>	<u>3,016,177</u>
Total net assets	<u>(11,986,073)</u>	<u>(13,224,507)</u>
Total liabilities and net assets	<u>\$ 49,844,324</u>	<u>\$ 51,141,843</u>

Analysis of Financial Position:

As detailed above, the District shows a negative total net asset value of (\$11,986,073) for the fiscal year ended June 30, 2007. Negative total net asset valuation is not unexpected for a district with DeWitt’s characteristics, and can be explained by several factors:

- Over the past 10 years, significant enrollment growth has pressured facilities to their capacity limits.
- Major construction projects became necessary to expand facilities to meet the needs of the increased number of students. A new high school and major modifications to five other facilities began in 1997 and continued through the 2002-2003 year.
- Significant debt (\$39.5 million) was incurred by the district in 1996 to pay for the facility modification projects.

Negative asset values are expected to become positive valuations assuming property tax valuations in the District continue to maintain their historical growth rates, and the District continues to repay existing debt obligations.

During fiscal year ended June 30, 2007, the District’s net assets increased by \$1,238,434. Several factors which helped cause the increase are discussed in the following sections.

A. Governmental Fund Operating Results

The District’s expenditures from governmental fund operations exceeded revenues by \$174,636 for the fiscal year ended June 30, 2007. Further discussion of the District’s operating results is available in the section entitled “Results of 2006-2007 Operations” located on the following page.



B. Depreciation Expense in Excess of Capital Outlay

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2006-07, district assets depreciated faster than the District's investment in new or replacement assets, causing a reduction in net district assets. The District's overall capital net assets were reduced by \$957,556, calculated as the difference between new capital investments (\$707,847) and depreciation allocated against the useful lives of district assets (\$1,665,403).

C. Long-Term Debt Activities

The District reduced its long-term debt obligations during 2006-07 by \$2,485,905. Making principal payments on several outstanding bond issues, proceeds received from installment loans, and prior refunding of several debt issues helped reduce the District's long-term debt obligations. Each refunding issue reduced the District's long-term principal and related interest obligations by replacing older, higher interest rate debt issues, with new debt issued at lower interest rates.

Additional debt in the form of principal (\$992,528) was incurred by the District during the fiscal year through the State of Michigan School Bond Loan Fund, less than in prior years. The District also entered into an installment purchase agreement for \$197,507 during the year. In aggregate, net District long-term debt liabilities declined by \$2,495,905 as a result of all long-term debt transactions occurring during 2006-07. Long-term debt activities are summarized in Note E of the financial statements.

Results of Operations:

For the fiscal years ended June 30, 2007 and 2006, the district-wide results of operations were:

	<u>2007</u>	<u>2006</u>
Revenues:		
Program Revenues		
Charges for service	\$ 1,561,873	\$ 1,641,901
Operating Grants	368,806	643,819
Capital Grants and Contributions	29,295	44,649
General Revenues		
Property Taxes	6,487,545	5,976,140
State School Aid - unrestricted	20,265,942	18,900,494
Other	<u>917,333</u>	<u>957,975</u>
Total revenues	29,630,794	28,164,978



**Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2007**

	<u>2007</u>	<u>2006</u>
Functions/Program Expenses:		
Instruction	\$ 14,826,999	\$ 13,604,901
Supporting services	7,224,966	6,900,029
Food service	695,008	677,191
Athletics	578,593	638,927
Community services	643,645	606,259
Interest on long-term debt	2,757,746	2,664,759
Unallocated depreciation	<u>1,665,403</u>	<u>1,622,457</u>
Total Expenses	<u>28,392,360</u>	<u>26,714,523</u>
Increase in Net Assets	<u>\$ 1,238,434</u>	<u>\$ 1,450,455</u>

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

State of Michigan unrestricted aid (i.e. foundation grant) is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student enrollment is determined by a weighted average of 75 percent of the current fiscal year’s fall enrollment and 25 percent of the prior fiscal year’s winter enrollment.
- c. The District’s tax levy placed on non-homestead property.

Per Student Foundation Allowance:

The State of Michigan annually establishes a foundation allowance for each enrolled student. DeWitt Public School District’s foundation allowance for the 2006-2007 fiscal year increased by \$210 per pupil to \$7,085. The District’s foundation allowance was not prorated, or reduced, during 2006-2007.

Student Enrollment:

Enrollment in the District during the fall count (September, 2006) amounted to 2,986 students. Over the most recent five year period, District enrollment increased each year, averaging 55 new students each year. Fall student enrollments for the past five years are summarized in the table below:

	<u>Student Enrollment</u>	<u>Increase from Prior Year</u>
2006-2007	2,986	+ 20
2005-2006	2,966	+130
2004-2005	2,836	+ 56
2002-2003	2,780	+ 40
2001-2002	2,740	+ 27

Enrollments are projected to continue to grow in future years.



2. Property Taxes Levied from General Operations (General Fund Non-Homestead Taxes)

The District is authorized to levy 18 mills of property taxes on Non-Homestead properties for operations (General Fund). Taxable levy is based on the taxable valuation of the properties. The annual property value taxation increase is capped at the prior year’s Consumer Price Index (CPI) or five percent, whichever is less.

Whenever the District’s aggregate Non-Homestead property tax valuation increases at a rate that exceeds the CPI, the District’s authorized non-homestead property tax millage rate must be reduced. The 2006-2007 non-homestead millage rate is 18.0000.

<u>Fiscal Year</u>	<u>Non-Homestead Millage Rate</u>
2006-2007	18.0000
2005-2006	18.0000
2004-2005	17.3776
2003-2004	16.4538
2002-2003	17.0576

Non-homestead property tax revenue for the 2006-2007 fiscal year amounted to \$1,248,150.

3. Property Taxes Levied for Repayment of Debt

The District’s debt fund tax levy is used to pay the principal and interest on long-term bond obligations. The bond obligations exist as a result of capital project elections which were approved by the electorate. Debt fund taxes are levied on the taxable valuation of all properties, homestead and non-homestead. The debt millage fund tax levy for the 2006-2007 year was 11.12 mills. Total 2006-2007 revenue generated by debt fund taxes amounted to \$5,232,715.

4. Food Service and Community Service Activities

The District operates a Food Service program, providing lunch to students during the school day, and catering services to various district events. Revenues from food service operations for 2006-2007 amounted to \$813,432, an increase of \$75,922 over the prior year. Food service expenditures amounted to \$737,008 for the 2006-2007 year, which included financial support to the General Fund amounting to \$42,000. For the 2006-2007 year, Food Services reported revenues in excess of expenditures amounting to \$76,424.

The District also operates a Community Service program, which provides educational, recreation, child care, preschool, and facility rental services to community members. Revenues from Community Service operations for 2006-2007 amounted to \$645,434, a decrease of \$33,644 from the prior year.



**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2007**

Community Service expenditures amounted to \$719,645 for the 2006-2007 year, which included financial support to the General Fund amounting to \$76,000. For the 2006-2007 year, Community Services reported expenditures in excess of revenues amounting to \$74,211. Had Community Services not provided support to the General Fund, revenues would have exceeded expenditures by \$1,789.

5. General Fund Operations

The General Fund functions as the District's primary operating fund. All revenues and expenditures required to operate direct and indirect instructional programs are recorded in the General Fund. Expenditures for instruction, supporting services for instruction, administration, maintenance, transportation are all recorded by the General Fund.

For the 2006-2007 fiscal year, revenues for the District's General Fund operations exceeded expenditures by \$82,054, a decrease of \$321,134 over prior year. The following table provides a five year history of General Fund revenues, expenditures, operating results, and fund balance reserves.

**GENERAL FUND REVENUES, EXPENDITURES, & OPERATING RESULTS
Fiscal Years 2001-2002 through 2006-2007**

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Excess/ (Deficit)</u>	<u>Fund Balance Reserves (Unreserved)</u>
2006-2007	\$ 22,910,928	\$ 22,828,874	\$ 82,054	\$ 3,326,682
2005-2006	22,391,717	21,988,529	403,188	3,401,402
2004-2005	20,324,360	20,671,493	(347,133)	3,106,055
2003-2004	19,547,782	19,750,031	(202,249)	3,453,188
2001-2002	19,501,866	19,513,683	(11,817)	3,655,437

Analysis of Original Budget, Final Budget, and Actual Results:

The Uniform Budget Act of the State of Michigan requires the Board of Education approve an original budget for the upcoming fiscal year prior to the start of the fiscal year on July 1.

DeWitt Public Schools amended its budget once during the year. For the 2006-2007 fiscal year, the budget was amended in May 2007, and served as the final budget for the fiscal year.



Changes from Original Budget, Final Budget, and Actual:

	<u>Original Budget (Adopted June 2006)</u>	<u>Final Budget (Adopted May 2007)</u>	<u>Actual Year Ended June 30, 2007</u>
Total Revenues	\$ 22,750,800	\$ 22,372,238	\$ 22,910,928
Total Expenditures	\$ 22,750,800	\$ 22,592,333	\$ 22,828,874

Revenues:

The District's final budget revenues were \$378,562 (1.7%) less than the original budget projections. September 2006 enrollments were lower than the District anticipated when the original budget was adopted in June, 2006. Actual 2006-2007 revenues were \$538,690 (2.4%) higher than the final budget projections.

Expenditures:

The District's final budget expenditures were \$158,467 (0.7%) less than original budget projections. Actual expenditures were \$236,541 (1.0%) higher than the final budget projections.

Contacting the District's Financial Management:

Management discussion and analysis documents are prepared to provide the District's constituents with a general overview of the District's financial position. Questions or requests for additional information can be directed to the Business Department of DeWitt Public Schools located at 2957 West Herbison Road, DeWitt, Michigan.

BASIC FINANCIAL STATEMENTS

DeWitt Public Schools

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,797,492
Receivables	10,080
Inventories	51,548
Due from State	3,429,714
Prepays	<u>128,267</u>
Total current assets	7,417,101
Noncurrent assets	
Capital assets not being depreciated	2,128,568
Capital assets, net of accumulated depreciation	<u>40,298,655</u>
Total noncurrent assets	<u>42,427,223</u>
TOTAL ASSETS	49,844,324
LIABILITIES	
Current liabilities	
Accounts payable	125,873
Accrued payroll	1,284,395
Other accrued liabilities	440,546
Unearned revenue	5,410
Short-term debt payable	1,200,000
Current portion of accrued interest payable	431,333
Current portion of compensated absences and termination benefits	101,352
Current portion of long-term debt	<u>4,158,602</u>
Total current liabilities	7,747,511
Noncurrent liabilities	
Noncurrent portion of accrued interest payable	23,530
Noncurrent portion of compensated absences and termination benefits	1,165,552
Noncurrent portion of long-term debt	<u>52,893,804</u>
Total noncurrent liabilities	<u>54,082,886</u>
TOTAL LIABILITIES	61,830,397
NET ASSETS	
Invested in capital assets, net of related debt	(14,625,183)
Unrestricted	<u>2,639,110</u>
TOTAL NET ASSETS	\$ (11,986,073)

See accompanying notes to financial statements.

DeWitt Public Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Functions/Programs					
Instruction	\$ 14,826,999	\$ 30,652	\$ 183,857	\$ 29,295	\$ (14,583,195)
Supporting services	7,224,966	67,678	-	-	(7,157,288)
Food services	695,008	604,938	184,949	-	94,879
Athletics	578,593	226,178	-	-	(352,415)
Community services	643,645	632,427	-	-	(11,218)
Interest on long-term debt	2,757,746	-	-	-	(2,757,746)
Unallocated depreciation	1,665,403	-	-	-	(1,665,403)
TOTAL	\$ 28,392,360	\$ 1,561,873	\$ 368,806	\$ 29,295	(26,432,386)
General revenues					
Property taxes					6,487,545
State school aid - unrestricted					20,265,942
Special Education county allocation					158,107
Vocational Education county allocation					443,390
Investment earnings					216,408
Miscellaneous					99,428
TOTAL GENERAL REVENUES					27,670,820
CHANGE IN NET ASSETS					1,238,434
Net assets, beginning of the year					<u>(13,224,507)</u>
Net assets, end of the year					<u>\$ (11,986,073)</u>

See accompanying notes to financial statements.

DeWitt Public Schools

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,210,001	\$ 587,491	\$ 3,797,492
Receivables	10,080	-	10,080
Inventories	34,996	16,552	51,548
Due from State	3,424,469	5,245	3,429,714
Due from other funds	-	154,076	154,076
Prepays	128,267	-	128,267
TOTAL ASSETS	\$ 6,807,813	\$ 763,364	\$ 7,571,177
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 108,928	\$ 16,945	\$ 125,873
Accrued payroll	1,284,395	-	1,284,395
Other accrued liabilities	440,546	-	440,546
Due to other funds	149,527	4,549	154,076
Deferred revenue	-	5,410	5,410
Interest payable	33,120	-	33,120
Short-term debt payable	1,200,000	-	1,200,000
TOTAL LIABILITIES	3,216,516	26,904	3,243,420
FUND BALANCES			
Reserved for			
Inventories and prepaids	163,263	16,552	179,815
Debt service	-	231,682	231,682
Compensated absences	101,352	-	101,352
Unreserved			
Designated for capital improvements	80,000	-	80,000
Undesignated, reported in			
General fund	3,246,682	-	3,246,682
Special revenue funds	-	273,128	273,128
Capital projects funds	-	215,098	215,098
TOTAL FUND BALANCES	3,591,297	736,460	4,327,757
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,807,813	\$ 763,364	\$ 7,571,177

See accompanying notes to financial statements.

DeWitt Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2007

Total fund balance - governmental funds \$ 4,327,757

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 62,992,894	
Accumulated depreciation is	<u>(20,565,671)</u>	
		42,427,223

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds and loans payable	57,052,406	
Accrued interest payable	421,743	
Compensated absences and termination benefits	<u>1,266,904</u>	
		<u>(58,741,053)</u>

Net assets of governmental activities \$ (11,986,073)

See accompanying notes to financial statements.

DeWitt Public Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local sources	\$ 1,484,484	\$ 6,850,425	\$ 8,334,909
State sources	20,423,919	28,836	20,452,755
Federal sources	78,888	156,112	235,000
TOTAL REVENUES	21,987,291	7,035,373	29,022,664
EXPENDITURES			
Current			
Instruction	14,916,617	-	14,916,617
Supporting services	7,269,572	-	7,269,572
Food service activities	-	695,008	695,008
Athletic activities	-	578,593	578,593
Community services activities	-	643,645	643,645
Debt service			
Principal	208,679	3,838,000	4,046,679
Interest and fiscal charges	76,372	2,404,985	2,481,357
Capital outlay	-	363,994	363,994
TOTAL EXPENDITURES	22,471,240	8,524,225	30,995,465
EXCESS OF REVENUES (UNDER) EXPENDITURES	(483,949)	(1,488,852)	(1,972,801)
OTHER FINANCING SOURCES (USES)			
County special education allocation	158,107	-	158,107
County vocational education allocation	443,390	-	443,390
Loan proceeds	197,507	992,528	1,190,035
Other transactions	6,633	-	6,633
Transfers from other funds	118,000	357,634	475,634
Transfers to other funds	(357,634)	(118,000)	(475,634)
TOTAL OTHER FINANCING SOURCES (USES)	566,003	1,232,162	1,798,165
NET CHANGE IN FUND BALANCES	82,054	(256,690)	(174,636)
Fund balances, beginning of year	3,509,243	993,150	4,502,393
Fund balances, end of year	<u>\$ 3,591,297</u>	<u>\$ 736,460</u>	<u>\$ 4,327,757</u>

See accompanying notes to financial statements.

DeWitt Public Schools

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 change in fund balances - total governmental funds \$ (174,636)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 707,847	
Depreciation expense	<u>(1,665,403)</u>	
Excess of depreciation expense over capital outlay		(957,556)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Bond and loan principal retirement	4,046,679	
Amortization of bond issuance costs, premiums, discounts, and similar items	(132,477)	
Loan proceeds (including SBLF interest)	<u>(1,341,145)</u>	
		2,573,057

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	7,198	
(Increase) in accrued compensated absences and termination benefits	<u>(209,629)</u>	
		<u>(202,431)</u>

Change in net assets of governmental activities \$ 1,238,434

See accompanying notes to financial statements.

DeWitt Public Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 238,328</u>
LIABILITIES	
Due to student groups	<u>\$ 238,328</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of DeWitt Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of DeWitt Public Schools (primary government). The District has no activities that would be classified as component units.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the primary government are included. Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. Separate columns are shown for major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major fund of the District is:

- a. General Fund - The General Fund is used to account for the general operations of the District pertaining to education and those operations not accounted for in other funds.

3. Measurement Focus

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred in excess of the amount appropriated unless authorized in the budget.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes.
- e. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- f. Formal budgetary integration is employed as a management control device during the year for the General and School Service Funds.
- g. The budget, as presented, has been amended in a legally permissible manner. Supplemental appropriations were made during the year, with the last one approved May 2, 2007.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds. Cash equivalents are recorded at cost, which approximates market value.

7. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories consist of food and paper goods. Reported inventories are equally offset by a fund balance reserve in the fund financial statements which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

9. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of \$1,200 or more, and all personal computers regardless of individual cost, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED9. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	25 - 50 years
Equipment and furniture	5 - 25 years
Vehicles	8 years
Improvements other than buildings	20 - 50 years
Other capital equipment	8 years

The District has no assets that would be classified as infrastructure assets.

10. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated terminal, sick and vacation leave amounts expected to be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability in the district-wide financial statements.

11. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements in two components: the portion of accrued interest payable that is due within one year is reported as a current liability, the remaining amount that is not due within one year has been reported as a noncurrent liability. The interest payable on the Durant Resolution bonds that were due May 15, 2003, 2004, 2005, and 2007, and a portion of the payment that is due May 15, 2008, is shown as a noncurrent liability due to the State of Michigan deferring these payments until May 15, 2010.

12. Deferred Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as deferred revenue in governmental funds until the period in which eligible expenditures are incurred. Other monies collected in advance, such as summer school, community education programs, and summer school lunch, recreational programs are also deferred. Amounts shown as unearned revenue on the Statement of Net Assets relate to the same state categorical and local grants but are shown here because they are not earned.

13. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2007, and anticipated State Aid is expected to be sufficient to cover this commitment.

14. Long-Term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Long-Term Obligations - continued

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on non-homestead property for general governmental services and \$11.12 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service.

16. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the average of pupil membership counts taken in September of 2006 and February of 2006. The average calculation was weighted 75% for the September 2006 count and 25% for the February 2006 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the year and two (2) payments made in July and August subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

17. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

18. County Special and Vocational Education Revenue Allocation

The District continued to receive revenue based on excess funds remaining from a countywide Special and Vocational Education millage increase approved in a prior year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. County Special and Vocational Education Revenue Allocation - continued

The millage was collected by Clinton County Regional Educational Service Agency (CCRESA) and the payments to the District were based on the most recent CCRESA budget at the time of allocation of excess revenues, after all CCRESA costs had been reimbursed. The allocation is paid pro rata based upon the K-12 pupil enrollment, including Special and Vocational Education students enrolled at CCRESA, of the District compared to the total countywide enrollment. The K-12 enrollment for the District is defined as the blended official count for the State foundation grant.

19. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

20. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds.

21. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks in the State of Michigan in the name of the School District.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan School Code Section 1223 allows that security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a bank, savings and loan association, or credit union.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, the carrying amount of the District's deposits was \$3,865,252 and the bank balance was \$4,252,272 of which \$203,228 was covered by Federal depository insurance. The balance of \$4,049,044 was uninsured and uncollateralized.

Investments

As of June 30, 2007, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents caption on the financial statements are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
MILAF - Cash management funds	\$ 167,528	\$ 167,528	N/A
LaSalle Bank - Public Funds Investment	<u>2,170</u>	<u>2,170</u>	N/A
	<u>\$ 169,698</u>	<u>\$ 169,698</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2007, the District's investments in the uncategorized pooled investments were rated AAA by Standard and Poor's.

Interest rate risk

The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the weighted average maturity in accordance with the District's cash requirements.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Concentration of credit risk

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

Custodial credit risk

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy and pre-qualifying the investment institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

As of June 30, 2007, the cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents caption in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 3,797,492</u>	<u>\$ 238,328</u>	<u>\$ 4,035,820</u>

The District had \$870 of imprest cash on hand.

Due to significantly higher cash flow at certain periods during the year, the amount the Agency held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

NOTE C: RECEIVABLES

Receivables at June 30, 2007, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Accounts	\$ 10,080	\$ -	\$ 10,080
Due from State	<u>3,424,469</u>	<u>5,245</u>	<u>3,429,714</u>
	<u>\$ 3,434,549</u>	<u>\$ 5,245</u>	<u>\$ 3,439,794</u>

Amounts due from other governmental units consist of various amounts owed to the District for grant and other programs, property taxes, and State Aid payments. The total amount of \$3,439,794 consists of \$3,429,714 related to State Aid, and \$10,080 related to grant and other programs.

NOTE D: CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,128,568	\$ -	\$ -	\$ 2,128,568

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE D: CAPITAL ASSETS - CONTINUED

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Governmental activities - continued				
Capital assets being depreciated				
Buildings and additions	\$ 52,026,988	\$ -	\$ -	\$ 52,026,988
Improvements other than buildings	1,969,362	-	-	1,969,362
Equipment and furniture	4,709,667	707,847	-	5,417,514
Buses	1,386,302	-	(10,000)	1,376,302
Other capital equipment	<u>74,160</u>	<u>-</u>	<u>-</u>	<u>74,160</u>
Subtotal	60,166,479	707,847	(10,000)	60,864,326
Less accumulated depreciation for:				
Buildings and additions	(14,057,165)	(1,029,947)	-	(15,087,112)
Improvements other than buildings	(1,054,328)	(93,128)	-	(1,147,456)
Equipment and furniture	(3,321,082)	(369,233)	-	(3,690,315)
Buses	(419,612)	(158,575)	-	(578,187)
Other capital equipment	<u>(58,081)</u>	<u>(4,520)</u>	<u>-</u>	<u>(62,601)</u>
Subtotal	<u>(18,910,268)</u>	<u>(1,655,403)</u>	<u>-0-</u>	<u>(20,565,671)</u>
Net capital assets being depreciated	<u>41,256,211</u>	<u>(947,556)</u>	<u>(10,000)</u>	<u>40,298,655</u>
Capital assets, net	<u>\$ 43,384,779</u>	<u>\$(947,556)</u>	<u>\$(10,000)</u>	<u>\$ 42,427,223</u>

The current year depreciation expense of \$1,655,403 has been adjusted by \$10,000 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses be handled as an adjustment to the current period's depreciation expense.

Depreciation expense of \$1,665,403 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the District for the year ended June 30, 2007.

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>	Amounts Due Within <u>One Year</u>
1996 School Building and Site Bonds	\$ 1,050,000	\$ -	\$ 1,050,000	\$ -0-	\$ -
1998 Refunding Bonds	29,310,000	-	120,000	29,190,000	1,225,000
2002 Refunding Bonds	2,015,000	-	205,000	1,810,000	205,000
2003 Refunding Bonds	5,275,000	-	435,000	4,840,000	425,000
2003 SBLF Bonds	18,199,000	-	2,028,000	16,171,000	2,094,000
1998 Durant Resolution Bonds	135,932	-	-	135,932	-
Installment Loans	835,431	197,507	208,679	824,259	209,602
Michigan School Bond Loans - Principal and interest	2,937,577	1,143,638	-	4,081,215	-
Compensated absences and termination benefits	<u>1,057,275</u>	<u>284,250</u>	<u>74,621</u>	<u>1,266,904</u>	<u>101,352</u>
	<u>\$60,815,215</u>	<u>\$ 1,625,395</u>	<u>\$ 4,121,300</u>	<u>\$58,319,310</u>	<u>\$ 4,259,954</u>

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portions) are presented below.

General Obligation Bonds

\$30,805,000 Refunding Bonds dated October 15, 1998, due in annual installments ranging from \$1,225,000 to \$1,690,000 through May 1, 2026, with interest ranging from 4.35 to 5.125 percent, payable semi-annually.	\$ 29,190,000
\$2,895,000 Refunding Bonds dated March 6, 2002, due in annual installments ranging from \$155,000 to \$205,000 through May 1, 2017, with interest ranging from 4.0 to 4.75 percent, payable semi-annually.	1,810,000
\$6,625,000 Refunding Bonds dated September 30, 2003, due in annual installments ranging from \$325,000 to \$425,000 through May 1, 2020, with interest ranging from 3.0 to 4.5 percent, payable semi-annually.	4,840,000
\$20,680,940 School Bond Loan Fund Bonds dated September 30, 2003, due in annual installments ranging from \$2,094,000 to \$2,538,000 through May 1, 2014, with interest at 3.32 percent, payable semi-annually.	<u>16,171,000</u>
	<u>\$ 52,011,000</u>

Resolution Bonds

\$230,212 1998 Durant Resolution Bonds dated November 15, 1998, due in annual installments ranging from \$12,812 to \$78,899 through May 15, 2013, with interest at 4.761353 percent, payable annually. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan. The State of Michigan has suspended payment until May 15, 2009.	<u>\$ 135,932</u>
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Installment Loans

\$270,643 Installment Purchase Agreements dated July 16, 1998, due in semi-annual installments ranging from \$16,961 to \$22,442 through May 15, 2013, with interest at 5.68 percent, payable semi-annually.	\$ 115,729
\$63,300 Installment Purchase Agreements dated November 17, 2005, due in annual installments of \$12,660 through February 22, 2010, with interest at 4.18 percent, payable annually.	37,980
\$653,025 Installment Purchase Agreements dated February 27, 2006, due in annual installments of \$130,605 through July 15, 2010, with interest at 3.89 percent, payable annually.	522,420
\$197,507 Installment Purchase Agreements dated August 30, 2006, due in annual installments of \$49,377 through January 21, 2010, with interest at 4.59 percent, payable annually.	<u>148,130</u>
	<u>\$ 824,259</u>

Michigan School Bond Loans

The School District has borrowed on various occasions from the Michigan School Bond Loan Fund. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate ranged from 4.5 to 5.04863 percent.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E: LONG-TERM DEBT - CONTINUED

Michigan School Bond Loans - continued

The School District has borrowed \$992,528 in principal during this fiscal year. The balances at June 30, 2007, are as follows:

Loan balance	\$ 3,433,720
Interest balance	<u>647,495</u>
	<u>\$ 4,081,215</u>

Advance Refunding - Prior

On September 30, 2003 the District defeased the portion of the 1993 Refunding Bonds, which were due and payable May 1, 2004 through May 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2003 Refunding Bonds in the amount of \$6,625,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the District's financial statements. At June 30, 2007, bonds due and payable May 1, 2008 through May 1, 2020 for 1993 Refunding Bonds in the amount of \$4,835,000 are considered defeased.

On March 6, 2002 the District defeased the portion of the 1992 Refunding Bonds, which were due and payable May 1, 2005 through May 1, 2016. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2002 Refunding Bonds in the amount of \$2,895,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2007, bonds due and payable May 1, 2008 through May 1, 2016 for the 1992 Refunding Bonds in the amount of \$1,810,000 are considered defeased.

On October 13, 1998 the District defeased the portion of the 1996 School Building and Site Bonds which were due and payable May 1, 2008 through May 1, 2026. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 1998 Refunding Bonds in the amount of \$30,805,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2007, bonds due and payable May 1, 2008 through May 1, 2026 for the 1996 School Building and Site Bonds in the amount of \$28,575,000 are considered defeased.

Compensated Absences and Termination Benefits

In recognition of services to the District, a terminal leave payment will be paid upon retirement to eligible employees according to their respective employment contracts. In addition, accumulated sick and vacation leave payments will be made upon termination to eligible employees according to their respective employment contracts.

In recognition of services to the District, a severance payment is made to eligible employees with at least twenty (20) years of service according to their respective employment contracts.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E: LONG-TERM DEBT - CONTINUED

Compensated Absences and Termination Benefits - continued

A summary of the calculated amounts of compensated absences and termination benefits accrued and related payroll taxes as of June 30, 2007 is as follows:

Compensated absences and termination benefits	\$ 1,176,873
Payroll taxes	<u>90,031</u>
	<u>\$ 1,266,904</u>

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the Long-Term Debt is as follows:

Year Ending June 30,	<u>1998 Refunding Bonds</u>		<u>2002 Refunding Bonds</u>		<u>2003 Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,225,000	\$ 1,444,916	\$ 205,000	\$ 79,355	\$ 425,000	\$ 186,422
2009	1,270,000	1,391,629	200,000	71,155	415,000	173,672
2010	1,315,000	1,335,749	195,000	62,655	400,000	161,222
2011	1,355,000	1,276,574	190,000	54,855	400,000	148,222
2012	1,395,000	1,214,244	180,000	47,018	385,000	134,221
2013-2017	7,515,000	5,020,913	840,000	116,055	1,820,000	442,450
2018-2022	8,355,000	3,023,596	-	-	995,000	87,535
2023-2026	<u>6,760,000</u>	<u>866,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 29,190,000</u>	<u>\$ 15,573,746</u>	<u>\$ 1,810,000</u>	<u>\$ 431,093</u>	<u>\$ 4,840,000</u>	<u>\$ 1,333,744</u>

Year Ending June 30,	<u>2003 SBLF</u>		<u>Durant Resolution Bonds</u>		<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,094,000	\$ 536,554	\$ -	\$ -	\$ 209,602	\$ 35,151
2009	2,162,000	467,074	12,812	3,355	210,579	26,298
2010	2,232,000	395,340	78,899	29,719	211,613	17,388
2011	2,306,000	321,282	14,061	2,106	150,669	8,419
2012	2,381,000	244,768	14,729	1,436	21,219	2,183
2013-2017	<u>4,996,000</u>	<u>249,978</u>	<u>15,431</u>	<u>735</u>	<u>20,577</u>	<u>960</u>
	<u>\$ 16,171,000</u>	<u>\$ 2,214,996</u>	<u>\$ 135,932</u>	<u>\$ 37,351</u>	<u>\$ 824,259</u>	<u>\$ 90,399</u>

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of repayments. As a result, it is not included in the schedule above.

The Durant Resolution Bonds referred to above are bonds whose future debt service payments by the District are contingent on an annual State of Michigan appropriation. This is the only revenue source for making the annual debt service payments on these bonds. If the legislature of the State of Michigan fails to appropriate the funds, in any particular year, the District is under no obligation for payment of that year's debt obligation. The State of Michigan has suspended payments on these bonds until May 15, 2009. It appears this suspension will have no financial impact on DeWitt Public Schools in the future.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2007, are as follows:

Due to nonmajor governmental funds from:	
General Fund	\$ 149,527
Nonmajor governmental funds	<u>4,549</u>
	<u>\$ 154,076</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE G: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 357,634</u>
Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 118,000</u>

NOTE H: EMPLOYEE RETIREMENT SYSTEM

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2006, the last year available, may be obtained by contacting the State of Michigan Department of Management and Budget.

The payroll for employees covered by the MPSERS for the year ended June 30, 2007 was \$13,764,071 of which \$11,017,324 was for members who have elected the MIP option; the District's total payroll was \$14,125,737.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten (10) or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death and disability benefits and health and medical, dental, vision and hearing insurance coverage. Benefits are established by State statute.

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990, are required to contribute based on a graduated rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

For the period of July 1, 2006 to September 30, 2006, the District was required by State statute to contribute 16.34% of covered compensation for all wages to the Plan. For the period of October 1, 2006 to June 30, 2007 the District was required by State statute to contribute 17.74% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2007 and the previous two (2) years is as follows:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>	<u>Total Contributions</u>
2007	\$ 432,520	\$ 2,397,739	\$ 2,830,259
2006	394,621	2,088,493	2,483,114
2005	389,061	1,880,394	2,269,455

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>
2007	4.0 %	17.4 %
2006	4.0	16.0
2005	4.0	14.4

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the budgetary comparison schedule, the District's budgeted expenditures have been shown (and were adopted) at the functional classification level. During the year ended June 30, 2007, the District incurred expenditures in the General Fund and the Food Service, Athletics, and Community Services (Special Revenue) Funds in excess of the amounts appropriated as follows:

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Basic programs	\$13,044,704	\$13,088,523	\$ 43,819
Supporting services			
General administration	294,814	300,103	5,289
Operation and maintenance	2,238,250	2,463,235	224,985
Central	519,184	550,974	31,790
Debt Service			
Principal	203,668	208,679	5,011
Interest	50,965	76,372	25,407
Food Service	709,168	737,008	27,840
Athletics	550,597	578,593	27,996
Community Services	699,206	719,645	20,439

NOTE J: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, equipment breakdown, builder's risk, employee dishonesty, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insured Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE K: FLEXIBLE BENEFITS PLAN

In February 1996, the District implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan is available to all employees who are eligible to have health coverage under the employer's health insurance plan and have a benefit election form on file. The plan permits them to waive health insurance coverage from the District and receive a cash benefit in lieu of such health insurance. Eligible employees may also pay for additional benefits under the plan with pretax dollars by making elective salary reduction contributions to the plan. The optional benefits include medical reimbursement and dependent care assistance reimbursements.

The plan is administered by DeWitt Public Schools.

NOTE L: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

During a prior year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff an agreed upon amount for past underfunding of special education. DeWitt Public Schools, a nonplaintiff District, was awarded \$460,424 in the settlement. These funds are being paid as follows:

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE L: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT - CONTINUED

- a. One half is being paid over the next ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds are recorded within the General Fund as categorical State Aid. At the end of the current year all these funds had been expended.
- b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

NOTE M: SHORT-TERM NOTES

On August 18, 2006, the District issued a short-term State School Aid Anticipation Note in the amount of \$1,200,000 for the purpose of funding operating expenditures until the 2007 State Aid payments resumed. This short-term note, which has a net outstanding balance of \$1,200,000 at June 30, 2007, is reported in the fund-level and district-wide financial statements under the caption short-term notes payable. The June 30, 2007 outstanding balance was paid off on August 20, 2007.

NOTE N: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the District has set aside for specific purposes.

The following are the various fund balance reserves as of June 30, 2007:

General Fund	
Reserved for inventories and prepaids	\$ 163,263
Reserved for compensated absences	<u>101,352</u>
	<u>\$ 264,615</u>
Nonmajor governmental funds	
Reserved for inventories and prepaids	\$ 16,552
Reserved for debt service	<u>231,682</u>
	<u>\$ 248,234</u>

The following is the fund balance designation as of June 30, 2007:

General Fund	
Designated for capital improvements	<u>\$ 80,000</u>

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE O: SUBSEQUENT EVENT

After the year ended June 30, 2007, the following significant events occurred:

In August 2007, the District received funds from the U.S. Bank National Association short-term cash flow borrowing program. The loan totaled \$1,700,000 and future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

In July 2007, the District entered into an installment purchase agreement in the amount of \$398,700 for the purpose of acquiring computer equipment.

REQUIRED SUPPLEMENTARY INFORMATION

DeWitt Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 1,522,600	\$ 1,559,450	\$ 1,484,484	\$ (74,966)
State sources	20,343,700	19,807,276	20,423,919	616,643
Federal sources	86,500	71,500	78,888	7,388
TOTAL REVENUES	21,952,800	21,438,226	21,987,291	549,065
EXPENDITURES				
Current				
Instruction				
Basic programs	13,091,075	13,044,704	13,088,523	(43,819)
Added needs	1,935,967	1,845,696	1,828,094	17,602
Total instruction	15,027,042	14,890,400	14,916,617	(26,217)
Supporting services				
Pupil	727,904	733,586	717,506	16,080
Instructional staff	689,788	683,154	660,337	22,817
General administration	298,599	294,814	300,103	(5,289)
School administration	1,394,778	1,392,109	1,391,976	133
Business	447,028	622,303	607,583	14,720
Operation and maintenance	2,273,184	2,238,250	2,463,235	(224,985)
Transportation	661,948	606,266	577,858	28,408
Central	660,458	519,184	550,974	(31,790)
Total supporting services	7,153,687	7,089,666	7,269,572	(179,906)
Debt service				
Principal	166,668	203,668	208,679	(5,011)
Interest	18,965	50,965	76,372	(25,407)
Total debt service	185,633	254,633	285,051	(30,418)
TOTAL EXPENDITURES	22,366,362	22,234,699	22,471,240	(236,541)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(413,562)	(796,473)	(483,949)	312,524

DeWitt Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
County special education allocation	\$ 230,000	\$ 158,084	\$ 158,107	\$ 23
County vocational education allocation	430,000	455,421	443,390	(12,031)
Loan proceeds	-	197,507	197,507	-0-
Other transactions	24,000	5,000	6,633	1,633
Transfers from other funds	114,000	118,000	118,000	-0-
Payments to other districts	(17,000)	-	-	-0-
Transfers to other funds	(367,438)	(357,634)	(357,634)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	413,562	576,378	566,003	(10,375)
NET CHANGE IN FUND BALANCE	-0-	(220,095)	82,054	302,149
Fund balance, beginning of year	3,509,243	3,509,243	3,509,243	-0-
Fund balance, end of year	\$ 3,509,243	\$ 3,289,148	\$ 3,591,297	\$ 302,149

OTHER SUPPLEMENTARY INFORMATION

DeWitt Public Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2007

	Special Revenue		
	Food Service	Athletics	Community Services
ASSETS			
Cash and cash equivalents	\$ 134,877	\$ 26,107	\$ 68,744
Inventories	16,552	-	-
Due from other governmental units	5,245	-	-
Due from other funds	60,510	-	-
TOTAL ASSETS	\$ 217,184	\$ 26,107	\$ 68,744
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 8,745	\$ 965	\$ 7,235
Due to other funds	-	-	-
Deferred revenue	5,410	-	-
TOTAL LIABILITIES	14,155	965	7,235
FUND BALANCES			
Reserved for			
Inventories	16,552	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	186,477	25,142	61,509
Capital projects funds	-	-	-
TOTAL FUND BALANCES	203,029	25,142	61,509
TOTAL LIABILITIES AND FUND BALANCES	\$ 217,184	\$ 26,107	\$ 68,744

Debt Service

1996	1998	2002	2003 Refunding	2003 SBLF Bonds
\$ 1,106	\$ 927	\$ 50	\$ 877	\$ 233,271
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,106</u>	<u>\$ 927</u>	<u>\$ 50</u>	<u>\$ 877</u>	<u>\$ 233,271</u>
\$ -	\$ -	\$ -	\$ -	\$ -
1,106	927	50	877	1,589
-	-	-	-	-
1,106	927	50	877	1,589
-	-	-	-	-
-	-	-	-	231,682
-	-	-	-	-
-	-	-	-	-
-0-	-0-	-0-	-0-	231,682
<u>\$ 1,106</u>	<u>\$ 927</u>	<u>\$ 50</u>	<u>\$ 877</u>	<u>\$ 233,271</u>

DeWitt Public Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2007

	Capital Projects		Total Nonmajor Governmental Funds
	General Projects	1996 Bond Project	
ASSETS			
Cash and cash equivalents	\$ 120,473	\$ 1,059	\$ 587,491
Inventories	-	-	16,552
Due from other governmental units	-	-	5,245
Due from other funds	93,566	-	154,076
TOTAL ASSETS	<u>\$ 214,039</u>	<u>\$ 1,059</u>	<u>\$ 763,364</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 16,945
Due to other funds	-	-	4,549
Deferred revenue	-	-	5,410
TOTAL LIABILITIES	-0-	-0-	26,904
FUND BALANCES			
Reserved for			
Inventories	-	-	16,552
Debt service	-	-	231,682
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	273,128
Capital projects funds	214,039	1,059	215,098
TOTAL FUND BALANCES	<u>214,039</u>	<u>1,059</u>	<u>736,460</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 214,039</u>	<u>\$ 1,059</u>	<u>\$ 763,364</u>

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DeWitt Public Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	Special Revenue		
	Food Service	Athletics	Community Services
REVENUES			
Local sources	\$ 628,484	\$ 230,161	\$ 645,434
State sources	28,836	-	-
Federal sources	156,112	-	-
TOTAL REVENUES	813,432	230,161	645,434
EXPENDITURES			
Current			
Food service activities	695,008	-	-
Athletic activities	-	578,593	-
Community services activities	-	-	643,645
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	695,008	578,593	643,645
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	118,424	(348,432)	1,789
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Transfers from other funds	-	357,634	-
Transfers to other funds	(42,000)	-	(76,000)
TOTAL OTHER FINANCING SOURCES (USES)	(42,000)	357,634	(76,000)
NET CHANGE IN FUND BALANCES	76,424	9,202	(74,211)
Fund balances, beginning of year	126,605	15,940	135,720
Fund balances, end of year	<u>\$ 203,029</u>	<u>\$ 25,142</u>	<u>\$ 61,509</u>

Debt Service

1996	1998	2002	2003 Refunding	2003 SBLF Bonds
\$ 933,109	\$ 1,306,534	\$ 259,031	\$ 546,741	\$ 2,258,898
-	-	-	-	-
-	-	-	-	-
933,109	1,306,534	259,031	546,741	2,258,898
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,050,000	120,000	205,000	435,000	2,028,000
63,300	1,450,316	87,805	199,721	603,843
-	-	-	-	-
1,113,300	1,570,316	292,805	634,721	2,631,843
(180,191)	(263,782)	(33,774)	(87,980)	(372,945)
180,191	85,956	33,774	87,980	604,627
-	-	-	-	-
-	-	-	-	-
180,191	85,956	33,774	87,980	604,627
-0-	(177,826)	-0-	-0-	231,682
-	177,826	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 231,682

DeWitt Public Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended June 30, 2007

	Capital Projects		Total Nonmajor Governmental Funds
	General Projects	1996 Bond Project	
REVENUES			
Local sources	\$ 41,666	\$ 367	\$ 6,850,425
State sources	-	-	28,836
Federal sources	-	-	156,112
TOTAL REVENUES	41,666	367	7,035,373
EXPENDITURES			
Current			
Food service activities	-	-	695,008
Athletic activities	-	-	578,593
Community services activities	-	-	643,645
Debt service			
Principal	-	-	3,838,000
Interest and fiscal charges	-	-	2,404,985
Capital outlay	298,630	65,364	363,994
TOTAL EXPENDITURES	298,630	65,364	8,524,225
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(256,964)	(64,997)	(1,488,852)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	992,528
Transfers from other funds	-	-	357,634
Transfers to other funds	-	-	(118,000)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	1,232,162
NET CHANGE IN FUND BALANCES	(256,964)	(64,997)	(256,690)
Fund balances, beginning of year	471,003	66,056	993,150
Fund balances, end of year	\$ 214,039	\$ 1,059	\$ 736,460

Principals

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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

To the Board of Education
DeWitt Public Schools
DeWitt, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeWitt Public Schools as of and for the year ended June 30, 2007, which collectively comprise DeWitt Public Schools' basic financial statements, and have issued our report thereon dated November 1, 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 DeWitt Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of DeWitt Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DeWitt Public Schools' 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 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 the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the District rests with the District's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

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2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP - CONTINUED

The condition noted in the preceding paragraph exists at DeWitt Public Schools. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the District's annual financial statements and notes to the financial statements in accordance with GAAP. The District relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the District consider obtaining proper training for the appropriate members of the District's administration to assure that they are able to fully understand the requirements of preparing GAAP financial statements. This understanding is essential for the District's administration to be able to accept responsibility for the amounts and disclosures included in the District's financial statements.

2007-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries to properly account for transactions that occurred during the year were proposed by the auditors. These misstatements were not detected by the District's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

We recommend that the District take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

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 District's internal control.

Our consideration of the 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above as 2007-1 and 2007-2 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeWitt Public Schools' 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

2007-3 UNFAVORABLE BUDGET VARIANCES

During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund, the Food Service Fund, the Athletics Fund, and the Community Service Fund.

Michigan Public Act 621 of 1978, as amended, provides that the Board shall adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We recommend the District continue to monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

This report is intended solely for the information and use of management, the Board of Education of DeWitt Public Schools, others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 1, 2007