

AKRON-FAIRGROVE DISTRICT SCHOOLS
Fairgrove, Michigan

REPORT ON FINANCIAL STATEMENTS
(with additional information)
June 30, 2007

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AKRON-FAIRGROVE DISTRICT SCHOOLS

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

This section of the 2007 annual financial report presents our discussion and analysis of the School District's financial performance during the school year ended June 30, 2007. The intent of this discussion and analysis is to provide, in layman's terms, a look at the district's performance and past and current position. Readers should also review the transmittal letter, notes to the financial statements and financial statements to enhance their understanding of the district's financial performance.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Using this Annual Report

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year.

Financial Section

- Basic Financial Statements
 - District-wide Financial Statements
 - Fund Financial Statements
 - Fiduciary Fund
 - Notes to Financial Statements
- Required Supplemental Information
 - Budgetary Comparison Schedules

AKRON-FAIRGROVE DISTRICT SCHOOLS

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

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

The district-wide financial statements are fairly new to our district. One of the most frequent and important question asked about our School District is, "As a whole, what is the School District's financial condition as a result of this year's activities?" The first two statements in the School District's financial statements are the Statement of net assets and the statement of activities. These two statements report information on the School District as a whole because they include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Akron-Fairgrove School District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The School District's operating results come from the relationship between the revenues and expenses. Our School District's goal is not to generate profits, as do commercial entities, but is to provide services to our students. To assess the overall health of the School District, there are many non-financial factors such as the quality of education provided, along with the safety of our schools.

In the District-wide statements, the district's activities are classified as *governmental activities*. The District's activities include regular and special education, support services, community services, transportation, food service, and athletics. Property taxes, State aid, State and Federal grants finance most of these activities.

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

The fund financial statements do not report the School District as a whole; instead the fund financial statements provide detailed information about the District's most significant funds. The School District establishes funds that comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The General Fund, Debt Retirement Fund and the Capital Projects Fund are the District's major funds, which includes the instructional student and instructional support activities. There are additional funds that the School District also establishes to help it control and manage money for particular purposes, such as the Athletic Funds, Food Services Funds, and Student Activities Funds. Funds need to be established to show that it's meeting legal responsibilities for certain taxes, grants, and other money including the 1999 Bond Issue, which funded the voter-approved capital projects. The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all

AKRON-FAIRGROVE DISTRICT SCHOOLS

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

other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the School District's programs.

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

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

The School District acts as the trustee for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the School District as a Whole

The statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2006 and June 30, 2007.

Table 1 Condensed Statement of Net Assets	Governmental Activities	
	2006	2007
Current assets	\$1,323,998	\$1,223,494
Noncurrent assets	<u>6,230,780</u>	<u>6,123,337</u>
Total assets	<u>7,554,778</u>	<u>7,346,831</u>
Current liabilities	569,902	559,677
Noncurrent liabilities	<u>5,558,676</u>	<u>5,367,249</u>
Total liabilities	<u>6,128,578</u>	<u>5,926,926</u>
Net assets		
Invested in capital assets – Net of related debt	555,017	617,574
Restricted	166,408	185,507
Unrestricted	<u>704,775</u>	<u>616,824</u>
Total net assets	<u>\$1,426,200</u>	<u>\$1,419,905</u>
Total Net Assets and Liabilities	<u>\$7,554,778</u>	<u>\$7,346,831</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS

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

The statement of activities shows the results of this year's operations for Akron-Fairgrove District Schools as a whole. Table 2 shows the changes in net assets of the School District as of June 30, 2006 and June 30, 2007.

	Governmental Activities	
	2006	2007
Revenues		
Program revenues:		
Charges for services	\$ 57,389	\$55,793
Operating grants & Other Transactions	277,052	242,662
General revenues:		
Property taxes	552,721	566,556
State aid	2,690,887	2,621,484
Other	98,039	76,627
Total revenues	\$3,676,088	\$3,563,122
Expenses		
Instruction	1,716,105	1,609,353
Support services	1,339,573	1,249,225
Community services	10,623	6,663
Food Services	136,416	116,229
Athletics	116,664	115,919
Capital Projects	36,691	0
Interest on long-term debt	239,654	225,890
Amortization	17,110	17,110
Unallocated depreciation	212,862	229,028
Total Expenses	\$3,825,698	\$3,569,417
Increase (Decrease) in Net Assets	(\$149,610)	\$ (6,295)

The beginning net assets of the district were \$1,426,200, the ending net assets were \$1,419,905, the net assets of the District decreased by \$6,295 during 2006/2007 year. Table 2 shows the breakdown of this change. The Statement of Activities presented later in the government-wide financial statements, provides greater detail on the District's annual activity.

AKRON-FAIRGROVE DISTRICT SCHOOLS

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

Financial analysis of the School District's Funds

The District uses funds to help it control and manage money for particular purposes. The reader can look at these funds to help determine whether the Akron-Fairgrove School District is being held accountable for the resources taxpayers and others provide to it, and it may give them insight in the School District's overall financial health.

Table 2 shows the breakdown of the sources of revenue for the District. A substantial portion (74%) of the District's revenues is received from State sources, which means that the financial stability of the District rests primarily with the economic health of the State of Michigan.

Table 2 shows that 87% of the District's resources are spent on instruction services, instructional support services, and food & athletic services. Another 6% is spent on interest, while 7% is spent for depreciation and amortization and 0% on capital projects.

The financial performance of the district as a whole is reflected in its governmental funds. As the School District completed the 2006/2007 school year, the governmental funds reported a combined fund balance of \$913,907. The Fiduciary Funds had a balance of \$50,730.

Factors Increasing Fund Equity

- ◆ *General Fund Equity* – Increased \$11,681 due in part to staff reductions and expenditure controls.

Grants – The District received grants for professional development, parent programs, at risk, and literacy programs. These help to offset the cost of instructional budget items normally paid from fund equity.

- ◆ *Debt Fund Equity* – Increased \$17,647 due to the accumulation of QZAB funds for a future debt payment.
- ◆ *Food Service Fund Equity* – Increased \$12,742.

Factors Decreasing Fund Equity

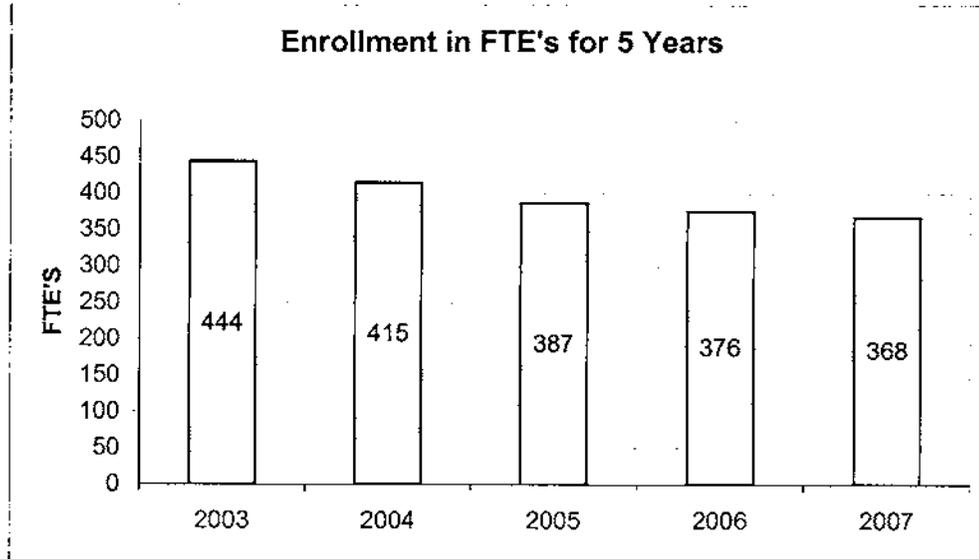
- ◆ *Capital Projects Fund Equity* – Decreased \$123,833 due to the spending of the QZAB bond funds.
- ◆ *Athletic Fund Equity* – Decreased \$2,468.

AKRON-FAIRGROVE DISTRICT SCHOOLS

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

◆ *Student Enrollment*

The chart below shows the steady decline in enrollment for the past 5 years. There was a decline of 8 students between 2006 and 2007 with state aid at \$7,085 per student this is a loss of revenue of \$56,680.



Budget vs. Actual

The General fund budgeted an increase of \$60,137 but actually had an increase of \$11,681, which is a budget variance of \$48,456.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the School District revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. The final amendment to the budget was actually adopted just before the year-end, along with the new adopted budget for the upcoming school year.

Budget Amendment 06/07

The decrease in revenue this year between the beginning budget and the final amended budget totaled \$7,645, with state and federal revenues being the largest items.

The expenditures decreased by \$105,440 between the beginning budget and the final amended budget. The major area that was decreased was instruction.

AKRON-FAIRGROVE DISTRICT SCHOOLS

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

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2007, the School District had \$9,125,945 invested in a broad range of capital assets. The District had capital additions for the year of \$138,695 and retirements of \$69,699 for a net of \$68,996.

The District's capital assets at year-end are outlined in Table 3.

	Governmental Activities	
	2006	2007
Buildings	\$7,804,521	\$7,804,521
Buses	444,467	437,603
General Equipment	126,010	164,735
Playground, Athletic, Site Improvement	499,591	499,591
Technology	<u>182,360</u>	<u>219,495</u>
Total	<u>\$9,056,949</u>	<u>\$9,125,945</u>

The District's net capital assets show a decrease of \$90,333 from 2006, this is a result of depreciation in the amount of \$229,028 and \$138,695 was spent on new capital assets. Depreciation is taken on the assets using the Straight-line method of depreciation. Assets with a cost of \$69,699, which were fully depreciated, were retired during the year.

AKRON-FAIRGROVE DISTRICT SCHOOLS

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

Debt Administration

As of June 30, 2007 the District had debt on the financial statements for Durant bonds with a remaining balance of \$15,763. These are self-liquidating bonds issued by the State of Michigan to fund a special education lawsuit by Michigan school districts. Payment of principal and interest on the bonds is made directly to the State of Michigan. The District has pledged and assigned to bondholders all rights to state aid payments as security for the bond.

As of June 30, 2007 the District had debt on the financial statements for the unrefunded portion of the 1999 Building and Site Bonds in the amount of \$320,000. These bonds will mature from May 1, 2006 through November 1, 2009.

As of June 30, 2007 the District had debt on the financial statements for the 2005 Refunding Bonds in the amount of \$4,545,000. These bonds will mature from May 1, 2007 through May 1, 2025.

As of June 30, 2007 the District had debt on the financial statements for the 2005 QZAB Bond in the amount of \$625,000. This bond will mature in 2020.

As of June 30, 2007 the District had compensated absences, which include accumulated sick and vacation pay, totaling \$76,486.

We present more detailed information about our long-term liabilities in the notes to financial statements.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, parents, students and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Central Office Bookkeeper, Akron-Fairgrove District Schools, 2800 N. Thomas Road, Fairgrove, Michigan, 48733, and telephone number (989) 693-6163.



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

August 16, 2007

INDEPENDENT AUDITOR'S REPORT

Board of Education
Akron-Fairgrove District Schools
Fairgrove, Michigan 48733

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Akron-Fairgrove District Schools, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of the Akron Fairgrove District 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 our 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 Akron-Fairgrove District 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 August 16, 2007 on our consideration of Akron-Fairgrove District 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 on pages i through viii and 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Akron-Fairgrove District Schools
August 16, 2007

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the primary government of Akron-Fairgrove District Schools' basic financial statements. The additional information on pages 25 to 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has 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.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BASIC FINANCIAL STATEMENTS

AKRON-FAIRGROVE DISTRICT SCHOOLS**STATEMENT OF NET ASSETS**

June 30, 2007

	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash and equivalents	\$ 669,587
Investments	84,366
Prepaid expenses	3,141
Due from other governmental units	463,828
Due from other funds	72
Property taxes receivable	2,500
TOTAL CURRENT ASSETS	1,223,494
NONCURRENT ASSETS	
Deferred amount on bond refunding	342,195
Amortization of bond issuance cost	(34,220)
Capital assets	9,125,945
Less accumulated depreciation	(3,310,583)
TOTAL NONCURRENT ASSETS	6,123,337
TOTAL ASSETS	\$ 7,346,831
 <u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accounts payable	\$ 34,162
Accrued salaries	139,954
Accrued benefits	69,064
Accrued interest	37,590
Accrued payroll taxes	10,707
Deferred revenue	53,128
Due to other funds	72
Retirement incentives payable	35,000
Current portion of long term debt	180,000
TOTAL CURRENT LIABILITIES	559,677
NONCURRENT LIABILITIES	
Noncurrent portion of long term debt	5,325,763
Noncurrent portion of compensated absences	41,486
TOTAL NONCURRENT LIABILITIES	5,367,249
NET ASSETS	
Invested in capital assets, net of related debt	617,574
Restricted for debt service	185,507
Unrestricted	616,824
TOTAL NET ASSETS	1,419,905
TOTAL LIABILITIES AND NET ASSETS	\$ 7,346,831

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

AKRON FAIRGROVE SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants	Activities
				Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 1,609,353		\$ 98,510	\$ (1,510,843)
Support services	1,249,225		65,673	(1,183,552)
Community services	6,663			(6,663)
Food services	116,229	\$ 39,623	78,479	1,873
Athletics	115,919	16,170		(99,749)
Capital projects	-			-
Interest and costs on long-term debt	225,890			(225,890)
Amortization	17,110			(17,110)
Unallocated depreciation	229,028			(229,028)
Total governmental activities	<u>\$ 3,569,417</u>	<u>\$ 55,793</u>	<u>\$ 242,662</u>	<u>(3,270,962)</u>
General revenues:				
Property taxes, levied for general purposes				\$ 192,643
Property taxes, levied for debt service				373,913
State sources				2,621,484
Investment revenue				25,352
Transfers from other districts				10,375
Miscellaneous				40,900
Total general revenue				<u>3,264,667</u>
Change in net assets				(6,295)
Net assets, beginning of year				<u>1,426,200</u>
Net assets, end of year				<u>\$ 1,419,905</u>

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

AKRON-FAIRGROVE DISTRICT SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>GENERAL FUND</u>	<u>DEBT RETIREMENT</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash and equivalents	\$ 208,509	\$ 223,097	\$ 208,923	\$ 29,058	\$ 669,587
Investments	84,366				84,366
Prepaid expenses	3,141				3,141
Due from other governmental units	463,828			-	463,828
Due from other funds	72	-		-	72
TOTAL ASSETS	<u>\$ 759,916</u>	<u>\$ 223,097</u>	<u>\$ 208,923</u>	<u>\$ 29,058</u>	<u>\$ 1,220,994</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ 34,162				\$ 34,162
Benefits payable	44,787				44,787
Deferred revenue	53,128				53,128
Due to other funds	-			\$ 72	72
Retirement payable	24,277				24,277
Salaries payable	139,954				139,954
Accrued payroll taxes	10,707				10,707
TOTAL LIABILITIES	<u>307,015</u>			<u>72</u>	<u>307,087</u>
FUND BALANCE:					
Reserved for debt service		\$ 223,097			223,097
Unreserved:					
Designated for capital expenditures			\$ 208,923		208,923
Undesignated	452,901			28,986	481,887
TOTAL FUND BALANCE	<u>452,901</u>	<u>223,097</u>	<u>208,923</u>	<u>28,986</u>	<u>913,907</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 759,916</u>	<u>\$ 223,097</u>	<u>\$ 208,923</u>	<u>\$ 29,058</u>	<u>\$ 1,220,994</u>

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

AKRON-FAIRGROVE DISTRICT SCHOOLS
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Assets
 June 30, 2007

Total Fund Balances - Governmental Funds \$ 913,907

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

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

The cost of the capital assets is:	9,125,945
Accumulated depreciation is:	(3,310,583)

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

Bonds payable	(5,505,763)
Deferred amount on bond refunding	342,195
Amortization of bond issuance costs	(34,220)
Compensated absences	(41,486)
Retirement incentives payable	(35,000)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(37,590)

Balance of taxes receivable at 6/30/07 less allowance for doubtful accounts, expected to be collected after September 1, 2007

2,500

Net Assets of Governmental Activities

\$ 1,419,905

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

AKRON-FAIRGROVE DISTRICT SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2007

	GENERAL FUND	DEBT RETIREMENT	CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Local sources	\$ 240,334	\$ 378,689	\$ 8,511	\$ 60,517	\$ 688,051
State sources	2,615,339	-		6,145	2,621,484
Federal sources	164,183			78,479	242,662
Transfers from other districts	10,375				10,375
TOTAL REVENUES	3,030,231	378,689	8,511	145,141	3,562,572
EXPENDITURES					
Instruction	1,618,717				1,618,717
Supporting services	1,259,589				1,259,589
Community services	6,663				6,663
Food services				116,229	116,229
Athletic services				115,919	115,919
Other expenditures					-
Capital Outlay			132,344		132,344
Debt service:					
Principal redemption		170,000			170,000
Interest and fiscal charges		227,342			227,342
TOTAL EXPENDITURES	2,884,969	397,342	132,344	232,148	3,646,803
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	145,262	(18,653)	(123,833)	(87,007)	(84,231)
OTHER FINANCING SOURCES (USES)					
Fund transfers in		36,300		97,281	133,581
Fund transfers out	(133,581)		-		(133,581)
TOTAL OTHER FINANCING SOURCES (USES)	(133,581)	36,300	-	97,281	-
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	11,681	17,647	(123,833)	10,274	(84,231)
FUND BALANCE AT BEGINNING OF YEAR	441,220	205,450	332,756	18,712	998,138
FUND BALANCE AT END OF YEAR	\$ 452,901	\$ 223,097	\$ 208,923	\$ 28,986	\$ 913,907

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

AKRON-FAIRGROVE DISTRICT SCHOOLS
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 June 30, 2007

Total net change in fund balances--governmental funds **\$ (84,231)**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(229,028)
Amortization	(17,110)
Capital outlay	138,695

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	39,042
Accrued interest payable at the end of the year	(37,590)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	170,000
--	---------

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

Accrued absences at the beginning of the year	54,863
Accrued absences at the end of the year	(41,486)

Compensated retirement incentives are reported on the accrual method in the statement of activities and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued retirement incentives at the beginning of the year	35,000
Accrued retirement incentives at the end of the year	(35,000)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(1,950)
Accrued revenue at the end of the year	2,500

Change in net assets of governmental activities **\$ (6,295)**

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

AKRON-FAIRGROVE DISTRICT SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2007

	<u>PRIVATE- PURPOSE TRUST</u>	<u>AGENCY FUNDS</u>
CURRENT ASSETS		
Cash		\$ 40,634
Investments	\$ 10,096	<u>-</u>
TOTAL ASSETS	<u><u>\$ 10,096</u></u>	<u><u>\$ 40,634</u></u>
 LIABILITIES		
Due to student organizations		<u>\$ 40,634</u>
TOTAL LIABILITIES	<u>-</u>	<u>40,634</u>
 NET ASSETS		
Reserved for scholarships	<u>\$ 10,096</u>	
TOTAL NET ASSETS	<u><u>\$ 10,096</u></u>	<u><u>\$ 40,634</u></u>

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

AKRON-FAIRGROVE DISTRICT SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	<u>PRIVATE- PURPOSE TRUST</u>
ADDITIONS	
Interest earnings	\$ 494
Donations	<u>-</u>
Total additions:	<u>494</u>
DEDUCTIONS	
Scholarships awarded	<u>-</u>
CHANGE IN NET ASSETS	<u>494</u>
NET ASSETS	
Beginning of year	<u>9,602</u>
End of year	<u>\$ 10,096</u>

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

AKRON-FAIRGROVE DISTRICT SCHOOLS

Notes to Financial Statements For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

REPORTING ENTITY:

The Akron-Fairgrove District Schools (the "District") is governed by the Akron-Fairgrove District Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as 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 or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

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

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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

GOVERNMENTAL FUNDS

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

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

OTHER NON-MAJOR FUNDS

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The private purpose trust fund is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent for student scholarships. These funds are no included in the District's government-wide financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

AKRON-FAIRGROVE DISTRICT SCHOOLS

Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District 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, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Foundation Revenue:

The State of Michigan utilizes a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide 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 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 and is funded through payments from October, 2006 - August, 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

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 used for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

For the year ended June 30, 2007 \$44,230 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (Continued):

Federal Revenue:

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. 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" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. 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.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation of \$100,267,881:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	18.00
Debt Service Fund	3.70

On June 9, 2003 voters of the District approved the 18.00 mill levy for the years 2004-2013.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY (Continued):

4. Inventories and Prepaid Expenditures.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

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

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

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,500. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

Accumulated vacation and sick pay amounts that are expected to be liquidated with expendable available resources are recorded. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

It is the policy of the District that upon the death or retirement or layoff of a teacher from the district, the Board shall pay to the teacher, or his/her estate, a sum equal to \$43 for each unused accumulated sick day, up to a maximum of 180 days.

7. Unemployment Insurance.

The District reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amounts paid by the MESA through June 30, are accrued, if material.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Memorandum Only - Total Column.

The total column on the combined general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

10. Use of Estimates.

The process of preparing general purpose 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 expenditures. 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.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Notes to Financial Statements For The Year Ended June 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

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

1. 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. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. 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 be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP Basis) - general, special revenue and debt service funds.
4. 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.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK:

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment pool -MIMAX	\$ 94,462	0.0027	AAAm	100.0%
Total fair value	<u>\$ 94,462</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

The District voluntarily invests certain excess funds in external pooled investment funds that included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.

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

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

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$519,336 of the District's bank balance of \$839,169 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

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

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

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$40,634	\$ 710,221
Investments - including fiduciary funds of \$10,096	94,462
	\$ 804,683

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

Cash Agency Fund	\$ 40,634
Investments - Private Purpose Trust Fund	10,096
Cash - District wide	669,587
Investments - District wide	84,366
	\$ 804,683

NOTE 4 – LONG-TERM DEBT:

The following is a summary of the serial bonds of the school district for the year ended June 30, 2007:

	<u>SERIAL</u> <u>BONDS</u>
Balance payable - July 1, 2006	\$5,350,678
1999 School Building and Site Bonds paid	(145,000)
2005 Refunding Bonds Paid	(25,000)
Amortization of Deferred Amount on Bond Refunding	17,110
Durant Principal Payment	(0)
Balance payable June 30, 2007	<u>\$5,197,788</u>

Interest expense (all funds) for the year ended June 30, 2007 was \$225,890.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 4 – LONG-TERM DEBT, (Continued):

As of June 30, 2007, the school district had the following outstanding bonds payable:	
2005 QZAB Bond -To be paid in 15 equal annual installments of \$33,649. This bond is interest free.	\$ 625,000
1999 School Building and Site Bonds to furnish and remodel existing equipment; 5.50% interest.	320,000
1998 Durant Bonds; 8.00% interest.	15,763
Deferred amount on bond refunding	(307,975)
2005 Refunding Bonds; interest from 3.0% to 5.0%. The 2005 Refunding Bonds were authorized by the Board of Education, by resolutions adopted on September 13, 2004 and March 21, 2005 for the purpose of refunding a portion of a prior bond issue of the School District. The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.	
	<u>4,545,000</u>
Total	<u>\$5,197,788</u>

The annual requirements to amortize long-term debt outstanding as of June 30, 2007 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$ 180,000	\$ 217,966	\$ 397,966
2009	192,140	209,251	401,391
2010	206,235	200,703	406,938
2011	202,349	192,186	394,535
2012	217,461	182,076	399,537
2013-2017	1,247,578	739,146	1,986,724
2018-2022	2,170,000	447,122	2,617,122
2023-2025	<u>1,090,000</u>	<u>98,650</u>	<u>1,188,650</u>
	5,505,763	2,287,100	7,792,863
Deferred amount on bond refunding	(307,975)		(307,975)
Accumulated compensated absences	<u>76,486</u>	<u>-</u>	<u>76,486</u>
TOTALS	<u>\$5,274,274</u>	<u>\$2,287,100</u>	<u>\$7,561,374</u>

During the year ended June 30, 2005 the District financed the 1999 bonds. New general obligation bonds were issued at a premium of \$82,226 after paying issuance costs of \$106,031, the net proceeds were \$4,571,195. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid off on May 1, 2022. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$211,001.

Interest on long-term debt for the year ended June 30, 2007 was \$226,691.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 4 – LONG-TERM DEBT, (Continued):

The annual payments will be deposited with Chemical Bank and Trust Company and will earn interest at the rate of 2.96% per annum. The accumulated amounts will be used to pay off the QZAB bond in 2020.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPSERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The 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 rate for the year ended June 30, 2007 was 16.34% through September 2006 and 17.74% for October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District's contribution to MPSERS for the year ended June 30, 2007, 2006, and 2005, were \$279,908, \$271,809, and \$271,279, respectively, and were equal to the required contributions for those years.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits – Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

NOTE 6 - OPERATING LEASES:

The School District entered into a contract to lease Office Data Processing Equipment beginning July 30, 2002 for 66 months, at a cost of \$13,500 per year.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 7 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 8 – DUE TO AND FROM OTHER FUNDS:

Due to and from other funds balances at June 30, 2007 are as follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$72	
Special Revenue Fund:		
Hot Lunch	—	<u>\$72</u>
Total	<u>\$72</u>	<u>\$72</u>

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

NOTE 9 – TRANSFERS:

The general fund transferred \$97,281 to the athletic fund and \$36,300 to the QZAB Debt Retirement Fund during the current fiscal year for operating purposes.

NOTE 10 – CAPITAL PROJECTS FUND:

On June 28, 2005 the District borrowed \$625,000 through the Qualified Zone Academy Bond Program for the purpose of remodeling, equipping, re-equipping, furnishing and re-furnishing school buildings; acquiring school buses; and developing and improving athletic facilities, playgrounds and sites. The bonds are to be repaid with fifteen annual installments of \$33,649 commencing on June 28, 2006 being paid into a Trust Account to provide the funds to repay the bond principal in one payment of \$625,000 on June 28, 2020. The bonds are interest-free and the balance on June 30, 2007 is \$625,000. The balance in this trust account at June 30, 2007 is \$68,294.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 11 - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in general fixed assets follows:

	BALANCE MARCH 31, <u>2006</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	BALANCE MARCH 31, <u>2007</u>
Buildings	\$7,804,521			\$7,804,521
General Equipment	126,010	\$ 38,725		164,735
Buses	444,467	62,835	(\$69,699)	437,603
Technology	182,360	37,135		219,495
Playground, Athletic, & Site Improvement	<u>499,591</u>	<u> </u>	<u> </u>	<u>499,591</u>
TOTAL GENERAL FIXED ASSETS	9,056,949	138,695	(69,699)	9,125,945
Accumulated Depreciation	<u>(3,151,254)</u>	<u>(229,028)</u>	<u>69,699</u>	<u>(3,310,583)</u>
NET ASSETS	<u>\$5,90,695</u>	<u>\$(90,333)</u>	<u>NONE</u>	<u>\$5,815,362</u>

REQUIRED SUPPLEMENTARY INFORMATION

AKRON-FAIRGROVE DISTRICT SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Local sources	\$ 243,576	\$ 251,397	\$ 240,334	\$ (11,063)
State sources	2,655,613	2,609,322	2,615,339	6,017
Federal sources	173,795	200,592	164,183	(36,409)
Transfers from other districts	21,750	25,778	10,375	(15,403)
TOTAL REVENUES	<u>3,094,734</u>	<u>3,087,089</u>	<u>3,030,231</u>	<u>(56,858)</u>
EXPENDITURES:				
Instruction	1,697,318	1,606,261	1,618,717	(12,456)
Supporting services	1,288,320	1,276,508	1,259,589	16,919
Community services	10,135	7,564	6,663	901
TOTAL EXPENDITURES	<u>2,995,773</u>	<u>2,890,333</u>	<u>2,884,969</u>	<u>5,364</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>98,961</u>	<u>196,756</u>	<u>145,262</u>	<u>(51,494)</u>
OTHER FINANCING SOURCES (USES):				
Transfer to Other Funds	(136,922)	(136,619)	(133,581)	3,038
TOTAL OTHER FINANCING SOURCES (USES)	<u>(136,922)</u>	<u>(136,619)</u>	<u>(133,581)</u>	<u>3,038</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(37,961)</u>	<u>60,137</u>	<u>11,681</u>	<u>(48,456)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>441,220</u>	<u>441,220</u>	<u>441,220</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 403,259</u>	<u>\$ 501,357</u>	<u>\$ 452,901</u>	<u>\$ (48,456)</u>

See the accompanying notes.

ADDITIONAL INFORMATION

AKRON-FAIRGROVE DISTRICT SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2007

	GOVERNMENTAL FUND TYPES	TOTAL
<i>ASSETS</i>	SPECIAL REVENUE	2007
CURRENT ASSETS:		
Cash	\$ 29,058	\$ 29,058
TOTAL ASSETS	\$ 29,058	\$ 29,058
<i>LIABILITIES AND FUND BALANCE</i>		
LIABILITIES:		
Due to other funds	\$ 72	\$ 72
FUND BALANCE:		
Unreserved	28,986	28,986
TOTAL FUND BALANCE	28,986	28,986
TOTAL LIABILITIES & FUND BALANCE	\$ 29,058	\$ 29,058

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2007

	GOVERNMENTAL FUND TYPES	TOTAL
	SPECIAL REVENUE	2007
REVENUES:		
Local sources		
Sales of meals and milk	\$ 39,623	\$ 39,623
Admissions	16,170	16,170
Interest	405	405
Other	4,319	4,319
Total local sources	60,517	60,517
State sources		
State aid	6,145	6,145
Federal sources		
National School Lunch Program	78,479	78,479
USDA Commodities	-	-
Total federal sources	78,479	78,479
TOTAL REVENUES	145,141	145,141
EXPENDITURES:		
Food services	116,229	116,229
Athletics	115,919	115,919
TOTAL EXPENDITURES	232,148	232,148
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(87,007)	(87,007)
OTHER FINANCING SOURCES (USES):		
Fund transfers in	97,281	97,281
TOTAL OTHER FINANCING SOURCES (USES)	97,281	97,281
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	10,274	10,274
FUND BALANCE - BEGINNING OF YEAR	18,712	18,712
FUND BALANCE - END OF YEAR	\$ 28,986	\$ 28,986

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS) -
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Local sources	\$ 251,397	\$ 240,334	\$ (11,063)
State sources	2,609,322	2,615,339	6,017
Federal sources	200,592	164,183	(36,409)
Transfers from other districts	25,778	10,375	(15,403)
TOTAL REVENUES	3,087,089	3,030,231	(56,858)
EXPENDITURES			
Instruction	1,606,261	1,618,717	(12,456)
Supporting services	1,276,508	1,259,589	16,919
Community services	7,564	6,663	901
Food services			
Athletic services			
TOTAL EXPENDITURES	2,890,333	2,884,969	5,364
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	196,756	145,262	(51,494)
OTHER FINANCING SOURCES (USES):			
Fund transfers in			
Fund transfers out	(136,619)	(133,581)	3,038
TOTAL OTHER FINANCING SOURCES (USES)	(136,619)	(133,581)	3,038
EXCESS (DEFICIENCY) OR REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	60,137	11,681	(48,456)
FUND BALANCE - BEGINNING OF YEAR	441,220	441,220	-
FUND BALANCE - END OF YEAR	\$ 501,357	\$ 452,901	\$ (48,456)

See the accompanying notes.

SPECIAL REVENUE FUND

<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$ 60,923	\$ 60,517	\$ (406)
7,600	6,145	(1,455)
90,800	78,479	(12,321)
<u>159,323</u>	<u>145,141</u>	<u>(14,182)</u>
118,085	116,229	1,856
118,602	115,919	2,683
236,687	232,148	4,539
<u>(77,364)</u>	<u>(87,007)</u>	<u>(9,643)</u>
100,319	97,281	(3,038)
-	-	-
100,319	97,281	(3,038)
22,955	10,274	(12,681)
18,712	18,712	-
<u>\$ 41,667</u>	<u>\$ 28,986</u>	<u>\$ (12,681)</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES:			
Property taxes	\$ 203,164	\$ 190,227	\$ (12,937)
Delinquent taxes	1,830	1,866	36
Interest income	11,000	15,534	4,534
Drivers education fees	3,500	2,665	(835)
Transportation reimbursements	11,000	-	(11,000)
Other	20,903	30,042	9,139
Total Local Sources	<u>251,397</u>	<u>240,334</u>	<u>(11,063)</u>
STATE SOURCES:			
Foundation Grant	2,496,818	2,503,158	6,340
Michigan school readiness	13,200	26,913	13,713
At Risk	87,028	76,992	(10,036)
Durant Funds	3,846	3,846	-
Other	8,430	4,430	(4,000)
Total State Sources	<u>2,609,322</u>	<u>2,615,339</u>	<u>6,017</u>
FEDERAL SOURCES:			
Title I	107,406	101,796	(5,610)
Title V	1,453	1,453	-
Title II	74,737	33,284	(41,453)
Technology Literacy Challenge Grant	1,103	3,327	2,224
Drug Consortium	-	10,052	10,052
Handicapped	390	429	39
Tech Prep	2,000	2,547	547
Miscellaneous	13,503	11,295	(2,208)
Total Federal Sources	<u>200,592</u>	<u>164,183</u>	<u>(36,409)</u>
OTHER TRANSACTIONS:			
Incoming Transfers:			
TISD	14,550	-	(14,550)
Other	11,228	10,375	(853)
Total Transfers	<u>25,778</u>	<u>10,375</u>	<u>(15,403)</u>
TOTAL REVENUES	<u>\$ 3,087,089</u>	<u>\$ 3,030,231</u>	<u>\$ (56,858)</u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
AKRON ELEMENTARY:			
Salaries:			
Teachers	\$270,427	\$278,066	\$ (7,639)
Aides	17,772	19,342	(1,570)
Substitutes	17,000	17,009	(9)
Employee benefits	194,655	195,107	(452)
Purchased services	12,826	11,204	1,622
Workshops and conferences	9,800	9,621	179
Teaching supplies & materials	1,915	2,237	(322)
Fees & dues	370	363	7
Total Akron Elementary	<u>524,765</u>	<u>532,949</u>	<u>(8,184)</u>
SECONDARY:			
Salaries:			
Teachers	463,601	464,788	(1,187)
Aides	18,739	18,141	598
Substitutes	13,000	12,011	989
Other professional salaries	15,359	15,559	(200)
Employee benefits	251,199	240,749	10,450
Travel, workshops & conferences	8,900	9,781	(881)
Purchased services	16,788	17,066	(278)
Teaching supplies & materials	8,612	8,968	(356)
Fees & dues	1,565	1,483	82
Total Secondary	<u>797,763</u>	<u>788,546</u>	<u>9,217</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
INSTRUCTION, (Continued):			
BASIC PROGRAMS, (Continued):			
BASIC PROGRAMS/ ADDED NEEDS:			
Title I	\$ 97,832	\$ 109,856	\$ (12,024)
At Risk			
Salaries & benefits	76,768	76,892	(124)
Teaching supplies & materials	101	101	-
Special Education:			
Salaries:			
Teachers	53,825	56,830	(3,005)
Aides	1,500	-	1,500
Substitutes	2,800	2,920	(120)
Employee benefits	48,537	48,289	248
Travel, workshops & conferences	20	20	-
Teaching supplies & materials	2,350	2,314	36
Total Added Needs	283,733	297,222	(13,489)
TOTAL INSTRUCTION:	1,606,261	1,618,717	(12,456)
SUPPORTING SERVICES:			
GUIDANCE SERVICES:			
Salaries:			
Counseling	16,206	18,486	(2,280)
Truancy	2,800	2,800	-
Employee benefits	5,760	5,075	685
Travel, workshops & conferences	160	160	-
Supplies	165	116	49
Total Guidance Services	25,091	26,637	(1,546)

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
INSTRUCTIONAL STAFF:			
Michigan School Readiness	\$ 28,200	\$ 40,945	\$ (12,745)
Title V	1,453	1,453	-
Title II	33,304	37,447	(4,143)
Tech Prep teaching workshops	2,111	2,000	111
MIBSLI Grant	3,718	779	2,939
Drug education consortium	1,500	915	585
Federal Rural Education	<u>11,928</u>	<u>438</u>	<u>11,490</u>
Total Instructional Staff	<u>82,214</u>	<u>83,977</u>	<u>(1,763)</u>
LIBRARY & A-V:			
Salaries:			
Library aides	7,700	7,482	218
Employee benefits	2,166	1,877	289
Purchased service	-	105	(105)
Supplies & materials	1,751	1,796	(45)
Capital outlay	<u>222</u>	<u>222</u>	<u>-</u>
Total Library and A-V	<u>11,839</u>	<u>11,482</u>	<u>357</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
BOARD OF EDUCATION:			
Salaries:			
Board members	\$ 4,193	\$ 4,193	\$ -
Legal fees	13,000	12,493	507
Audit fees	7,000	6,792	208
Workshops & conferences	160	160	-
Advertising	1,300	1,672	(372)
Purchased services	26,400	28,329	(1,929)
Election expenses	1,200	1,181	19
Miscellaneous supplies	6,000	6,155	(155)
Fees & dues	1,200	1,198	2
	<u>60,453</u>	<u>62,173</u>	<u>(1,720)</u>
Total Board of Education			
EXECUTIVE ADMINISTRATION:			
Salaries:			
Superintendent	87,505	87,505	-
Secretarial	37,503	34,863	2,640
Employee benefits	37,153	36,577	576
Workshops & conferences	4,900	4,569	331
Purchased services	5,000	1	4,999
Office supplies	5,000	4,372	628
Fees & dues	955	955	-
	<u>178,016</u>	<u>168,842</u>	<u>9,174</u>
Total Executive Administration			
SCHOOL ADMINISTRATION:			
Salaries:			
Principals	132,843	128,226	4,617
Secretarial	50,477	51,218	(741)
Employee benefits	97,842	96,393	1,449
Travel, workshops & conferences	2,021	2,038	(17)
Office supplies	2,600	2,611	(11)
Purchased services	1,505	1,539	(34)
Fees & dues	550	535	15
	<u>287,838</u>	<u>282,560</u>	<u>5,278</u>
Total School Administration			

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
FISCAL & OTHER BUSINESS SERVICES:			
Bookkeeper	\$ 38,980	\$ 38,979	\$ 1
Employee benefits	17,384	17,263	121
Data processing	4,500	4,765	(265)
Insurance & bonds	3,400	3,387	13
Miscellaneous	8,200	8,299	(99)
	<hr/>	<hr/>	<hr/>
Total Fiscal & Other Business Services	72,464	72,693	(229)
OPERATION & MAINTENANCE:			
Custodial wages	128,943	126,015	2,928
Employee benefits	66,792	60,579	6,213
Travel	85	149	(64)
Telephone	19,000	18,613	387
Utilities	169,818	168,340	1,478
Maintenance of equipment	20,000	25,981	(5,981)
Purchased services	2,500	2,188	312
Supplies	20,250	20,416	(166)
	<hr/>	<hr/>	<hr/>
Total Operation & Maintenance	427,388	422,281	5,107
PUPIL TRANSPORTATION:			
Salaries:			
Supervisor	4,845	4,845	-
Vehicle operator	49,457	49,716	(259)
Special trips	12,000	10,531	1,469
Employee benefits	17,965	16,744	1,221
Travel, workshops & conferences	500	516	(16)
Purchased services	21,858	19,943	1,915
Gas & oil	22,000	24,268	(2,268)
Repairs	2,100	1,928	172
Supplies & materials	480	453	27
	<hr/>	<hr/>	<hr/>
Total Pupil Transportation	131,205	128,944	2,261
TOTAL SUPPORTING SERVICES	<u>\$ 1,276,508</u>	<u>\$ 1,259,589</u>	<u>\$ 16,919</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
COMMUNITY SERVICES:			
DRIVER EDUCATION:			
Salaries	\$ 3,150	\$ 3,150	\$ -
Employee benefits	241	241	-
Vehicle rental and repairs	64	64	-
Auto Insurance	400	400	-
Gas, oil, and grease	300	-	300
Total Driver Education	4,155	3,855	300
LATCH KEY:			
Aide salary	2,475	2,032	443
Employee benefits	634	512	122
Supplies	300	264	36
Total Latch Key	3,409	2,808	601
TOTAL COMMUNITY SERVICES	7,564	6,663	901
OUTGOING TRANSFERS AND OTHER:			
Transfer to Capital Project - QZAB Fund	36,300	36,300	-
Transfer to Athletic Fund	100,319	97,281	3,038
TOTAL OUTGOING TRANSFERS AND OTHER	136,619	133,581	3,038
TOTAL EXPENDITURES AND OUTGOING TRANSFERS	\$ 3,026,952	\$ 3,018,550	\$ 8,402

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and investments	\$ 28,264	\$ 794	\$ 29,058
TOTAL ASSETS	<u>\$ 28,264</u>	<u>\$ 794</u>	<u>\$ 29,058</u>
<u>LIABILITIES & FUND EQUITY</u>			
LIABILITIES:			
Accounts payable			-
Due to other funds	\$ 72		\$ 72
TOTAL LIABILITIES	<u>72</u>	<u>-</u>	<u>72</u>
FUND BALANCE:			
Fund Balance	28,192	\$ 794	28,986
TOTAL FUND BALANCE	<u>28,192</u>	<u>794</u>	<u>28,986</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 28,264</u>	<u>\$ 794</u>	<u>\$ 29,058</u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>COMBINED</u>
REVENUES:			
Local Sources:			
Sales of meals and milk	\$ 39,623		\$ 39,623
Admissions		\$ 16,170	16,170
Interest	405		405
Other	4,319		4,319
	<u>44,347</u>	<u>16,170</u>	<u>60,517</u>
Total Local Sources			
State sources			
State aid	6,145		6,145
	<u>6,145</u>		<u>6,145</u>
Federal sources			
National School Lunch Program	78,479		78,479
USDA Commodities	-		-
	<u>78,479</u>		<u>78,479</u>
Total Federal Sources			
	<u>78,479</u>		<u>78,479</u>
TOTAL REVENUES	<u>128,971</u>	<u>16,170</u>	<u>145,141</u>
EXPENDITURES:			
Salaries and wages	56,097	77,078	133,175
Employee benefits	11,481	13,951	25,432
Food and milk	42,963		42,963
Supplies and other costs	5,688	24,890	30,578
	<u>116,229</u>	<u>115,919</u>	<u>232,148</u>
TOTAL EXPENDITURES			
	<u>116,229</u>	<u>115,919</u>	<u>232,148</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>12,742</u>	<u>(99,749)</u>	<u>(87,007)</u>
OTHER FINANCING SOURCES (USES):			
Fund transfers in		97,281	97,281
		<u>97,281</u>	<u>97,281</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>12,742</u>	<u>(2,468)</u>	<u>10,274</u>
FUND BALANCE AT BEGINNING OF YEAR	15,450	3,262	18,712
FUND BALANCE AT END OF YEAR	<u>\$ 28,192</u>	<u>\$ 794</u>	<u>\$ 28,986</u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET
 June 30, 2007

	<u>DURANT DEBT SERVICE</u>	<u>1999 BUILDING BONDS</u>	<u>QZAB DEBT SERVICE</u>	<u>TOTALS DEBT SERVICE JUNE 30,</u>	
				<u>2007</u>	<u>2006</u>
<u>ASSETS</u>					
Cash	\$ -	\$ 151,106	\$ 71,991	\$ 223,097	\$ 195,670
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,780</u>
Total Assets	<u><u>-</u></u>	<u><u>\$ 151,106</u></u>	<u><u>\$ 71,991</u></u>	<u><u>\$ 223,097</u></u>	<u><u>\$ 205,450</u></u>
<u>FUND BALANCES</u>					
Fund balances	<u><u>\$ -</u></u>	<u><u>\$ 151,106</u></u>	<u><u>\$ 71,991</u></u>	<u><u>\$ 223,097</u></u>	<u><u>\$ 205,450</u></u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
DEBT RETIREMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007

	<u>DURANT DEBT SERVICE</u>	<u>1999 BUILDING BONDS</u>	<u>QZAB DEBT SERVICE</u>	<u>TOTALS DEBT SERVICE JUNE 30,</u>	
				<u>2007</u>	<u>2006</u>
REVENUES:					
Local Sources:					
Property taxes		\$ 373,913		\$ 373,913	\$ 363,881
Interest		3,739	\$ 1,037	4,776	3,829
Total Local Sources	-	377,652	1,037	378,689	367,710
State Sources	-	-		-	12,745
Other Revenue		-		-	5,320
TOTAL REVENUES	-	377,652	1,037	378,689	385,775
EXPENDITURES:					
Debt Service:					
Principal repayment	-	170,000	-	170,000	163,807
Interest and other fiscal charges	-	227,342		227,342	253,198
TOTAL EXPENDITURES	-	397,342	-	397,342	417,005
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(19,690)	1,037	(18,653)	(31,230)
OTHER FINANCING SOURCES (USES):					
Transfer from General Fund			36,300	36,300	33,000
Transfer from QZAB Capital Projects Fund			-	-	1,632
TOTAL OTHER FINANCING SOURCES (USES)		-	36,300	36,300	34,632
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)		(19,690)	37,337	17,647	3,402
FUND BALANCE - BEGINNING OF YEAR	-	170,796	34,654	205,450	202,048
FUND BALANCE - END OF YEAR	\$ -	\$ 151,106	\$ 71,991	\$ 223,097	\$ 205,450

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>PERMANENT FUND</u>	<u>STUDENT ACTIVITIES FUND</u>	<u>TOTAL</u>
ASSETS			
Cash		\$ 40,634	\$ 40,634
Investments	\$ 10,096		10,096
TOTAL ASSETS	<u><u>\$ 10,096</u></u>	<u><u>\$ 40,634</u></u>	<u><u>\$ 50,730</u></u>
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Due to student groups		\$ 40,634	\$ 40,634
Total Liabilities	<u>-</u>	<u>40,634</u>	<u>40,634</u>
Fund Balance:			
Fund balance:			
Reserved for scholarships	\$ 10,096		10,096
Total Fund Balance	<u>10,096</u>	<u>-</u>	<u>10,096</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 10,096</u></u>	<u><u>\$ 40,634</u></u>	<u><u>\$ 50,730</u></u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
TRUST AND AGENCY FUNDS
PERMANENT FUND
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>JOY MCCREEDY SCHOLARSHIP TRUST</u>
ASSETS	
Investments	<u>\$ 10,096</u>
TOTAL ASSETS	<u><u>\$ 10,096</u></u>
 LIABILITIES AND FUND EQUITY	
Liabilities:	
Scholarships payable	<u>-</u>
Fund Balance:	
Fund balance:	
Reserved	<u>\$ 10,096</u>
Total Fund Balance	<u>10,096</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 10,096</u></u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
TRUST AND AGENCY FUNDS
PERMANENT FUND
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	JOY MCCREEDY SCHOLARSHIP TRUST
REVENUES	
Local revenues:	
Interest on Investments	\$ 494
Donation	
	494
Total Revenues	494
EXPENDITURES	
Scholarships awarded	
	494
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	494
FUND BALANCE AT BEGINNING OF YEAR	9,602
FUND BALANCE AT END OF YEAR	\$ 10,096

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
TRUST AND AGENCY FUNDS
STUDENT ACTIVITIES FUND
SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGE IN BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2006</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2007</u>
STUDENT ACTIVITIES:				
7th/8th Grade SC	\$ 1,153	\$ 1,214	\$ 1,279	\$ 1,088
AG Science Fund Raiser	347	1,771	1,747	371
Ag Science Scholarship	31	-	-	31
AK-FG Elementary	10,750	15,767	18,397	8,120
A-F Elem Playground	-	10,646	523	10,123
Athletic Fund Raiser	1,417	2,602	4,013	6
Athletic JV Girl BB	151	215	290	76
Athletic Girls Volleyball	-	25	-	25
Band	104	875	953	26
Boys Basketball	793	360	894	259
Board of Education	100	-	100	-
Bookstore	1,441	450	174	1,717
Class of 2006	3,309	-	3,309	-
Class of 2007	4,627	2,371	6,057	941
Class of 2008	6,610	10,579	11,854	5,335
Class of 2009	446	6,125	1,382	5,189
Class of 2010	-	1,346	1,217	129
Cross Country	24	710	493	241
Girls Basketball	6	2,070	2,049	27
High School Flower Fund	154	140	203	91
High School Miscellaneous	29	80	83	26
High School Principal	286	272	160	398
JV Boys Basketball	216	-	200	16
Kindergarden/6th Grade SC	261	315	133	443
Library	61	-	-	61
Lock Rental	381	25	25	381
National Honor Society	21	-	-	21
Science	84	69	-	153
Spanish Club	387	1,010	945	452
Special Account	798	5,411	5,279	930
Special Education	351	-	-	351
Student Council	814	2,333	2,823	324
Vehicle Parking	380	-	-	380
Yearbook	1,640	6,707	5,444	2,903
TOTAL STUDENT ACTIVITIES	<u>\$ 37,172</u>	<u>\$ 73,488</u>	<u>\$ 70,026</u>	<u>\$ 40,634</u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
SCHEDULE OF BONDED DEBT - DURANT BONDS
 June 30, 2007

\$38,459 Durant Bond issued November 24, 1998:

<u>PRINCIPAL DUE</u> <u>MAY 15</u>	<u>INTEREST DUE</u> <u>MAY 15</u>	<u>DEBT SERVICE REQUIREMENT</u> <u>FOR FISCAL YEAR</u>	
		<u>JUNE 30</u>	<u>AMOUNT</u>
\$ -	\$ -	2008	\$ -
2,140	561	2009	2,701
6,235	1,867	2010	8,102
2,349	352	2011	2,701
2,461	240	2012	2,701
2,578	122	2013	2,700
<u>\$ 15,763</u>	<u>\$ 3,142</u>		<u>\$ 18,905</u>

The above bond issue bears interest at 8.00%. The bond proceeds were used for roof repairs and partial payment of a bus purchase. The State of Michigan revised the debt repayment schedule during the 2002-2003 school year eliminating the payments for years 2004-2005. The State of Michigan revised the debt repayment schedule during the 2006-2007 school year eliminating the payments for 2007-2008.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This 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 limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
SCHEDULE OF BONDED DEBT -
1999 SCHOOL BUILDING AND SITE BONDS
June 30, 2007

<u>PAYMENT DATE</u>	<u>PRINCIPAL DUE</u>	<u>INTEREST RATE</u>	<u>INTEREST DUE</u>	<u>TOTAL PAYMENT</u>
11/1/2007			\$ 8,800	\$ 8,800
5/1/2008	\$ 155,000	5.50%	8,800	163,800
11/1/2008			4,537	4,537
5/1/2009	<u>165,000</u>	5.50%	<u>4,537</u>	<u>169,537</u>
	<u>\$ 320,000</u>		<u>\$ 26,674</u>	<u>\$ 346,674</u>

PURPOSE AND SECURITY: The bonds were authorized at an election on September 23, 1999, for the purpose of erecting, furnishing, and equipping additions to and remodeling, refurbishing, and re-equipping school buildings, acquiring and installing educational technology system improvements and developing and improving sites. The Bonds will pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, and Article IX, Section 16, of the Michigan Constitution of 1963.

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
SCHEDULE OF BONDED DEBT -
2005 REFUNDING BONDS
June 30, 2007

<u>PAYMENT DATE</u>	<u>PRINCIPAL DUE</u>	<u>INTEREST RATE</u>	<u>INTEREST DUE</u>	<u>TOTAL PAYMENT</u>
11/1/2007			\$ 100,183	\$ 100,183
5/1/2008	\$ 25,000	3.000%	100,183	125,183
11/1/2008			99,808	99,808
5/1/2009	25,000	3.125%	99,808	124,808
11/1/2009			99,418	99,418
5/1/2010	200,000	3.500%	99,418	299,418
11/1/2010			95,917	95,917
5/1/2011	200,000	5.000%	95,917	295,917
11/1/2011			90,918	90,918
5/1/2012	215,000	5.000%	90,918	305,918
11/1/2012			85,542	85,542
5/1/2013	225,000	5.000%	85,542	310,542
11/1/2013			79,918	79,918
5/1/2014	240,000	5.000%	79,918	319,918
11/1/2014			73,917	73,917
5/1/2015	250,000	5.000%	73,917	323,917
11/1/2015			67,668	67,668
05/01/16 - 05/01/25	<u>3,165,000</u>		<u>738,375</u>	<u>3,903,375</u>
	<u>\$ 4,545,000</u>		<u>\$ 2,257,285</u>	<u>\$ 6,802,285</u>

The 2005 Refunding Bonds (the "Bonds") were authorized by the Board of Education of Akron-Fairgrove Schools, County of Tuscola, State of Michigan (the "School District") by resolutions adopted on September 13, 2004 and March 21, 2005 (the "Resolutions") for the purpose of refunding a portion of a prior bond issue of the School District. The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.

See the accompanying notes.



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

**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**

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

August 16, 2007

To the Board of Education
Akron-Fairgrove School District
Fairgrove, MI 48733

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Akron-Fairgrove District Schools as of and for the year ended June 30, 2007, which collectively comprise Akron-Fairgrove District Schools basic financial statements and have issued our report thereon dated August 16, 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 Controller General of the United States.

Internal Control Over Financial Reporting

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

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

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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement in the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiencies described as 2007-1 and 2007-2 in the accompanying schedule of findings and responses to be significant 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 material misstatement of the financial statements will not be presented or detected by the entity'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 the significant deficiencies described above as 2007-1 and 2007-2 are material weaknesses.

To the Board of Education
Akron-Fairgrove School District
Fairgrove, MI 48733

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Akron-Fairgrove District 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Akron-Farigrove District Schools in a separate letter dated August 16, 2007.

Akron-Farigrove District Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Akron-Farigrove District 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, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 16, 2007

To the Board of Education
Akron-Fairgrove School District
Fairgrove, MI 48733

Schedule of Findings and Responses

Findings considered material weaknesses

Finding 2007-1

Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Akron-Fairgrove Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Cause:

The staff of the district does not understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Client Response:

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

Finding 2007-2

Criteria:

Federal regulations restrict the timing of requests for cash for Title II-A funds.

Board of Education
Akron-Fairgrove District Schools
August 16, 2007

Condition:

During the course of our audit, we noted the School District did not follow the cash management rules for requesting Federal Grant Funds. As a result, the School District had requested Title II-A funds in excess of the three-day rule for both the 05/06 and 06/07 program years.

Cause:

The client is aware of the cash management requirements and believes this is an isolated issue.

Effect:

This allowed the district to receive federal cash in advance of expending the funds.

Recommendation:

We recommend the School District review its procedures for administering Federal programs to insure future compliance with all the applicable rules and regulations.

Client Response:

We will review and make any necessary adjustments to our procedures for administering Federal programs to insure future compliance with all the applicable rules and regulations.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

August 16, 2007

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

Akron-Fairgrove Schools
To the Board of Education:

In planning and performing our audit of the financial statements of Akron-Fairgrove Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Akron-Fairgrove Schools' internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies do not constitute material weaknesses:

Athletic Events

We found that the policies established by the Board last year for athletic event receipts have not always been followed. We recommend that the Board enforce those policies to ensure that the School District's internal control policies are working to safeguard the School's assets. In addition, we recommend that pre-numbered deposit slips be used for all deposits and a duplicate copy be kept in the School District's records.

This communication is intended solely for the information and use of management, Akron-Fairgrove Schools, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants

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