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WEST BRANCH-ROSE CITY AREA SCHOOLS WEST BRANCH, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2007

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RSM McGladrey Network

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Independent Auditors' Report

October 2, 2007

Board of Education
West Branch-Rose City Area Schools
West Branch, Michigan

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

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 West Branch-Rose City Area Schools as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

Board of Education
West Branch-Rose City Area Schools
October 2, 2007
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2007, on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental 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 West Branch-Rose City Area Schools' basic financial statements. The combining and individual nonmajor fund financial statements, debt schedules and schedule of expenditures of federal awards are presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Our discussion and analysis of the West Branch-Rose City Area Schools' financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2007.

Financial Highlights

The School District's net assets decreased by approximately \$267,000 from the prior year. Program revenues accounted for approximately \$5,242,000 or 21% of total revenues, and general revenues accounted for approximately \$19,684,000 or 79%.

The General Fund reported a positive fund balance in excess of \$3,453,000.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand West Branch-Rose City Area Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund and 1999 Debt Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report:

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

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2007 and 2006:

	<u>Governmental Activities</u>	
	(in Thousands)	(in Thousands)
	<u>2007</u>	<u>2006</u>
<u>Exhibit A</u>		
Assets		
Current and other assets	\$ 6,830	\$ 6,480
Capital assets - net of accumulated depreciation	<u>26,147</u>	<u>27,315</u>
Total assets	<u>32,977</u>	<u>33,795</u>
Liabilities		
Current liabilities	4,053	3,849
Long-term liabilities	<u>18,208</u>	<u>18,962</u>
Total liabilities	<u>22,261</u>	<u>22,811</u>
Net Assets		
Invested in property and equipment - net of related debt	6,532	6,975
Restricted for debt service	896	827
Restricted for food service	86	19
Unrestricted	<u>3,202</u>	<u>3,163</u>
Total net assets	<u><u>\$ 10,716</u></u>	<u><u>\$ 10,984</u></u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Exhibit A focuses on net assets of the School District. The School District's net assets were \$10,716,000 at June 30, 2007. Capital assets, net of related debt totaling \$6,532,000 compares the original costs, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

The \$3,202,000 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Exhibit B), which shows the changes in net assets for the years ended June 30, 2007 and 2006.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Exhibit B

	<u>Governmental Activities</u>	
	(in Thousands)	(in Thousands)
	<u>2007</u>	<u>2006</u>
Revenue		
Program revenue:		
Charges for services	\$ 572	\$ 557
Grants and categoricals	4,671	4,723
General revenue:		
Property taxes	7,727	7,416
State foundation allowance	11,233	11,017
Other	724	338
	<u>24,927</u>	<u>24,051</u>
Function/Program Expenses		
Instruction	13,114	13,426
Support services	8,145	7,748
Community services	12	11
Food services	1,187	1,146
Athletics	363	345
Interest on long-term debt	936	1,024
Depreciation and amortization (unallocated)	1,437	1,409
	<u>25,194</u>	<u>25,109</u>
	<u>\$ (267)</u>	<u>\$ (1,058)</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$25,194,000. Certain activities were partially funded from those who benefited from the programs by \$572,000 or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$4,671,000. We paid for the remaining "public benefit" portion of our governmental activities with \$7,727,000 in taxes, \$11,233,000 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements

The School District experienced a decrease in net assets of \$267,000. Key reasons for the change in net assets were an overall decrease in State aid revenues and higher employee benefit costs. The decrease in net assets differs from the change in fund balance and reconciliation appears in the financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

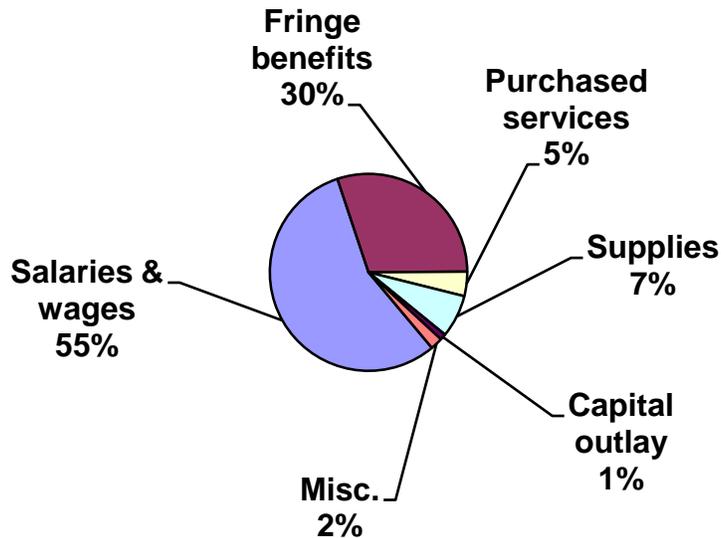
The School District's governmental funds reported a combined fund balance of approximately \$4,436,000, which is more than last year's total of approximately \$4,349,000. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2007 and 2006.

	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Fund Balance</u> <u>June 30, 2006</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 3,453,305	\$ 3,503,072	\$ (49,767)
Special Revenue	86,488	18,981	67,507
Debt Service	896,318	826,683	69,635
Total	<u>\$ 4,436,111</u>	<u>\$ 4,348,736</u>	<u>\$ 87,375</u>

- Our General Fund decreased by \$50,000 due to a general decrease in federal aid revenue and an increase in support services.
- Our Special Revenue Funds increased by \$68,000 due to increased state and federal aid in the Food Service Fund.
- Our Debt Service Fund increased by \$70,000 for the year due primarily from the net effect of property tax revenues in excess of debt retirement obligations.

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Management's Discussion & Analysis
For the Year Ended June 30, 2007

As the graph below illustrates, the largest portions of general fund expenditures are for salaries and fringe benefits. The School District by nature is a labor-intensive organization.



<i>Expenditures by Object</i>	2007	2006	Percentage Change
Salaries and wages	\$ 11,898,943	\$ 12,121,741	-1.84%
Fringe benefits	6,529,985	6,464,497	1.01%
Purchased services	968,609	769,626	25.85%
Supplies, materials, etc.	1,486,403	1,687,463	-11.91%
Capital outlay	302,035	113,813	165.38%
Other	425,477	346,824	22.68%
Total	\$ 21,611,452	\$ 21,503,964	0.50%

Expenditures are up approximately \$107,000 or 0.5% over the prior year mostly due to an increase in fringe benefits and purchased services.

Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Budgetary Highlights (Continued)

Changes to the General Fund original budget were as follows:

- Budgeted revenues were amended to updated property tax revenue information, changes in State Aid calculations and changes in federal grant programs. The overall change was immaterial.
- Budgeted expenditures were changed to reflect higher salary and benefit costs as well as higher operation and maintenance costs. The overall change was immaterial.
- Final actual revenue was higher and final actual expenditure totals were less than the final amended budget totals. There were no individually significant variances between the final budget and actual amounts.

Capital Assets

At June 30, 2007, the School District had approximately \$42,934,000 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$153,000 or 0.5%, from last year.

	2007	2006
	<u>(In Thousands)</u>	<u>(In Thousands)</u>
Land	\$ 246	\$ 246
Buildings	29,698	29,698
Buses and other vehicles	2,153	2,113
Furniture and equipment	<u>10,837</u>	<u>10,724</u>
Total capital assets	42,934	42,781
Less accumulated depreciation	<u>16,787</u>	<u>15,466</u>
Net capital assets	<u><u>\$ 26,147</u></u>	<u><u>\$ 27,315</u></u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Capital Assets (Continued)

This year's additions of \$253,000 included new equipment and two new buses. No new debt was issued for these additions.

We present more detailed information about our capital assets in the notes to the financial statements

Debt

At the end of this year, the School District had approximately \$18,791,000 in bonds outstanding versus \$19,486,000 in the previous year – a change of 3.5%. Those bonds consisted of the following:

	2007 <u>(In Thousands)</u>	2006 <u>(In Thousands)</u>
General Obligation Bonds:		
1999 School Building & Site Bonds Non-refunded Portion	\$ 1,410	\$ 2,055
2005 Refunding School Building & Site Bonds	17,205	17,255
Other Bonds:		
1998 Durant School Improvement Bonds	<u>176</u>	<u>176</u>
	<u>\$ 18,791</u>	<u>\$ 19,486</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$18,615,000 is significantly below the statutorily imposed limit.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Factors Expected to Have an Effect on Future Operations

Academically, the School District continues to make good progress toward meeting the federal and state mandates. Unfortunately, the State of Michigan is late in issuing the school report card for the 2006-2007 school year. Therefore, I am unable to report the number of our buildings that made Adequate Yearly Progress (AYP). MEAP scores were again strong this year in grades 3-8. I believe that our two elementary buildings and two middle school buildings will make AYP again. For the first time all high school students were required to take the ACT test as part of the Michigan Merit Exam. The results were disappointing as our district was at the state average or a little below. This may cost our high school AYP. However, in comparison to neighboring schools and ISD schools, our scores were very competitive. We will meet the challenge of the increased standards for student achievement.

All buildings in the district continue to be fully accredited by the North Central Association (NCA). Each building has an active school improvement team that is led by the principal and a committed group of teacher leaders. Annually, academic goals are set, achievement scores assessed, and degree of improvement documented.

The School District has done a better job of targeting the academically at risk student. For the last two years the high school has partnered with Michigan Works! called Nova Net. Through the use of the internet and curriculum modules, students are able to earn online academic credits which count toward graduation. This program continues to grow each year as more and more students take the opportunity to recover lost credit and to graduate. In addition, the district is the fiscal agent in a consortium agreement with Ogemaw County to educate court adjudicated youth. The program is currently housed in Roscommon with hopes of a facility in Ogemaw County as soon as political differences are reconciled. Credits earned go toward a high school diploma. Last year four court adjudicated youth were educated from our district through the Second Chance Academy program. During the 2006-2007 school year the district offered extended day instruction for middle school students in grades 5-8 who were below achievement levels on core curriculum standards. It is our belief that these students will improve their scores on MEAP due to this extra support.

The School District was fortunate to continue two large grants for the 2006-2007 school year. Both grants have the potential to improve student achievement. The Reading First grant is a federal grant that this year will bring \$360,000 for materials, staff, and training to support literacy instruction in grades K-3. The grant will continue through June 2008 with the opportunity for re-application. Another two-year grant known as the Comprehensive School Reform grant is a state grant that the School District received. The grant ended in June 2007. In 2006-2007 the grant provided \$130,000 for training teachers in grades 5-8 in "best practice" instructional strategies. It is exciting to know that these revenue sources have been and in the case of Reading First continue to be available to the district and will dramatically improve instruction and student performance.

Even with the addition of the new grant money, the financial outlook for the district remains a challenge. However, there are encouraging signs for an improved financial future. Enrollment proved to be a bright spot in 2006-2007. For the first time in nearly a decade the district actually gained students instead of losing an average of 40 students. The School District gained 5 students. Health insurance increased by an average of 6%. This is markedly down from previous years with double digit increases. The state has rolled back retirement rates to the 2005-2006 level which will save our district over

Factors Expected to Have an Effect on Future Operations (Continued)

\$200,000 in 2007-2008. In the 2006 state educational budget, the legislature finally addresses the equity issue and increased the foundation allowance by \$23 for School Districts, like ours, who are at the minimum grant level. Good financial news is that the state aid bill will provide nearly \$260 in extra revenue per student. For the first time the state addressed the issue of inequity in school funding and provided an additional \$23 per student for districts, like us, at the minimum.

These are good signs. Yet, cautions and concerns remain about the School District's financial future. Will our enrollment stabilize or was last year an aberration? It is too early to tell. A major concern continues to be state funding. There is no educational budget for 2007-2008, and one is not expected until October. The House and the Senate are far apart on the amount of funding for education. The state economy continues to be one of the worst in the nation, and the state budget deficit grows at an alarming rate. There is a high degree of caution to be exercised in regard to financial planning. In light of these unknowns, the district did reduce the 2007-2008 budget by nearly a million dollars. These cuts included support staff and central office layoffs and the elimination in capital outlay purchases in transportation and technology.

The uncertainty of state revenues and student enrollment are, as stated above, major organizational concerns. An additional concern is the lack of investment in technology and buses. These areas are badly in need of upgrades to improve instruction and service. The organization is, also, weakened by the reduction in staff with fewer people to do more work. This situation leads to fatigue, frustration, and low morale. The quantity of work may be keeping pace, but not the quality of work due to the overload demands. A final concern is the impact on the organization last year of a bitter labor negotiation process with the MEA. A contract was finally reached in June 2007 after a year of conflict which left hard feelings and doubt. Relationships need to be healed.

A delicate balance continues for the West Branch-Rose City district. This balance continues to demand an ever increasing amount of resources to meet state and federal mandates; the constant need to maintain quality instructional programs in order to keep and attract students; and the challenge to provide better instruction, service, and accountability with less revenue and fewer people.

The organization feels the added stress and worry about the unknown but, in my opinion, is determined to improve instruction and services for the students and community.

Request For Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of the Superintendent
West Branch-Rose City Area Schools
P.O. Box 308
West Branch, MI 48661-0308

WEST BRANCH-ROSE CITY AREA SCHOOLS
Statement of Net Assets
June 30, 2007

	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 3,209,980
Receivables:	
Accounts receivable	253,471
Due from other governmental units	2,852,567
Inventories	79,498
Prepaid expenses	306,730
Bond discount and issuance costs less accumulated amortization of \$389,284	127,482
Capital assets less accumulated depreciation of \$16,786,465	26,147,321
Total assets	32,977,049
 <u>Liabilities</u>	
Accounts payable	164,555
Accrued payroll and other liabilities	1,759,528
Interest payable	180,629
Short-term note payable	325,914
Deferred revenue	16,138
Bond premiums less accumulated amortization of \$136,098	771,225
Long-term liabilities:	
Due within one year	835,000
Due in more than one year	18,207,725
Total liabilities	22,260,714
 <u>Net Assets</u>	
Investment in capital assets - net of related debt	6,531,521
Restricted for debt service	896,318
Restricted for food service	86,488
Unrestricted	3,202,008
Total net assets	\$ 10,716,335

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Statement of Activities
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	
Primary government - Governmental activities				
Instruction	\$ 13,113,425	\$ 22,889	\$ 1,982,614	\$ (11,107,922)
Support services	8,145,520	39,134	1,726,803	(6,379,583)
Community services	11,928	0	158,120	146,192
Food services	1,186,848	442,092	803,353	58,597
Athletics	362,761	67,470	0	(295,291)
Interest on long-term debt	936,418	0	0	(936,418)
Amortization of bond discount and issuance costs	16,186	0	0	(16,186)
Depreciation (unallocated)	1,420,363	0	0	(1,420,363)
 Total governmental activities	 <u>\$25,193,449</u>	 <u>\$ 571,585</u>	 <u>\$ 4,670,890</u>	 <u>(19,950,974)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				6,073,116
Property taxes, levied for debt services				1,653,535
State aid not restricted to specific purposes				11,150,179
State aid restricted				83,227
Interest and investment earnings				195,280
Amortization of bond premium				45,366
Other				483,050
				<u>19,683,753</u>
Change in net assets				(267,221)
Net assets - beginning of year				<u>10,983,556</u>
Net assets - end of year				<u>\$ 10,716,335</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2007

	General	1999 Debt	Other Nonmajor Governmental Funds	Total
<u>Assets</u>				
Cash and investments	\$ 2,288,756	\$ 885,258	\$ 35,966	\$ 3,209,980
Receivables:				
Accounts receivable	239,572	11,060	2,839	253,471
Due from other funds	0	0	4,095	4,095
Due from other governmental units	2,750,171	0	102,396	2,852,567
Inventories	67,191	0	12,307	79,498
Prepaid expenditures	287,043	0	19,687	306,730
	<u>\$ 5,632,733</u>	<u>\$ 896,318</u>	<u>\$ 177,290</u>	<u>\$ 6,706,341</u>
 <u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 78,986	\$ 0	\$ 85,569	\$ 164,555
Short-term note payable	325,914	0	0	325,914
Accrued payroll and other liabilities	1,754,295	0	5,233	1,759,528
Due to other funds	4,095	0	0	4,095
Deferred revenue	16,138	0	0	16,138
	<u>2,179,428</u>	<u>0</u>	<u>90,802</u>	<u>2,270,230</u>
 <u>Fund Balance</u>				
Reserved for inventories	67,191	0	0	67,191
Reserved for food service	0	0	86,488	86,488
Reserved for debt service	0	896,318	0	896,318
Unreserved	3,386,114	0	0	3,386,114
	<u>3,453,305</u>	<u>896,318</u>	<u>86,488</u>	<u>4,436,111</u>
Total fund balance	<u>3,453,305</u>	<u>896,318</u>	<u>86,488</u>	<u>4,436,111</u>
Total Liabilities and Fund Balance	<u>\$ 5,632,733</u>	<u>\$ 896,318</u>	<u>\$ 177,290</u>	<u>\$ 6,706,341</u>

See accompanying notes to financial statements

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Reconciliation of Balance Sheet of Governmental Funds
 to the Statement of Net Assets
June 30, 2007

Total fund balance - governmental funds	\$	4,436,111
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
Cost of the capital assets	\$ 42,933,786	
Accumulated depreciation	<u>(16,786,465)</u>	26,147,321
Other assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:		
Bond discount and issuance costs	516,766	
Accumulated amortization	<u>(389,284)</u>	127,482
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds		(180,629)
Other liabilities used in governmental activities are not payable from current resources and therefore are not reported in governmental funds:		
Bond premiums	(907,323)	
Accumulated amortization	<u>136,098</u>	(771,225)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable	(18,791,428)	
Compensated absences	(151,297)	
Resignation incentive benefit	<u>(100,000)</u>	<u>(19,042,725)</u>
Total net assets - governmental activities	\$	<u><u>10,716,335</u></u>

See accompanying notes to financial statements

WEST BRANCH-ROSE CITY AREA SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	General	1999 Debt	Other Nonmajor Governmental Funds	Totals
<u>Revenues</u>				
Local sources:				
Property taxes	\$ 6,073,116	\$ 1,653,535	\$ 0	\$ 7,726,651
Other	342,761	48,526	509,562	900,849
State sources	12,800,811	0	130,390	12,931,201
Federal sources	2,081,988	0	672,963	2,754,951
Interdistrict and other sources	567,210	0	0	567,210
	<u>21,865,886</u>	<u>1,702,061</u>	<u>1,312,915</u>	<u>24,880,862</u>
Total revenue				
<u>Expenditures</u>				
Current:				
Instruction	13,173,619	0	0	13,173,619
Support services	8,174,076	0	0	8,174,076
Community services	11,208	0	0	11,208
Food service	0	0	1,186,848	1,186,848
Athletics	0	0	362,761	362,761
Capital outlay	252,549	0	0	252,549
Debt service:				
Principal	0	695,000	0	695,000
Interest	0	936,706	0	936,706
Miscellaneous	0	720	0	720
	<u>21,611,452</u>	<u>1,632,426</u>	<u>1,549,609</u>	<u>24,793,487</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	254,434	69,635	(236,694)	87,375
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	0	0	304,201	304,201
Operating transfers out	(304,201)	0	0	(304,201)
	<u>(304,201)</u>	<u>0</u>	<u>304,201</u>	<u>0</u>
Total other financing sources (uses)				
Net change in fund balance	(49,767)	69,635	67,507	87,375
Fund balance - beginning of year	3,503,072	826,683	18,981	4,348,736
Fund balance - end of year	<u>\$ 3,453,305</u>	<u>\$ 896,318</u>	<u>\$ 86,488</u>	<u>\$ 4,436,111</u>

See accompanying notes to financial statements

WEST BRANCH-ROSE CITY AREA SCHOOLS
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balance - total governmental funds		\$ 87,375
<p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p>		
Depreciation expense		\$ (1,420,363)
Capital outlay		<u>252,549</u>
		(1,167,814)
<p>Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid</p>		
		288
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Other income or costs related to debt issuance and retirement use governmental fund resources by recognizing them as income or expenses through amortization on the Statement of Net Assets</p>		
Repayment of bonds		695,000
Amortization expense		(16,186)
Amortization income		45,366
<p>Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6</p>		
		(11,250)
<p>Decreases in resignation incentive benefits are reported as a decrease to expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6</p>		
		<u>100,000</u>
Change in net assets of governmental activities		<u><u>\$ (267,221)</u></u>

See accompanying notes to financial statements

WEST BRANCH-ROSE CITY AREA SCHOOLS
Fiduciary Fund
Statement of Fiduciary Net Assets
June 30, 2007

	Agency Funds	Private Purpose Trusts
<u>ASSETS</u>		
Cash	\$ 285,422	\$ 3,045
 <u>LIABILITIES</u>		
Due to student groups	\$ 285,422	0
 <u>NET ASSETS</u>		
Held in Trust for scholarships		\$ 3,045

WEST BRANCH-ROSE CITY AREA SCHOOLS
Fiduciary Fund
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2007

<u>Additions</u>		Private Purpose Trusts
Contributions and investment income		\$ 72
 <u>Deductions</u>		
Scholarships		0
Change in net assets		72
Net assets - beginning		2,973
Net assets - ending		\$ 3,045

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Branch-Rose City Area Schools (the “School District”) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The West Branch-Rose City Area Schools (School District) was consolidated in 1966 and presently covers approximately 538 square miles. The School District provides educational services to approximately 2,507 students in the area.

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

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

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

1999 Debt Fund – The 1999 Debt Fund is used to account for the accumulated resources for, and the payment of, general long-term principal, interest, and related costs.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Bond Discount and Issuance Costs and Bond Premiums – Bond discount and issuance costs and bond premiums are reflected only in the district wide financial statements and are being amortized over the life of the bonds they relate to which is twenty years.

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Buildings and additions	50 years
Furniture and fixtures	8-20 years
Technological equipment	5-10 years
Other equipment	15-20 years
Vehicles and buses	8 years

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

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

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

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Taxes – For West Branch-Rose City Area Schools' taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid – For the fiscal year ended June 30, 2007, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the average pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2006 – August 2007. The local revenue is recognized as outlined in Note 1 Basis of Accounting. Amounts receivable from the State of Michigan at June 30, 2007 relating to state aid is \$2,094,000.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

West Branch-Rose City Area Schools follow these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

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

During the year ended June 30, 2007, the School District recognized revenues in certain budgetary funds which were under the amounts estimated to be recognized as follows:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Amount of Revenues</u>	<u>Budget Variance</u>
General Fund:			
Federal sources	\$ 2,130,825	\$ 2,081,988	\$ (48,837)

During the year ended June 30, 2007, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund:			
Central services	\$ 451,369	\$ 474,515	\$ (23,146)

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District’s deposits are in accordance with statutory authority.

At year-end, the School District’s deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and investments	\$ 3,209,980	\$ 288,467	\$ 3,498,447

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 191,708
Investments - Bank Municipal Investment Fund with a weighted average maturity of 60 days or less	3,306,739
Total	\$ 3,498,447

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. As of June 30, 2007, \$-0- of the School District’s bank balance of \$191,708 was exposed to custodial credit risk because the entire balance was fully covered by federal depository insurance.

Credit Risk – Investments

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSTO’s). As of June 30, 2007, the School District’s investment in the Bank Municipal Investment Fund was rated AAA, by Standards & Poor’s.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Concentration of Credit Risk

The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School 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.

Foreign Currency Risk

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

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 4 – CAPITAL ASSETS

A summary of changes in Governmental capital assets follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
<u>Assets not being depreciated:</u>				
Land	\$ 245,800	\$ 0	\$ 0	\$ 245,800
<u>Capital assets being depreciated:</u>				
Building and improvements	29,698,007	0	0	29,698,007
Buses and other vehicles	2,112,875	140,011	(100,000)	2,152,886
Furniture and equipment	10,724,555	112,538	0	10,837,093
Subtotal	42,535,437	252,549	(100,000)	42,687,986
<u>Accumulated depreciation:</u>				
Building and improvements	7,687,113	649,998	0	8,337,111
Buses and other vehicles	1,555,807	166,659	(100,000)	1,622,466
Furniture and equipment	6,223,182	603,706	0	6,826,888
Subtotal	15,466,102	1,420,363	(100,000)	16,786,465
Net capital assets being depreciated	27,069,335	(1,167,814)	0	25,901,521
Net capital assets	<u>\$ 27,315,135</u>	<u>\$ (1,167,814)</u>	<u>\$ 0</u>	<u>\$ 26,147,321</u>

Depreciation for fiscal year ended June 30, 2007 amounted to \$1,420,363. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of inter-fund receivable and payable balances at June 30, 2007 and transfers made during the year ended June 30, 2007 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 4,095	\$ 0	\$ 304,201
Special Revenue:				
Food Service	0	0	8,910	0
Athletics	<u>4,095</u>	<u>0</u>	<u>295,291</u>	<u>0</u>
	<u>\$ 4,095</u>	<u>\$ 4,095</u>	<u>\$ 304,201</u>	<u>\$ 304,201</u>

Reasons for the transfers and the inter-fund receivable and payable balances are because (1) the General Fund supplements athletic operational costs and (2) transfers to reflect federal revenues received for food program and to supplement food service operational costs.

NOTE 6 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$16,138.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 7 – LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Retirements and Payments	Balance June 30, 2007	Amount Due Within One Year
Bonds	\$ 19,486,428	\$ 0	\$ (695,000)	\$ 18,791,428	\$ 735,000
Compensated absences	340,047	11,250	(100,000)	251,297	100,000
Total	\$ 19,826,475	\$ 11,250	\$ (795,000)	\$ 19,042,725	\$ 835,000

Bonds payable at June 30, 2007 is comprised of the following issues:

\$17,305,000 2005 Refunding of School Building & Site Bonds due in annual installments of \$50,000 to \$1,560,000 through May 1, 2024; interest at 3.00% to 5.00%	\$ 17,205,000
\$3,245,000 1999 Non-refunding portion of School Building & Site Bonds due in annual installments of \$685,000 to \$725,000 through May 1, 2009; interest at 5.375%	1,410,000
\$298,796 Durant Non-Plaintiff serial bonds due in annual installments of \$16,629 to \$105,012 through May 15, 2013; interest at 4.76%	<u>176,428</u>
Total Bonded Debt	<u>\$ 18,791,428</u>

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described in the preceding paragraph.

Compensated absences (unused sick pay) is calculated using the termination payoff rate of \$65 for eligible certified personnel for every two unused days (maximum 189 days) and 20% of the pay rate for eligible hourly personnel times the number of unused days (maximum of 104 days). The School District entered into a resignation incentive plan with certain School District employees. Resignation incentive payments are to be disbursed over a three-year period commencing in July 2005. At June 30, 2007, the amount of \$251,297 has been reflected in the district-wide financial statements. The current portion is \$100,000.

The annual requirements to amortize bonds outstanding as of June 30, 2007, including interest payments, are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 735,000	\$ 900,538	\$ 1,635,538
2009	791,629	866,447	1,658,076
2010	827,420	824,937	1,652,357
2011	858,250	795,758	1,654,008
2012	894,117	761,289	1,655,406
2013-2017	5,160,012	3,195,890	8,355,902
2018-2022	6,470,000	1,766,000	8,236,000
2023-2024	3,055,000	230,750	3,285,750
	<u>\$ 18,791,428</u>	<u>\$ 9,341,609</u>	<u>\$ 28,133,037</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 8 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation. Since the School District began participating in the SET-SEG program, settled claims have not exceeded the amount of insurance coverage.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase workers' compensation excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 9 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

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

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.34% for the period from July 1, 2006 through September 30, 2006 then increased to 17.74% from October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 were \$2,175,839, \$2,003,357, and \$1,875,792, respectively.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

NOTE 10 – GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District’s independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

NOTE 11 – ECONOMIC DEPENDENCY

The School District received approximately 59% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 12 – SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District’s cash flow obligations to operating expenses precede the collection of state aid.

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
State Aid Anticipation Note, due August 20, 2007, accruing interest at 3.68%	<u>\$ 186,811</u>	<u>\$ 2,200,000</u>	<u>\$ 2,060,897</u>	<u>\$ 325,914</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources			
Property taxes	\$ 6,129,263	\$ 6,029,624	\$ 6,073,116
Other	197,727	322,125	342,761
State sources	12,196,253	12,773,813	12,800,811
Federal sources	2,079,937	2,130,825	2,081,988
Interdistrict and other sources	550,000	407,529	567,210
Total revenues	<u>21,153,180</u>	<u>21,663,916</u>	<u>21,865,886</u>
<u>Expenditures</u>			
Instruction:			
Basic programs	9,718,605	9,545,082	9,409,989
Added needs	3,866,559	3,858,437	3,763,630
Support services:			
Pupil	1,570,125	1,549,475	1,519,518
Instructional staff	831,943	1,084,979	1,015,253
General administration	334,177	328,699	280,592
School administration	926,383	937,174	909,976
Business services	348,840	380,297	325,869
Operations and maintenance	2,244,697	2,262,942	2,219,187
Transportation	1,433,047	1,452,546	1,410,078
Central services	381,477	451,369	474,515
Other	290,746	25,144	19,088
Community Services	77,809	63,544	11,208
Capital outlay	292,007	318,487	252,549
Total expenditures	<u>22,316,415</u>	<u>22,258,175</u>	<u>21,611,452</u>
Excess (deficiency) of revenues over expenditures	<u>(1,163,235)</u>	<u>(594,259)</u>	<u>254,434</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	0	0	0
Operating transfers out	(316,815)	(338,690)	(304,201)
Total other financing sources (uses)	<u>(316,815)</u>	<u>(338,690)</u>	<u>(304,201)</u>
Net change in fund balance	(1,480,050)	(932,949)	(49,767)
Fund balance - beginning of year	<u>3,503,072</u>	<u>3,503,072</u>	<u>3,503,072</u>
Fund balance - end of year	<u>\$ 2,023,022</u>	<u>\$ 2,570,123</u>	<u>\$ 3,453,305</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds		Debt Service Fund	
	Athletic Activities	Food Service	1998 Durant	Total
<u>Assets</u>				
Cash and investments	\$ 35	\$ 35,931	\$ 0	\$ 35,966
Prepaid insurance	1,564	18,123	0	19,687
Receivables - Net:				
Accounts receivable	0	105,235	0	105,235
Due from other funds	4,095	0	0	4,095
Inventories	0	12,307	0	12,307
	<u>\$ 5,694</u>	<u>\$ 171,596</u>	<u>\$ 0</u>	<u>\$ 177,290</u>
 <u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 569	\$ 85,000	\$ 0	\$ 85,569
Salaries payable	4,087	86	0	4,173
Retirement and payroll taxes payable	1,038	22	0	1,060
	<u>5,694</u>	<u>85,108</u>	<u>0</u>	<u>90,802</u>
 <u>Fund Balance</u>				
Reserved for inventories	0	12,307	0	12,307
Reserved for fund purposes	0	74,181	0	74,181
	<u>0</u>	<u>86,488</u>	<u>0</u>	<u>86,488</u>
Total liabilities and fund balance	<u>\$ 5,694</u>	<u>\$ 171,596</u>	<u>\$ 0</u>	<u>\$ 177,290</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds		Debt Service Fund	Total
	Athletic Activities	Food Services	1998 Durant	
<u>Revenues</u>				
Local sources:				
Other	\$ 67,470	\$ 442,092	\$ 0	\$ 509,562
State	0	130,390	0	130,390
Federal	0	672,963	0	672,963
Total revenues	67,470	1,245,445	0	1,312,915
<u>Expenditures</u>				
Current:				
Food services	0	1,186,848	0	1,186,848
Athletics	362,761	0	0	362,761
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total expenditures	362,761	1,186,848	0	1,549,609
Excess (deficiency) of revenues over expenditures	(295,291)	58,597	0	(236,694)
<u>Other Financing Sources (Uses)</u>				
Transfers in	295,291	8,910	0	304,201
Transfers out	0	0	0	0
Total other financing sources (uses)	295,291	8,910	0	304,201
Net change in fund balance	0	67,507	0	67,507
Fund balance - beginning of year	0	18,981	0	18,981
Fund balance - end of year	\$ 0	\$ 86,488	\$ 0	\$ 86,488

Other Supplemental Information



WEINLANDER FITZHUGH

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October 2, 2007

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

Board of Education
West Branch-Rose City Area Schools
West Branch, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Branch-Rose City Area Schools as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 2, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 West Branch-Rose City Area School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

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

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Board of Education
West Branch-Rose City Area Schools
October 2, 2007

consider the deficiencies described in 2007-1 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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 presented or detected by the School 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 the 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 none of the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Branch-Rose City Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect of 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 test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses items.

West Branch-Rose City Area School's response to the findings identified in our audit are described in the accompanying schedule of findings and question costs. We did not audit West Branch-Rose City Schools' response and, accordingly, we express no opinion on it.

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

Weinlander Fitzhugh



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October 2, 2007

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

Board of Education
West Branch-Rose City Area Schools
West Branch, Michigan

Compliance

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

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

In our opinion, West Branch-Rose City Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the ended June 30, 2007.

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WEINLANDER FITZHUGH

Board of Education
West Branch-Rose City Area Schools
October 2, 2007

Internal Control Over Compliance

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

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

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

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

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

Weinlander Fitzhugh

WEST BRANCH-ROSE CITY AREA SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? YES NO
- Significant deficiencies identified not considered to be material weaknesses? YES NO

Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? YES NO
- Significant deficiencies identified not considered to be material weaknesses? YES NO

Type of auditor's report issued on compliance of major programs: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? YES NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.027	Special Education
84.357	Reading First State Grant
84.243	Tech-Prep Education

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? YES NO

WEST BRANCH-ROSE CITY AREA SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

SECTION II - Financial Statement Findings

2007-1

Criteria or Specific Requirement

Establishment and maintenance of internal controls over the financial reporting process.

Condition

Personnel responsible for financial reporting do not possess the skills necessary to monitor and report annual financial activity without auditor intervention.

Criteria

Internal controls should be in place to provide reasonable assurance to the School District that management possesses the skills necessary to monitor and report annual financial activity without auditor intervention.

Effect

The effect of this condition places a reliance on the independent auditor to part of the School District's internal controls over financial reporting.

Recommendation

The School District should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Views of the Responsible Officials and Planned Corrective Action

As a result of the state of education funding, the School District has not allowed resources to fund this process. We intend to re-evaluate once funding becomes available for the additional education and monitoring.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue July 1, 2006</u>	<u>Adjustments and Transfers</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2007</u>
Clusters:								
Child Nutrition Cluster								
<u>U. S. Department of Agriculture:</u>								
Passed Through MDE								
National School Breakfast Program	10.553							
071970 Breakfast (2006-2007)		\$ 214,588	\$ 0	\$ 0	\$ 0	\$ 178,245	\$ 214,588	\$ 36,343
061970 Breakfast (2005-2006)		191,102	191,102	29,606	0	29,606	0	0
		<u>405,690</u>	<u>191,102</u>	<u>29,606</u>	<u>0</u>	<u>207,851</u>	<u>214,588</u>	<u>36,343</u>
National School Lunch Program	10.555							
071950 & 071960 Lunch (2006-2007)		410,935	0	0	0	351,994	410,935	58,941
061950 & 061960 Lunch (2005-2006)		394,491	394,491	58,781	0	58,781	0	0
		<u>805,426</u>	<u>394,491</u>	<u>58,781</u>	<u>0</u>	<u>410,775</u>	<u>410,935</u>	<u>58,941</u>
Total Child Nutrition Cluster passed through the U.S. Department of Agriculture		<u>1,211,116</u>	<u>585,593</u>	<u>88,387</u>	<u>0</u>	<u>618,626</u>	<u>625,523</u>	<u>95,284</u>
Other Federal Awards:								
<u>U.S. Department of Education:</u>								
Passed Through MDE								
Title I Grants Regular:	84.010							
Project 071530-0607		659,663	0	0	0	558,238	629,008	70,770
Project 061530-0607		79,229	0	0	0	60,184	79,229	19,045
Project 061530-0506		659,523	659,523	46,782	0	46,782	0	0
Project 051530-0506		146,426	146,426	9,813	0	9,813	0	0
		<u>1,544,841</u>	<u>805,949</u>	<u>56,595</u>	<u>0</u>	<u>675,017</u>	<u>708,237</u>	<u>89,815</u>
Drug Free Formula:	84.186							
Project 062860-0607		2,414	0	0	0	1,977	2,414	437
Project 062860-0506		19,397	19,397	1	0	1	0	0
Project 072860-0506		16,051	0	0	0	16,051	16,051	0
		<u>37,862</u>	<u>19,397</u>	<u>1</u>	<u>0</u>	<u>18,029</u>	<u>18,465</u>	<u>437</u>
Title V - Flow Through Grants:	84.298							
Project 070250-0607		8,467	0	0	0	7,949	7,919	(30)
Project 060250-0607		2,561	0	0	0	2,561	2,561	0
Project 060250-0506		15,314	15,314	0	0	0	0	0
		<u>26,342</u>	<u>15,314</u>	<u>0</u>	<u>0</u>	<u>10,510</u>	<u>10,480</u>	<u>(30)</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue July 1, 2006</u>	<u>Adjustments and Transfers</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2007</u>
Passed Through MDE (Continued)								
Technology Literacy Challenge Grant:	84.318							
Project 074290-0607		\$ 6,771	\$ 0	\$ 0	\$ 0	\$ 6,771	\$ 6,771	\$ 0
Project 064290-0607		909	0	0	0	909	909	0
Project 064290-0506		12,752	12,752	12,752	0	12,752	0	0
		<u>20,432</u>	<u>12,752</u>	<u>12,752</u>	<u>0</u>	<u>20,432</u>	<u>7,680</u>	<u>0</u>
Comp Sch Reform Demonstration:	84.332							
Project 061870-0607		123,000	0	0	0	122,126	110,846	(11,280)
Project 051870-0506		129,200	107,782	1,475	0	22,893	21,418	0
		<u>252,200</u>	<u>107,782</u>	<u>1,475</u>	<u>0</u>	<u>145,019</u>	<u>132,264</u>	<u>(11,280)</u>
Reading First State Grant:	84.357							
Project 072930-0607		403,525	0	0	0	338,033	397,624	59,591
Project 052930-0506		505,500	505,500	43,471	0	43,471	0	0
		<u>909,025</u>	<u>505,500</u>	<u>43,471</u>	<u>0</u>	<u>381,504</u>	<u>397,624</u>	<u>59,591</u>
Improving Teacher Quality:	84.367							
Project 070520-0607		217,878	0	0	0	138,710	213,030	74,320
Project 060520-0506		223,278	223,278	1,866	0	1,866	0	0
		<u>441,156</u>	<u>223,278</u>	<u>1,866</u>	<u>0</u>	<u>140,576</u>	<u>213,030</u>	<u>74,320</u>
Emergency Impact Aid-Hurricane Katrina:	84.938							
Project 064120-1		4,556	0	0	0	4,556	4,556	0
Service Provider Self Review:	84.027							
Project 070440-0607		4,500	0	0	0	0	4,500	4,500
Total non cluster programs passed through MDE		<u>3,240,914</u>	<u>1,689,972</u>	<u>116,160</u>	<u>0</u>	<u>1,395,643</u>	<u>1,496,836</u>	<u>217,353</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue July 1, 2006</u>	<u>Adjustments and Transfers</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2007</u>
Passed through COOR ISD								
Handicapped Preschool & School Program								
PL 94-142 IDEA Flowthrough:								
2006-2007		\$ 478,870	\$ 0	\$ 0	\$ 0	\$ 175,698	\$ 478,870	\$ 303,172
2005-2006		500,034	500,034	143,197	0	143,197	0	0
State Initiated/Department - Transition Service:								
2006-2007		7,053	0	0	0	0	7,053	7,053
2005-2006		8,056	8,056	8,056	0	8,056	0	0
		<u>994,013</u>	<u>508,090</u>	<u>151,253</u>	<u>0</u>	<u>326,951</u>	<u>485,923</u>	<u>310,225</u>
Infant & Toddlers - Early Intervention:								
2006-2007	84.181	24,494	0	0	0	0	24,494	24,494
2005-2006		24,494	24,494	24,494	0	24,494	0	0
		<u>48,988</u>	<u>24,494</u>	<u>24,494</u>	<u>0</u>	<u>24,494</u>	<u>24,494</u>	<u>24,494</u>
Perkins:								
2006-2007	84.048	9,500	0	0	0	0	9,500	9,500
2005-2006		7,500	7,500	7,500	0	7,500	0	0
		<u>17,000</u>	<u>7,500</u>	<u>7,500</u>	<u>0</u>	<u>7,500</u>	<u>9,500</u>	<u>9,500</u>
Tech-Prep Education:								
2006-2007	84.243	5,118	0	0	0	5,118	5,118	0
Total passed through COOR ISD		<u>1,065,119</u>	<u>540,084</u>	<u>183,247</u>	<u>0</u>	<u>364,063</u>	<u>525,035</u>	<u>344,219</u>
Passed through Cheboygan-Otsego-Presque Isle ESD								
Technology Literacy Challenge Grant:								
2006-2007	84.318	140	0	0	0	140	140	0
Total non cluster programs passed through the U.S. Department of Education		<u>4,306,173</u>	<u>2,230,056</u>	<u>299,407</u>	<u>0</u>	<u>1,759,846</u>	<u>2,022,011</u>	<u>561,572</u>

WEST BRANCH-ROSE CITY AREA SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2006</u>	Adjustments and Transfers	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2007</u>
<u>U. S. Department of Agriculture</u>								
Passed through MDE								
Food Distribution:								
Entitlement Commodities	10.550	\$ 46,536	\$ 0	\$ 0	\$ 0	\$ 46,536	\$ 46,536	\$ 0
Bonus Commodities		904	0	0	0	904	904	0
		<u>47,440</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>47,440</u>	<u>47,440</u>	<u>0</u>
Passed through Ogemaw County								
Schools and Roads Grants to States	10.665	59,977	0	0	0	59,977	59,977	0
Total non cluster programs passed through the U.S. Department of Agriculture								
		<u>107,417</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>107,417</u>	<u>107,417</u>	<u>0</u>
Total Federal Financial Awards		<u>\$ 5,624,706</u>	<u>\$ 2,815,649</u>	<u>\$ 387,794</u>	<u>\$ 0</u>	<u>\$ 2,485,889</u>	<u>\$ 2,754,951</u>	<u>\$ 656,856</u>

See accompanying notes to financial statements.

WEST BRANCH-ROSE CITY AREA SCHOOLS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of West Branch-Rose City Area Schools and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the Grants Section Auditors Report and the Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.