

**GRAND LEDGE PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Grand Ledge Public Schools  
Grand Ledge, Michigan

September 24, 2007

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

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

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

To the Board of Education  
Grand Ledge Public Schools

September 24, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2007, of Grand Ledge Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xvi and 26, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Ledge Public Schools' basic financial statements. The additional information on pages 28 to 48 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.

A handwritten signature in black ink that reads "Mamer, Costenison & Ellis, P.C." The signature is written in a cursive style with a large initial 'M' and a distinct 'E'.

Certified Public Accountants

**Grand Ledge Public Schools  
Management Discussion and Analysis  
For Fiscal Year Ending June 30, 2007**

Grand Ledge Public Schools, a K-12 School District located in Eaton, Clinton and Ionia Counties, Michigan is in its fifth year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Grand Ledge Public Schools' administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB #34 require reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

**Fund Financial Statements**

The fund level financial statements are reported on modified accrual basis. Only those assets "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the district's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in the relevant funds including the Debt Fund, Capital Improvement (Sinking) Fund, and Special Revenue Funds comprised of Food Service, Community Education, Athletics, and the Student Bookstore.

In the fund financial statements, purchased capital assets 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 years' debt obligations are not reported.

**District Wide Financial Statements**

The district-wide financial statements are full accrual based statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for payment of long term principal or interest are grouped with unrestricted assets of the General Fund.

Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

### Summary of Net Assets

The School District's net assets totaled \$19,570,081 at June 30, 2007, an increase of \$482,530 (2.53%) over the balance at the end of the prior year. Unrestricted net assets decreased from \$3,078,304 to \$2,094,754 or \$983,550. Restricted net assets increased slightly from \$1,513,246 to \$1,653,819 or \$140,573. Restricted net assets represent legal constraints from debt covenants and legislation that limit the School District's ability to use those net assets for day-to-day operations. The following is a summary of the School District's net assets at June 30, 2007:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<b>Assets</b>		
Current assets	\$ 16,804,332	\$ 13,946,101
Capital assets, net of depreciation	103,867,797	70,335,781
<b>Total assets</b>	<u><u>\$ 120,672,129</u></u>	<u><u>\$ 84,281,882</u></u>
<b>Liabilities</b>		
Current liabilities	\$ 15,311,394	\$ 12,099,745
Long-term liabilities	85,790,654	53,094,586
<b>Total liabilities</b>	<u><u>101,102,048</u></u>	<u><u>65,194,331</u></u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	15,821,508	14,496,001
Restricted	1,653,819	1,513,246
Unrestricted	2,094,754	3,078,304
<b>Total net assets</b>	<u><u>19,570,081</u></u>	<u><u>19,087,551</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 120,672,129</u></u>	<u><u>\$ 84,281,882</u></u>

## **Analysis of Financial Position**

During fiscal year ended June 30, 2007, the School District's net assets increased by \$482,530. A few of the significant factors affecting net assets during the year are discussed below:

### **A. Governmental Fund Operations**

In the School District's governmental funds, revenues exceeded expenditures \$564,314 for the fiscal year ended June 30, 2007. When Other Financing Sources (Uses) are included, revenues exceeded expenditures by \$35,467,241 primarily due to the receipt of \$33,915,000 in proceeds from the sale of bonded debt. In May 2007, the taxpayers residing in Grand Ledge Public Schools approved a millage increase for upgrades and renovations to existing facilities as well as upgrades to technology and the purchase of buses. See the section entitled Major Governmental Funds Budgeting and Operating Highlights below for further discussion of governmental fund operations.

### **B. Depreciation Expense**

The provisions of GASB #34 require the School District to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2007, the depreciation expense was \$2,557,852.

### **C. Capital Acquisitions**

Capital outlay for the year ended June 30, 2007 totaled \$1,169,317. Capital outlay was offset by current year depreciation expense of \$2,557,852 creating a decrease in net assets from capital outlays of \$1,401,393.

### **D. Debt Repayments**

Repayment of debt decreased the School District's long-term principal obligations and, thereby increased the net assets of the School District. The School District repaid \$2,934,258 of long-term debt during the year ended June 30, 2007.

## **Results of Operations**

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. As the following table indicates, net assets increased for the year ending June 30, 2007. Revenues increased due to higher per pupil funding from the State of Michigan with expenditures increasing proportionately with the level of funding. Interest on long term debt decreased as the District continues paying down its outstanding debt.

**Changes in net assets**

<b>Revenue</b>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
General revenue		
Property taxes, levied for general purposes	\$ 7,961,797	\$ 7,198,130
Property taxes, levied for debt service	5,105,723	4,617,296
Property taxes, levied for sinking fund	1,259,986	1,148,379
State of Michigan aid, unrestricted	29,261,656	29,728,282
Interest and investment earnings	410,238	234,589
Other general revenue	<u>228,316</u>	<u>229,444</u>
Total general revenue	44,227,716	43,156,120
Program revenue		
Charges for services	1,839,416	1,911,737
Operating grants and contributions	<u>5,277,358</u>	<u>4,795,482</u>
Total revenue	<u>51,344,490</u>	<u>49,863,339</u>
<b>Expenses</b>		
Instruction	27,853,649	25,630,317
Supporting services	14,511,916	15,075,982
Food services	1,590,955	1,640,811
School store	23,008	37,960
Athletics	994,939	1,047,116
Community services	383,022	400,869
Interest on long-term debt	2,946,618	2,684,592
Depreciation - unallocated	<u>2,557,852</u>	<u>2,543,799</u>
Total expenses	<u>50,861,959</u>	<u>49,061,446</u>
Increase in net assets	482,530	801,893
Net assets - July 1	<u>19,087,551</u>	<u>18,285,658</u>
Net assets - June 30	<u>\$ 19,570,081</u>	<u>\$ 19,087,551</u>

## Governmental Funds Financial Highlights

The General Fund is reported separately as a major fund in the fund financial statements. Funds reported as "Other Governmental Funds" in the fund financial statements include the Athletics and Food Service Special Revenue Funds, Debt Retirement Funds, and Capital Project Funds. The annual fund financial statements provide the following insights about the results of this year's operations:

### A. General Fund

As a percentage of total expenditures, the General Fund experienced an increase in fund equity of \$488,533 or 1.2% of total expenditures for the year ending June 30, 2007. The beginning fund balance was \$3,446,109 as of July 1, 2006 and the ending fund balance was \$3,934,642 at June 30, 2007, which equates to 9.5% of total expenditures for the year.

### B. 2007 Capital Projects Fund

The District sold bonds with a face amount of \$33,915,000 for a premium of an additional \$935,102. At June 30, 2007, \$34,569,541 is available for future capital outlay.

### C. Other Nonmajor Governmental Funds

Other governmental funds experienced an increase in fund equity of \$409,167 during the year. The beginning fund balance on July 1, 2006 stood at \$2,197,768 and at June 30, 2007 the fund balance was \$2,606,935. The Sinking Fund or Capital Projects Fund, approved by voters in September of 2002, finished its fifth year with a fund balance of \$1,002,747, up from \$923,773 at the end of FY05-06. Major uses of the sinking fund include the purchase of a piece of property adjacent to Holbrook Elementary and debt service associated with prior land acquisitions. The financial condition of the Food Service improved during the 2006-07 school year adding \$43,545 to fund balance for a total fund balance at year end of \$114,940. The School District's Athletics fund dipped heavily into its fund balance in the amount of \$101,117 leaving a fund balance as of June 30, 2007 of \$46,093.

## **Major Governmental Funds Budgeting and Operating Highlights**

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment changes and resultant staffing adjustments, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseeable events. As a matter of practice, the School District amends its budget periodically during the fiscal year to adjust for these changes. The School District prepares budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Sinking Fund.

### **A. General Fund**

In the General Fund, actual revenue was \$42.50 million. This is above the original budget estimate of \$41.56 million but below the final amended budgeted amount of \$42.57 million, a variance of \$69,974 or 0.16%. The actual expenditures of the General Fund were \$41.43 million. This is below the original budget estimate of \$41.84 million and below the final amended budgeted amount of \$42.2 million, a variance of \$772,225 or 1.83%. Historically, actual revenues have been close to budget with surpluses being reflected on the expenditure side as some budgeted funds are left unspent. Yet another contributing factor to the 2006-07 high favorable budgeted expenditure variance was spending restraint fueled by heightened uncertainty that the State of Michigan would not fund schools at the level reflected in the State's budget.

The General fund revenue exceeded expenditures by \$1,069,188 for the year ended June 30, 2007. After adjusting for net uses of Other Financing Sources of \$580,655, the excess becomes \$488,533. The ending fund balance in the General Fund for the year ending June 30, 2007 was \$3,934,642 (9.50%) on expenditures of \$41,426,756. For the prior year which ended June 30, 2006, the fund equity was \$3,446,109 (8.35%) on expenditures of \$41,287,659.

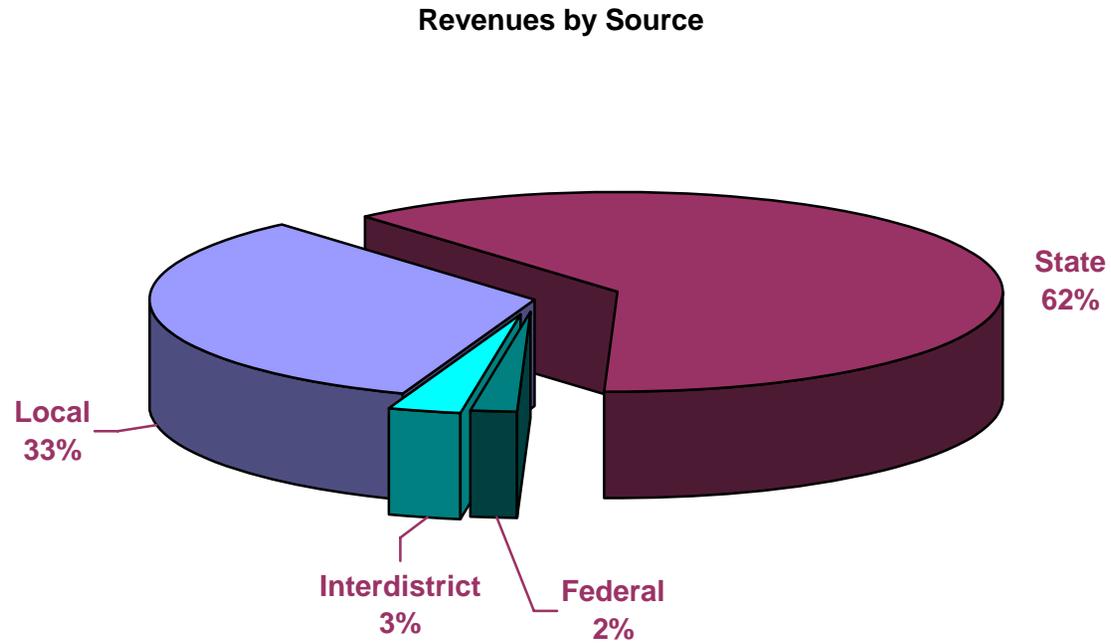
### **B. Capital Projects Fund - Sinking Fund and 2005 Land Acquisition Fund**

The Sinking Fund, whose revenue comes from local property taxes, received voter approval in September 2002. The proposal was for one (1) mill to be levied over ten (10) years. Expenditures take the form of capital improvement projects for major repairs, improvements to the School District's facilities, and land acquisition.

During the year, the Sinking Fund and Land Acquisition Fund collected \$1,320,612 in revenues. These funds expended \$1,241,638 in the fiscal year ending June 30, 2007. Major uses of the sinking fund include the purchase of a piece of property adjacent to Holbrook Elementary and debt service associated with prior land acquisitions. The fund balance in the Sinking Fund as of June 30, 2007 stood at \$1,002,747 up slightly from the ending fund balance as of June 30, 2006 of \$923,773.

## Governmental Fund Revenues

Revenues for all governmental funds totaled \$51.3 million for 2006/2007. The following graph illustrates the School District's revenues by source as a percentage of total revenue:



**A. Unrestricted State Aid**

The School District is predominantly funded by State Aid and has continued to increase on a per-pupil basis although at a rate that is less than the rate of inflation. Unrestricted state aid is determined by the following three variables: (1) State of Michigan student foundation allowance; (2) student enrollment for the year, blended at 75 percent of the current year's fall student count and 25 percent of the previous year's winter student count; and (3) the School District's non-homestead property tax levy.

Annually, the State of Michigan establishes the per student foundation allowance. For the year ended June 30, 2007, the foundation allowance for Grand Ledge Public Schools was established at \$7,200, an increase of \$210 in the funding level for 2005-06. Student enrollment for state aid for the 2006/2007 year was 5,344, a small decrease of 37 full time equated students over the prior year.

The following schedule summarizes the School District's blended student enrollment in full-time equivalencies and per student Foundation Allowance for the current year and the previous five years:

<u>Year</u>	<u>Student Enrollment</u>	<u>Change from Prior Year</u>	<u>Foundation Allowance</u>	<u>Change from Prior Year</u>
2006/2007	5,344	(37)	\$ 7,200	\$ 210
2005/2006	5,381	31	6,990	175
2004/2005	5,350	(2)	6,815	-
2003/2004	5,352	(92)	6,815	-
2002/2003	5,444	90	6,815	200
2001/2002	5,354	70	6,615	300
2000/2001	5,284	(38)	6,315	305
1999/2000	5,322	97	6,010	234

## B. Property Taxes

The School District levies 18 mills of property taxes on all non-homestead property located within the School District for General Fund operations. The levy is assessed on the Taxable Value of the property. The increase in taxable value is limited to the lesser of the inflation rate or 5%. When a property is sold, the Taxable Valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. This levy is subject to millage reduction fractions. In anticipation of future rollbacks, voters have approved a "Headlee Override" millage authorization of up to 3 mills. For the tax year 2006, the District levied 1.2753 mills to ensure the District levied the full 18 mills on non-homestead property that is required to earn per pupil funding.

The School District levied 3.90 mills on all classes of property located within the School District for bonded debt retirement on the 1995 Facility Improvement Bonds. This levy is not subject to millage reduction fractions and taxes are used to pay the principal and interest on bond obligations. The total amount levied for debt retirement was \$5.1 million for the year.

The School District's sinking funds are used for the repairs and replacement of buildings and sites. In September 2002, the School District's voters approved a 1.0 mill ten-year levy. These levies are subject to millage reduction fractions with the 2006-07 levy reduced by Headlee to .983 mills.

## Governmental Fund Expenditures

The chart below illustrates that the General Fund comprises 82% of all expenditures within the governmental funds of the School District. As of June 30, 2007, expenditures and other financing uses totaled \$50.7 million for all School District programs. The ending fund balance for all funds was \$41.1 million with the proceeds from the bond sale representing \$33.9 million of this amount.

	Expenditures & other uses (in millions)	Percent of total
General fund	\$ 41.4	82%
Other governmental funds	9.3	18%
Total	<u>\$ 50.7</u>	<u>100%</u>

## Capital Asset and Debt Administration

### A. Capital Assets

At June 30, 2007, the School District had \$102.9 million invested in land and buildings, furniture and equipment, buses and other vehicles. Of this amount, \$34.23 million has been depreciated resulting in a net book value of \$68.6 million. The School District's buildings range in years of construction from 1929 (Sawdon Administration Building) to 1996 (Willow Ridge Elementary and the Operations Center). The majority of the buildings were constructed in the 1950's and 1960's. The School District is committed to timely repairs and maintenance of its facilities. Computer purchases fall below the School District's capitalization threshold of \$5,000 and are expensed accordingly.

#### Capital Assets at June 30, 2007

	2007	2006
Land, building and additions	\$ 81,139,358	\$ 80,537,482
Equipment and furniture	18,135,528	17,834,831
Buses and other vehicles	3,587,169	3,418,706
	<hr/>	<hr/>
Total	102,862,055	101,791,019
Less accumulated depreciation	34,231,848	31,759,419
	<hr/>	<hr/>
Net capital assets	\$ 68,630,207	\$ 70,031,600
	<hr/> <hr/>	<hr/> <hr/>

## **B. Long-Term Debt**

At June 30, 2007, the School District had \$90.02 million in outstanding bonds, notes payable, and other debt including the Durant debt which is issued and paid by the State of Michigan. The School District collects revenues to meet its outstanding debt obligations across total property values. Therefore, total growth in valuation is an important element in determining the School District's ability to retire bonded debt and/or to incur additional bonded debt as increased enrollment may require.

For more detailed information regarding capital assets and debt administration, please review the Notes to Financial Statements located in the financial section of this report.

### **Conditions that will Significantly Affect Financial Position and Results of Operations in Future Years**

On September 28, 2002, the voters approved a request to establish a Sinking Fund with a ten-year levy of 1.0 mills. The Sinking Fund is restricted in use to the purchase of land and to improvements in buildings and sites. The levy is subject to rollback based on the Headlee tax limitation clause in the State Constitution.

On May 8, 2007 the voters approved a request to issue \$33.9 million in bonded debt to finance improvements to existing facilities, technology upgrades and the purchase of buses. The bonds will be paid off over a period of thirty years with an initial increase in the debt millage rate of only .97 of a mill.

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

This financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances. If you have questions about this report or need additional information, contact J. Thomas Goodwin, Chief Financial Officer, Grand Ledge Public Schools, 220 Lamson Street, Grand Ledge, Michigan 48837 or by telephone at (517) 627-5363.

**GRAND LEDGE PUBLIC SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	<u>Governmental activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 6,243,635
Investments	3,501,216
Receivables:	
Other governmental units	5,279,289
Taxes	84,028
Other	1,525,326
Inventories	58,535
Prepaid expenditures	112,303
	<hr/>
<b>TOTAL CURRENT ASSETS</b>	16,804,332
<b>NONCURRENT ASSETS:</b>	
Restricted assets - 2007 bond cash	34,622,224
Deferred charges, net of amortization	615,366
Capital assets	102,862,055
Less accumulated depreciation	(34,231,848)
	<hr/>
<b>TOTAL NONCURRENT ASSETS</b>	103,867,797
	<hr/>
<b>TOTAL ASSETS</b>	\$ 120,672,129
	<hr/> <hr/>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 1,590,704
Accrued interest	919,526
Accrued salaries and related items	3,326,847
Deferred revenue	494,791
Note payable	4,750,000
Current portion of long-term obligations	3,452,026
Current portion of other obligations	777,500
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	15,311,394
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	83,978,897
Compensated absences	385,767
Retirement and severance payable	135,990
Voluntary severance plan	1,290,000
	<hr/>
<b>TOTAL NONCURRENT LIABILITIES</b>	85,790,654
	<hr/>
<b>TOTAL LIABILITIES</b>	101,102,048
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	15,821,508
Restricted for capital projects (sinking fund)	1,002,747
Restricted for debt service	651,072
Unrestricted	2,094,754
	<hr/>
<b>TOTAL NET ASSETS</b>	19,570,081
	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 120,672,129
	<hr/> <hr/>

**GRAND LEDGE PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Net (expense) revenue and changes in net assets</u>
Governmental activities:				
Instruction	\$27,853,649	\$ 2,315	\$ 3,099,979	\$ (24,751,355)
Support services	14,511,916		1,704,799	(12,807,117)
Food services	1,590,955	1,165,413	472,580	47,038
Athletics	994,939	257,212		(737,727)
Community services	383,022	384,340		1,318
School store	23,008	30,135		7,127
Interest on long-term debt	2,946,618			(2,946,618)
Unallocated depreciation	2,557,852			(2,557,852)
Total governmental activities	<u>\$50,861,959</u>	<u>\$ 1,839,415</u>	<u>\$ 5,277,358</u>	<u>(43,745,186)</u>
General revenues:				
Property taxes, levied for general purposes				7,961,797
Property taxes, levied for debt service				5,105,723
Property taxes, levied for sinking fund				1,259,986
Investment earnings				410,238
State sources				29,261,656
Other				228,316
Total general revenues				<u>44,227,716</u>
<b>CHANGE IN NET ASSETS</b>				482,530
<b>NET ASSETS, beginning of year</b>				<u>19,087,551</u>
<b>NET ASSETS, end of year</b>				<u>\$ 19,570,081</u>

**GRAND LEDGE PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<b>General fund</b>	<b>Capital projects fund</b>	<b>Other nonmajor governmental funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 3,194,645	\$	\$ 3,048,990	\$ 6,243,635
Investments	3,501,216			3,501,216
Receivables:				
Other governmental units	5,279,289			5,279,289
Due from other funds	531,751		8,648	540,399
Taxes	63,945		20,083	84,028
Other	1,485,616		39,710	1,525,326
Inventories	29,838		28,697	58,535
Prepaid expenditures	32,303		80,000	112,303
Restricted cash		34,622,224		34,622,224
	<b>\$ 14,118,603</b>	<b>\$ 34,622,224</b>	<b>\$ 3,226,128</b>	<b>\$ 51,966,955</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,521,065	\$ 52,683	\$ 16,956	\$ 1,590,704
Accrued interest	152,759		337	153,096
Accrued salaries and related items	3,297,524		29,323	3,326,847
Deferred revenue	453,964		40,827	494,791
Due to other funds	8,649		531,750	540,399
Note payable	4,750,000			4,750,000
	<b>10,183,961</b>	<b>52,683</b>	<b>619,193</b>	<b>10,855,837</b>
<b>FUND BALANCES:</b>				
Reserved for debt service	\$	\$	\$ 1,417,502	\$ 1,417,502
Reserved for prepaid expenditures	32,303		80,000	112,303
Reserved for inventories	29,838		28,697	58,535
Designated for adult education	156,273			156,273
Designated for band uniforms	2,934			2,934
Designated for subsequent year's expenditures		34,569,541	1,002,747	35,572,288
Unreserved, undesignated	3,713,294		77,989	3,791,283
	<b>3,934,642</b>	<b>34,569,541</b>	<b>2,606,935</b>	<b>41,111,118</b>
<b>TOTAL FUND BALANCES</b>	<b>\$ 14,118,603</b>	<b>\$ 34,622,224</b>	<b>\$ 3,226,128</b>	<b>\$ 51,966,955</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,118,603</b>	<b>\$ 34,622,224</b>	<b>\$ 3,226,128</b>	<b>\$ 51,966,955</b>
<b>Total governmental fund balances</b>				<b>\$ 41,111,118</b>
Amounts reported for governmental activities in the statement of net assets are different because:				
Deferred charges for bond issuance costs			\$ 666,063	
Accumulated amortization			(50,697)	
				615,366
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is			102,862,055	
Accumulated depreciation is			(34,231,848)	
				68,630,207
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(85,382,564)
Other long term debt				(735,344)
Bond premium				(2,469,019)
Deferred amount of bond refunding				1,156,004
Compensated absences				(410,767)
Retirement and severance payable				(160,990)
Voluntary severance plan				(2,017,500)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(766,430)
<b>Net assets of governmental activities</b>				<b>\$ 19,570,081</b>

**GRAND LEDGE PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	<u>General fund</u>	<u>Capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 7,961,797	\$	\$ 6,365,709	\$ 14,327,506
Community services and tuition	2,315			2,315
Investment income	290,050	47,523	72,665	410,238
Other	175,348		1,850,101	2,025,449
Total local sources	8,429,510	47,523	8,288,475	16,765,508
State sources	31,543,313		63,693	31,607,006
Federal sources	817,107		408,887	1,225,994
Incoming transfers and other transactions	1,706,014			1,706,014
Total revenues	42,495,944	47,523	8,761,055	51,304,522
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	19,757,481			19,757,481
Added needs	6,213,687			6,213,687
Adult and community education	161,287			161,287
Total instruction	26,132,455			26,132,455
Support services:				
Pupil	979,125			979,125
Instructional staff	1,140,045			1,140,045
General administration	496,002			496,002
School administration	2,571,318			2,571,318
Business	675,344			675,344
Operations and maintenance	4,633,128			4,633,128
Transportation	2,358,106			2,358,106
Central and technology	1,134,126			1,134,126
Total support services	13,987,194			13,987,194
<b>EXPENDITURES (Concluded):</b>				
Current (Concluded):				
Athletics	\$	\$	\$ 994,939	\$ 994,939
Food service			1,615,914	1,615,914
Community service			383,022	383,022
School store			23,008	23,008
Outgoing transfers and other transactions	1,307,107			1,307,107
Capital outlay			608,635	608,635
Debt service:				
Principal retirement			2,814,375	2,814,375
Interest and fiscal charges			2,545,475	2,545,475
Bond issuance costs		328,084		328,084
Total expenditures	41,426,756	328,084	8,985,368	50,740,208
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,069,188	(280,561)	(224,313)	564,314
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceed from bonded debt		33,915,000		33,915,000
Premium on bond proceeds		935,102		935,102
Operating transfers in	2,000		1,138,838	1,140,838
Operating transfers out	(635,480)		(505,358)	(1,140,838)
Sale of capital assets	52,825			52,825
Total other financing sources (uses)	(580,655)	34,850,102	633,480	34,902,927
<b>NET CHANGE IN FUND BALANCES</b>	488,533	34,569,541	409,167	35,467,241
<b>FUND BALANCES:</b>				
Beginning of year	3,446,109		2,197,768	5,643,877
End of year	\$ 3,934,642	\$ 34,569,541	\$ 2,606,935	\$ 41,111,118

**GRAND LEDGE PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007**

**Net change in fund balances total governmental funds** \$ 35,467,241

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

Governmental funds report capital outlays as expenditures in the statement of activities.

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

Depreciation expense	(2,557,852)
Capital outlay	1,169,316
Gain on sale of capital assets	39,967
Proceeds from sale of capital assets	(52,825)

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, beginning of the year	446,809
Accrued interest payable, end of the year	(766,430)

Proceeds and repayments of principal on long-term debt are other financing

sources and expenditures in the governmental funds, but not in the statement of activities  
(where they are additions and reductions of liabilities)

Proceed from bond issuance	(34,850,102)
Payment on debt	2,934,258
Amortization expense	(16,899)
Amortization premium	90,230
Amortization of deferred amount on bond refunding	(69,709)
Deferred amount of bond issuance costs	328,084

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 retirement and severance benefits, beginning of the year	191,100
Accrued retirement and severance benefits, end of the year	(160,990)
Accrued compensated absences, beginning of the year	418,599
Accrued compensated absences, end of the year	(410,767)
Accrued voluntary severance plan, beginning of the year	300,000
Accrued voluntary severance plan, end of the year	(2,017,500)

**Change in net assets of governmental activities** \$ 482,530

**GRAND LEDGE PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2007**

	Private purpose trust fund	Agency
<b>ASSETS</b>		
Cash	\$ 69,336	\$ 285,951
<b>LIABILITIES AND FUND BALANCES</b>		
Due to student groups	\$	\$ 285,951
Fund balances:		
Reserved for scholarships	69,336	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 69,336</b>	<b>\$ 285,951</b>

**GRAND LEDGE PUBLIC SCHOOLS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**YEAR ENDED JUNE 30, 2007**

	Private purpose trust fund
<b>ADDITIONS:</b>	
Interest earnings	\$ 2,467
 <b>DEDUCTIONS:</b>	
Scholarships awarded	5,049
<b>CHANGE IN NET ASSETS</b>	(2,582)
 <b>NET ASSETS:</b>	
Beginning of year	71,918
End of year	\$ 69,336

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Grand Ledge Public 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.

**A. Reporting Entity**

The Grand Ledge Public Schools (the "District") is governed by the Grand Ledge Public 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 of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by 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 Statements No. 14 and No. 39.

**B. 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.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Continued)**

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.)

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 *2007 capital projects fund* accounts for the receipt of debt proceeds for school buildings and site.

The capital projects fund includes 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.

The following is a summary of the revenue and expenditures for the capital project bond activity since inception:

Revenue and bond proceeds	<u><u>\$ 34,897,625</u></u>
Expenditures	<u><u>\$ 328,084</u></u>

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Concluded)**

**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, athletic activities, community service and school store in the special revenue funds.

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

The *capital projects funds* account for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

The *2005 land acquisition capital projects* accounts for the receipt of debt proceeds and the acquisition of land.

**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 funds* account for funds entrusted to the District for scholarship awards and both the principal and interest may be spent. These funds are not reported 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 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).

**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.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method (Concluded)**

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 Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil 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 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 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**State Revenue (Concluded)**

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, approximately \$777,000 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.

**D. Other Accounting Policies**

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 GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as 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 district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

2. 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:

Fund	Mills
General Fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	3.9000
Sinking fund - Homestead and non-homestead	0.9830

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

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:

Building and improvements	20 - 50 years
Buses and other vehicles	5 - 10 years
Equipment and furniture	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated absences

The District's policies generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences and other severance benefits 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.

7. 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 sources while discounts 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.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

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 (1968 PA 2). 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, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. The Chief Financial Officer 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.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)**

5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Rating</u>	<u>%</u>
MILAF External Investment pool - MIMAX	\$ 3,204,046	0.0027	AAAm	92%
MBIA	<u>297,170</u>	0.0027	AAA-V1	<u>8%</u>
Total fair value	<u><u>\$ 3,501,216</u></u>			<u><u>100.0%</u></u>
Portfolio weighted average maturity		<u><u>0.0027</u></u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which 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.

The other fund is MBIA. MBIA is also an external pooled investment fund of "qualified" investments for Michigan School Districts. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of June 30, 2007, the fair value of the District's investments is the same as the value of the pooled shares.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

**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, \$40,898,215 of the District's bank balance of \$41,069,285 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The carrying amount on the financial statements is \$40,865,859.

Fiduciary fund balances are not included in the above balances. As of June 30, 2007 \$198,518 of the fiduciary fund's bank balance of \$423,976 was exposed to custodial credit risk because it was uninsured or uncollateralized. The bank balance includes approximately \$100,000 of certificates of deposit.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, 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.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

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

The carrying amount of deposits and investments is as follows:

Deposits - including fiduciary funds of \$355,287	\$ 41,221,146
Investments	<u>3,501,216</u>
	<u>\$ 44,722,362</u>

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

Cash restricted - 2007 bond proceeds	\$ 34,622,224
Cash - fiduciary funds	355,287
Cash - district-wide	6,243,635
Investments - district-wide	<u>3,501,216</u>
	<u>\$ 44,722,362</u>

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,344,228	\$ 145,276	\$ 2,030	\$ 4,487,474
Capital assets, being depreciated:				
Buildings and building improvements	75,547,761	98,025		75,645,786
Site improvements	645,493	360,605		1,006,098
Equipment, computers and furnishing	17,834,831	309,267	8,570	18,135,528
School buses	3,014,006	219,644	57,630	3,176,020
Vehicles	404,700	36,500	30,051	411,149
Total capital assets, being depreciated	<u>97,446,791</u>	<u>1,024,041</u>	<u>96,251</u>	<u>98,374,581</u>
Accumulated depreciation:				
Buildings and building improvements	18,606,424	1,335,763	557	19,941,630
Site improvements	70,114			70,114
Equipment, computers and furnishing	10,632,382	942,314		11,574,696
School buses	2,144,905	279,775	84,866	2,339,814
Vehicles	305,594			305,594
Total accumulated depreciation	<u>31,759,419</u>	<u>2,557,852</u>	<u>85,423</u>	<u>34,231,848</u>
Net capital assets being depreciated	<u>65,687,372</u>	<u>(1,533,811)</u>	<u>10,828</u>	<u>64,142,733</u>
Net governmental capital assets	<u>\$ 70,031,600</u>	<u>\$ (1,388,535)</u>	<u>\$ 12,858</u>	<u>\$ 68,630,207</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$2,557,852. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2007 consist of the following:

Other governmental units:

State aid	<u>\$ 5,279,289</u>
ISD special education final payment	\$ 1,166,151
Other	<u>359,175</u>
	<u><u>\$ 1,525,326</u></u>

**NOTE 6 - NOTE PAYABLE**

At June 30, 2007, the District has a note payable outstanding of \$4,750,000. The note has an interest rate of 3.68% and matures August 20, 2007. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2006	Additions	Payments	Balance June 30, 2007
\$ 3,900,000	\$ 4,750,000	\$ 3,900,000	\$ 4,750,000

Subsequent to year-end, the District set aside an additional amount to pay off the note principal and related interest expense. The District has approved a note payable of \$4,250,000 for the fiscal year ending June 30, 2008.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2007:

	Accumulated compensated absences	Accumulated severance benefits	Voluntary severance plan	Bonds and other debt	Total
Balance, July 1, 2006	\$ 418,599	\$ 191,100	\$ 300,000	\$ 55,535,599	\$ 56,445,298
Additions			1,867,500	34,850,102	36,717,602
Deletions	<u>7,832</u>	<u>30,110</u>	<u>150,000</u>	<u>2,954,778</u>	<u>3,142,720</u>
Balance, June 30, 2007	410,767	160,990	2,017,500	87,430,923	90,020,180
Less current portion	<u>25,000</u>	<u>25,000</u>	<u>727,500</u>	<u>3,452,026</u>	<u>4,229,526</u>
Total due after one year	<u>\$ 385,767</u>	<u>\$ 135,990</u>	<u>\$ 1,290,000</u>	<u>\$ 83,978,897</u>	<u>\$ 85,790,654</u>

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Continued)**

Long-term obligation debt at June 30, 2007 is comprised of the following:

Serial bond due in annual installments of \$50,000 to \$3,050,000 from May 1, 2008 through May 1, 2024, interest at 2.75% to 5.00%.	\$ 31,235,000
Serial bond due in annual installments of \$225,000 to \$1,300,000 from May 1, 2008 through May 1, 2037, interest at 4.00% to 5.00%.	33,915,000
School property acquisition bond due in annual installments of \$430,000 to \$490,000 from May 1, 2008 through May 1, 2012, interest at 3.000% to 3.625%	2,295,000
Serial bond due in annual installments of \$350,000 to \$2,890,000 through May 1, 2011, interest at 5.15% to 5.45%.	8,865,000
Serial bond due in annual installments of \$5,000 to \$2,185,000 through May 1, 2014, interest at 4.10% to 4.75%.	8,520,000
Less: deferred amount on bond refunding	(1,156,004)
Plus: premiums on bond refundings	2,469,019
	86,143,015
Limited Obligation (Durant) serial bonds due in annual installments of \$52,081 to \$320,726 from May 15, 2009 through May 15, 2013; interest at 4.76% due annually.	552,564
Total bonded debt	86,695,579
Installment note payable due in annual installments of \$60,666 through July 25, 2009, interest at 2.64%	151,666
Installment note payable due in annual installments of \$17,232 through July 25, 2007, interest at 2.49%	17,232
Installment note payable due in annual installments of \$109,375 through November 1, 2011, interest at 3.53%	492,188
Installment note payable due in annual installments of \$24,752 through May 1, 2010, interest at 5.59%	74,258
Obligation under contract for compensated absences	410,767
Obligation under contract for severance benefits	160,990
Obligation under contract for voluntary severance payable	2,017,500
Total general long-term debt	\$ 90,020,180

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Concluded)**

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

During the year, the District issued bonds of \$33,915,000 for school capital projects purposes.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2007, \$72,170,000 of bonds outstanding are considered defeased.

The District has entered into voluntary termination benefit arrangements with certain employees. The original agreement provides for a total payment to each individual of \$25,000. This amount is paid out over 3 equal payments. There are currently 18 employees entitled to future payments. Another agreement provides for a total payment to each individual of \$45,000. This amount is paid out over 3 equal payments. There are currently 42 employees entitled to future payments. The liability has been recorded at the face amount, as the discounted present value approximates the face amount of the liability.

The annual requirement to amortize debt outstanding as of June 30, 2007, including interest payments of \$49,424,782 are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 3,452,026	\$ 3,797,273	\$ 7,249,299
2009	3,901,875	3,891,766	7,793,641
2010	4,475,187	3,815,365	8,290,552
2011	4,496,532	3,501,638	7,998,170
2012	3,944,563	3,280,105	7,224,668
2013-2017	19,167,725	13,948,585	33,116,310
2018-2022	21,475,000	9,285,050	30,760,050
2023-2027	12,205,000	4,505,500	16,710,500
2028-2032	6,500,000	2,473,250	8,973,250
2033-2037	6,500,000	926,250	7,426,250
	86,117,908	49,424,782	135,542,690
Deferred amount on bond refunding	(1,156,004)		(1,156,004)
Premium on bond refunding	2,469,019		2,469,019
Accumulated compensated absences	410,767		410,767
Accumulated severance benefits	160,990		160,990
Voluntary severance payable	2,017,500		2,017,500
	<u>\$ 90,020,180</u>	<u>\$ 49,424,782</u>	<u>\$ 139,444,962</u>

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2007 are as follows:

Receivable fund		Payable fund	
General	\$ 531,751	General	\$ 8,649
Special revenue	8,622	Special revenue	531,748
Debt service	21	Debt service	2
Capital projects	5		
	\$ 540,399		\$ 540,399

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 system, and (3) payments between funds are made.

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. 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; 4.3% of all wages over \$15,000.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)**

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 rate 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% of payroll through September 30, 2006 and increased to 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 contributions to MPSERS for the year ended June 30, 2007, 2006, and 2005 were \$4,460,511, \$4,181,927 and \$3,663,310, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits or post-employment benefits which is the responsibility of the State of Michigan.

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct 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 annual premiums to the pool for the respective 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 specific 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 property and casualty errors and omissions, fleet and employee health and accident insurance.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - TRANSFERS**

The general fund transferred \$635,480 to the athletic fund and the school store fund transferred \$2,000 to the general fund during the current fiscal year. The transfer to the athletic fund was to cover the expenditures in excess of revenues. The transfer from the school store fund to the general fund was to reimburse expenditures. The sinking fund transferred \$503,358 to the 2005 land acquisition debt service fund. This is an annual transfer for debt payments.

**NOTE 12 - OPERATING LEASES**

The District leases copiers under an operating lease agreement expiring July 2008. Minimum rental commitments at June 30, 2007 for all non-cancelable operating leases are as follows:

Year ending June 30,	
<hr/>	
2008	<u><u>\$ 3,992</u></u>

**NOTE 13 - LAND OPTION**

Grand Ledge Public Schools holds an option on approximately 92 acres on Grand River Avenue pursuant to an option agreement dated August 10, 2005. The option price is \$1.00 with the stipulations that the option must be exercised on or before August 31, 2025. Additionally, the option agreement stipulates that the land must be used for the purpose of building one or more schools including playgrounds and athletic facilities.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GRAND LEDGE PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2007**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES:</b>				
Local	\$ 7,553,780	\$ 8,289,238	\$ 8,429,510	\$ 140,272
State sources	31,406,628	31,862,121	31,543,313	(318,808)
Federal sources	787,298	793,817	817,107	23,290
Incoming transfers and other transactions	1,808,033	1,620,742	1,706,014	85,272
Total revenues	<u>41,555,740</u>	<u>42,565,918</u>	<u>42,495,944</u>	<u>(69,974)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	18,917,876	19,961,445	19,757,481	203,964
Added needs	6,310,650	6,376,342	6,213,687	162,655
Adult and community education	234,029	170,180	161,287	8,893
Total instruction	<u>25,462,555</u>	<u>26,507,967</u>	<u>26,132,455</u>	<u>375,512</u>
Support services:				
Pupil	1,238,005	1,009,868	979,125	30,743
Instructional staff	1,152,421	1,179,737	1,140,045	39,692
General administration	494,099	518,206	496,002	22,204
School administration	2,760,603	2,623,755	2,571,318	52,437
Business	597,360	644,488	675,344	(30,856)
Operations and maintenance	4,910,531	4,859,030	4,633,128	225,902
Transportation	2,312,005	2,372,530	2,358,106	14,424
Central and technology	1,000,983	1,168,905	1,134,126	34,779
Total support services	<u>14,466,008</u>	<u>14,376,519</u>	<u>13,987,194</u>	<u>389,325</u>
Community services		2,800		2,800
Outgoing transfers and other transactions	1,908,684	1,311,695	1,307,107	4,588
Total expenditures	<u>41,837,246</u>	<u>42,198,981</u>	<u>41,426,756</u>	<u>772,225</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(281,506)</u>	<u>366,937</u>	<u>1,069,188</u>	<u>702,251</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan proceeds	123,763			
Operating transfers in		2,000	2,000	
Operating transfers out	(708,475)	(635,480)	(635,480)	
Sale of capital assets		36,100	52,825	16,725
Total other financing sources (uses)	<u>(584,712)</u>	<u>(597,380)</u>	<u>(580,655)</u>	<u>16,725</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (866,219)</u>	<u>\$ (230,443)</u>	<u>488,533</u>	<u>\$ 718,976</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>3,446,109</u>	
End of year			<u>\$ 3,934,642</u>	

**ADDITIONAL INFORMATION**

**GRAND LEDGE PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2007**

	<b>Special revenue</b>	<b>Debt service</b>	<b>Capital projects sinking fund</b>	<b>Total nonmajor governmental funds</b>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 630,553	\$ 1,415,695	\$ 1,002,742	\$ 3,048,990
Receivables:				
Tax receivable		16,058	4,025	20,083
Due from other funds	8,622	21	5	8,648
Other	39,710			39,710
Inventories	28,697			28,697
Prepaid expenses	80,000			80,000
	<b>\$ 787,582</b>	<b>\$ 1,431,774</b>	<b>\$ 1,006,772</b>	<b>\$ 3,226,128</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 16,956	\$	\$	\$ 16,956
Accrued salaries and related items	29,323			29,323
Deferred revenue	22,869	13,933	4,025	40,827
Accrued interest		337		337
Due to other funds	531,748	2		531,750
	<b>600,896</b>	<b>14,272</b>	<b>4,025</b>	<b>619,193</b>
<b>FUND BALANCES:</b>				
Reserved for debt service		1,417,502		1,417,502
Reserved for prepaid expenditures	80,000			80,000
Reserved for inventories	28,697			28,697
Designated for subsequent year's expenditures			1,002,747	1,002,747
Undesignated	77,989			77,989
	<b>186,686</b>	<b>1,417,502</b>	<b>1,002,747</b>	<b>2,606,935</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 787,582</b>	<b>\$ 1,431,774</b>	<b>\$ 1,006,772</b>	<b>\$ 3,226,128</b>

**GRAND LEDGE PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2007**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects sinking fund</u>	<u>Total nonmajor governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$	\$5,105,723	\$ 1,259,986	\$ 6,365,709
Investment income	22,696	2,344	47,625	72,665
Other	1,837,100		13,001	1,850,101
Total local sources	1,859,796	5,108,067	1,320,612	8,288,475
State sources	63,693			63,693
Federal sources	408,887			408,887
Total revenues	2,332,376	5,108,067	1,320,612	8,761,055
<b>EXPENDITURES:</b>				
Current :				
Athletics	994,939			994,939
Food service	1,615,914			1,615,914
Community service	383,022			383,022
School store	23,008			23,008
Capital outlay			608,635	608,635
Debt service:				
Principal retirement		2,705,000	109,375	2,814,375
Interest and fiscal charges		2,525,205	20,270	2,545,475
Total expenditures	3,016,883	5,230,205	738,280	8,985,368
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(684,507)	(122,138)	582,332	(224,313)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	635,480	503,358		1,138,838
Operating transfers out	(2,000)		(503,358)	(505,358)
Total other financing sources (uses)	633,480	503,358	(503,358)	633,480
<b>NET CHANGE IN FUND BALANCES</b>	(51,027)	381,220	78,974	409,167
<b>FUND BALANCES:</b>				
Beginning of year	237,713	1,036,282	923,773	2,197,768
End of year	\$ 186,686	\$ 1,417,502	\$ 1,002,747	\$ 2,606,935

**GRAND LEDGE PUBLIC SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2007**

	<b>Food service fund</b>	<b>Athletics fund</b>	<b>Community service fund</b>	<b>School store</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 259,657	\$ 361,804	\$	\$ 9,092	\$ 630,553
Accounts receivable	25,037		14,673		39,710
Inventory	18,081			10,616	28,697
Prepaid expense	80,000				80,000
Due from other funds			8,622		8,622
<b>TOTAL ASSETS</b>	<b><u>\$ 382,775</u></b>	<b><u>\$ 361,804</u></b>	<b><u>\$ 23,295</u></b>	<b><u>\$ 19,708</u></b>	<b><u>\$ 787,582</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 14,176	\$ 533	\$ 2,247	\$	\$ 16,956
Accrued salaries and related items	202	14,023	15,098		29,323
Deferred revenue	22,869				22,869
Due to other funds	230,588	301,155	5		531,748
Total liabilities	267,835	315,711	17,350		600,896
Fund balances	114,940	46,093	5,945	19,708	186,686
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 382,775</u></b>	<b><u>\$ 361,804</u></b>	<b><u>\$ 23,295</u></b>	<b><u>\$ 19,708</u></b>	<b><u>\$ 787,582</u></b>

**GRAND LEDGE PUBLIC SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2007**

	<u>Food service fund</u>	<u>Athletics fund</u>	<u>Community service fund</u>	<u>School store</u>	<u>Total</u>
<b>REVENUES:</b>					
Sale of lunches and milk	\$ 1,165,413	\$	\$	\$	\$ 1,165,413
Federal aid	408,887				408,887
State aid	63,693				63,693
Interest	21,466	1,130		100	22,696
Athletic events		257,212			257,212
Tuition and other			384,340		384,340
Bookstore sales				30,135	30,135
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,659,459	258,342	384,340	30,235	2,332,376
<b>EXPENDITURES:</b>					
Salaries and wages	429,725	580,276	203,367		1,213,368
Employee benefits	156,033	131,981	87,064		375,078
Supplies and other expenses	258,198	282,024	92,591	5,523	638,336
Food costs	700,352			17,485	717,837
Capital outlay	24,301	658			24,959
Indirect costs	47,305				47,305
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,615,914	994,939	383,022	23,008	3,016,883
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	43,545	(736,597)	1,318	7,227	(684,507)
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in		635,480			635,480
Operating transfers out				(2,000)	(2,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)		635,480		(2,000)	633,480
<b>NET CHANGE IN FUND BALANCES</b>					
	43,545	(101,117)	1,318	5,227	(51,027)
<b>FUND BALANCES, beginning of year</b>					
	71,395	147,210	4,627	14,481	237,713
<b>FUND BALANCES, end of year</b>					
	<u>\$ 114,940</u>	<u>\$ 46,093</u>	<u>\$ 5,945</u>	<u>\$ 19,708</u>	<u>\$ 186,686</u>

**GRAND LEDGE PUBLIC SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2007**

<b>ASSETS</b>	<b>1995</b>	<b>1999</b>	<b>2005</b>	<b>2005 land acquisition</b>	<b>Total</b>
Cash and cash equivalents	\$ 223,446	\$ 701,353	\$ 486,840	\$ 4,056	\$ 1,415,695
Tax receivable	3,700	8,417	3,941		16,058
Due from other funds	4	11	6		21
<b>TOTAL ASSETS</b>	<b>\$ 227,150</b>	<b>\$ 709,781</b>	<b>\$ 490,787</b>	<b>\$ 4,056</b>	<b>\$ 1,431,774</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$	\$ 2	\$	\$	\$ 2
Other	121	185	31		337
Deferred taxes	1,862	8,130	3,941		13,933
<b>Total liabilities</b>	<b>1,983</b>	<b>8,317</b>	<b>3,972</b>		<b>14,272</b>
Fund balances:					
Reserved for debt service	225,167	701,464	486,815	4,056	1,417,502
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 227,150</b>	<b>\$ 709,781</b>	<b>\$ 490,787</b>	<b>\$ 4,056</b>	<b>\$ 1,431,774</b>

**GRAND LEDGE PUBLIC SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2007**

	<u>1995</u>	<u>1999</u>	<u>2005</u>	<u>2005 land acquisition</u>	<u>Total</u>
<b>REVENUES:</b>					
Local sources:					
Current taxes	\$ 851,495	\$ 2,626,432	\$ 1,627,796	\$	\$ 5,105,723
Interest on investments				2,344	2,344
Total revenues	<u>851,495</u>	<u>2,626,432</u>	<u>1,627,796</u>	<u>2,344</u>	<u>5,108,067</u>
<b>EXPENDITURES:</b>					
Redemption of bonds	330,000	1,960,000		415,000	2,705,000
Interest on bonds	490,348	467,320	1,471,210	90,138	2,519,016
Other debt retirement expenses	1,147	2,834	1,968	240	6,189
Total expenditures	<u>821,495</u>	<u>2,430,154</u>	<u>1,473,178</u>	<u>505,378</u>	<u>5,230,205</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>30,000</u>	<u>196,278</u>	<u>154,618</u>	<u>(503,034)</u>	<u>(122,138)</u>
<b>OTHER FINANCING SOURCES:</b>					
Operating transfer in				503,358	503,358
<b>NET CHANGE IN FUND BALANCES</b>	30,000	196,278	154,618	324	381,220
<b>FUND BALANCES, beginning of year</b>	<u>195,167</u>	<u>505,186</u>	<u>332,197</u>	<u>3,732</u>	<u>1,036,282</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 225,167</u>	<u>\$ 701,464</u>	<u>\$ 486,815</u>	<u>\$ 4,056</u>	<u>\$ 1,417,502</u>

**GRAND LEDGE PUBLIC SCHOOLS  
AGENCY FUNDS  
(INTERNAL FUNDS)  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY ACTIVITY  
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
High School:				
AAU sports	\$ 5	\$	\$	\$ 5
AP English	651	276	38	889
Art Fund	1,048	2,036	2,810	274
All School Author		7,962	7,275	687
Asthma Dinner		930	756	174
Auditorium	4,114	500	1,340	3,274
Auto Shop	781	45		826
Auto Shop - Jerry Meredith	358			358
Band (camp)	22,519	39,959	46,278	16,200
Band (general)	9,160	32,246	38,262	3,144
Band uniform fund	5,479	7,625	13,104	
Change	277	767	534	510
Cheerleaders	276			276
Choir	7,041	45,899	44,740	8,200
Class of 1982	3,636		370	3,266
Class of 1993	1,487			1,487
Class of 1994	1,245			1,245
Class of 1996	20			20
Class of 1998	1,317			1,317
Class of 1999	3,399			3,399
Class of 2001	2,038			2,038
Class of 2002	4,832		4,832	
Class of 2003	3,467			3,467
Class of 2004	3,947		3,000	947
Class of 2005	1,143			1,143
Class of 2006	4,951	511		5,462
Class of 2007	3,889	26,033	24,090	5,832
Class of 2008	2,380	20,613	18,772	4,221
Class of 2009	4,927	137	2,006	3,058
Class of 2010		9,976	5,980	3,996

**GRAND LEDGE PUBLIC SCHOOLS  
 AGENCY FUNDS  
 (INTERNAL FUNDS)  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND LIABILITIES BY ACTIVITY  
 YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
High School (Continued):				
Comets tale	\$ 661	\$ 2,187	\$ 2,749	\$ 99
Debate club	140	575	729	(14)
Drafting	253	510	538	225
Drama	1,513	927	1,096	1,344
Ecology club	559		400	159
Foreign exchange	187	1,538	1,725	
Forensics	(65)	436	195	176
French club	446	6,887	6,697	636
General fund account	431	3,392	3,187	636
German club	5,122	4,070	4,561	4,631
Girls Tennis	908	2,994	3,373	529
Girls Soccer	745	3,081	3,298	528
Girls golf	132			132
Guidance/scholarship	558	12,459	12,549	468
Habitat for Humanity	409	389	693	105
Homeless		1,471	130	1,341
Honor Society	798	3,895	4,455	238
Latino club	139			139
Library	3,099	1,202	50	4,251
Links		2,666	2,351	315
Machine shop	226	610	629	207
Men's cross	3,745	1,188	1,655	3,278
News	1,400		416	984
PALS	8,671	4,434	4,390	8,715
Parking fund	2,659	11	873	1,797
Physics class	1,215	6,910	7,104	1,021
Pottery fund	131	85	143	73
Quiz Bowl	2,364	180	2,544	
Raze	90			90

**GRAND LEDGE PUBLIC SCHOOLS  
AGENCY FUNDS  
(INTERNAL FUNDS)  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY ACTIVITY  
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>High School (Concluded):</b>				
Rotary	\$ 450	\$ 390	\$ 350	\$ 490
S.A.D.D.	715	2,172	1,768	1,119
Sign fund	22,000	3,000		25,000
Science Olympiad	2			2
Ski club	1,150	25,308	24,976	1,482
Soccer club	262	7,043	4,946	2,359
Softball club	203	80	186	97
Spanish club	11			11
Spring play	5,936			5,936
Student council	2,231	9,280	8,153	3,358
Student TCH Honorarium		260	250	10
Swimming	105			105
Teacher pop fund	538	588	1,035	91
Thespian club	18,816	34,885	35,828	17,873
Track club - boys	83			83
Track club - girls	19			19
Year book	5,599	18,723	10,328	13,994
Women's cross	146	1,025	1,162	9
Wrestling club	6			6
<b>Middle School:</b>				
Beagle band	654	4,760	4,922	492
Beagle general account	23,294	29,780	30,885	22,189
Beagle student council	4,224	5,968	3,079	7,113
Beagle teacher pop fund	1,794	886	1,219	1,461
Hayes band	3,037	17,905	19,705	1,237
Hayes bowling		765		765
Hayes general account	951	12,591	11,941	1,601
Hayes shop	69		69	
Hayes encore	5,617	1,155	1,434	5,338

**GRAND LEDGE PUBLIC SCHOOLS  
AGENCY FUNDS  
(INTERNAL FUNDS)  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY ACTIVITY  
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Middle School (Concluded):				
Hayes eighth grade camp	\$ 510	\$	\$ 244	\$ 266
Hayes phys ed donation	3			3
Hayes pom pom's	116			116
Hayes R Bradke TCH		2,069		2,069
Hayes seventh grade camp	1,226	4,135	4,210	1,151
Hayes sixth grade camp	1,885	3,277	4,942	220
Hayes ski club	342	16,261	15,165	1,438
Hayes student council	2,033	745	2,216	562
Hayes teacher pop fund	797	610	914	493
Volleyball project	1,875			1,875
Elementary schools:				
Delta Center general account	382	457	529	310
Delta Center teacher pop fund	1,712	901	1,494	1,119
Delta Center Library		2,068	993	1,075
Greenwood 5th grade trip	27			27
Greenwood general account	1,416	1,369	407	2,378
Greenwood literacy	1,991	1,417	2,011	1,397
Greenwood student council	55			55
Greenwood teacher pop fund	1,164	442	760	846
Greenwood United Way	1,759	1,000	300	2,459
Willow Ridge teacher pop fund	1,759	2,882	2,759	1,882
Willow Ridge fifth grade	4			4
Willow Ridge	(5)			(5)
Willow Ridge library	1,927	9,206	8,239	2,894
Willow Ridge student council	590	4,773	4,249	1,114
Holbrook	2,944	994	1,810	2,128
Holbrook PTA Principal	6	3,000	2,279	727
Holbrook - Wal-Mart	138	180	84	234

**GRAND LEDGE PUBLIC SCHOOLS  
AGENCY FUNDS  
(INTERNAL FUNDS)  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY ACTIVITY  
YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Elementary schools (Concluded):				
Holbrook Social	\$ (100)	\$ 1,569	\$ 1,220	\$ 249
Holbrook PTA	774	4,300	4,281	793
Holbrook PTA Bookroom		1,200	1,168	32
Holbrook - Early	27	4,515	4,073	469
Holbrook 5th grade	220	3,590	3,682	128
Holbrook Library	2,185	7,075	6,813	2,447
Holbrook teachers account	3,283	1,120	1,246	3,157
Neff general account	1,244	11,709	9,288	3,665
Neff student council	1	100		101
Neff student store	209	245	411	43
Neff teacher pop fund	835	692	682	845
Destination	30			30
Special education concession	162		162	
Wacousta 5th grade	(8)			(8)
Wacousta general account	1			1
Wacousta's outdoor class	299		120	179
Wacousta's teacher pop fund	(28)	646	131	487
Central office and other:				
Interest and miscellaneous	11,178	6,077	4,275	12,980
Pop fund	815	1,243	1,051	1,007
Sawdon High School Paint Ball	203			203
MSBO Golf	3,039	2,560	5,284	315
Special Ed.	6,892	1,880	3,556	5,216
Adult Ed. - Saginaw	270	291		561
Sawdon High School	6,468	2,937	3,249	6,156
	<u>\$ 291,490</u>	<u>\$ 541,711</u>	<u>\$ 547,250</u>	<u>\$ 285,951</u>

**GRAND LEDGE PUBLIC SCHOOLS  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2007 DEBT  
JUNE 30, 2007**

\$31,235,000 Bonds issued February 1, 2005:

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
May 1,	November 1,		June 30,	Amount
\$ 735,605	\$ 735,605	\$ 50,000	2008	\$ 1,521,210
734,918	734,917	100,000	2009	1,569,835
733,418	733,417	100,000	2010	1,566,835
731,918	731,917	100,000	2011	1,563,835
730,293	730,292	530,000	2012	1,990,585
721,018	721,017	600,000	2013	2,042,035
709,018	709,017	685,000	2014	2,103,035
695,318	695,317	2,670,000	2015	4,060,635
628,568	628,567	2,805,000	2016	4,062,135
574,571	574,571	2,915,000	2017	4,064,142
517,000	517,000	3,030,000	2018	4,064,000
441,250	441,250	3,050,000	2019	3,932,500
365,000	365,000	3,010,000	2020	3,740,000
289,750	289,750	2,965,000	2021	3,544,500
215,625	215,625	2,920,000	2022	3,351,250
142,625	142,625	2,875,000	2023	3,160,250
70,750	70,750	2,830,000	2024	2,971,500
<u>\$ 9,036,645</u>	<u>\$ 9,036,637</u>	<u>\$ 31,235,000</u>		<u>\$ 49,308,282</u>

The above bonds have interest rates from 2.75% to 5.00%. The bond proceeds were used to refinance a portion of the 1995 bond issue.

Original Issue	Amount Outstanding
<u>\$ 31,325,000</u>	<u>\$ 31,235,000</u>

**GRAND LEDGE PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2007 DEBT**  
**JUNE 30, 2007**

\$33,915,000 Bonds issued June 1, 2007:

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
May 1,	November 1,		June 30,	Amount
\$ 791,625	\$ 571,729	\$ 225,000	2008	\$ 1,588,354
787,125	787,125	325,000	2009	1,899,250
780,625	780,625	325,000	2010	1,886,250
774,125	774,125	325,000	2011	1,873,250
767,625	767,625	1,000,000	2012	2,535,250
747,625	747,625	1,050,000	2013	2,545,250
726,625	726,625	1,100,000	2014	2,553,250
704,625	704,625	1,150,000	2015	2,559,250
681,625	681,625	1,200,000	2016	2,563,250
651,625	651,625	1,215,000	2017	2,518,250
623,400	623,400	1,300,000	2018	2,546,800
595,400	595,400	1,300,000	2019	2,490,800
562,900	562,900	1,300,000	2020	2,425,800
530,400	530,400	1,300,000	2021	2,360,800
501,800	501,800	1,300,000	2022	2,303,600
472,875	472,875	1,300,000	2023	2,245,750
440,375	440,375	1,300,000	2024	2,180,750
407,875	407,875	1,300,000	2025	2,115,750
375,375	375,375	1,300,000	2026	2,050,750
342,875	342,875	1,300,000	2027	1,985,750
310,375	310,375	1,300,000	2028	1,920,750
277,875	277,875	1,300,000	2029	1,855,750
247,000	247,000	1,300,000	2030	1,794,000
216,125	216,125	1,300,000	2031	1,732,250
185,250	185,250	1,300,000	2032	1,670,500
154,375	154,375	1,300,000	2033	1,608,750
123,500	123,500	1,300,000	2034	1,547,000
92,625	92,625	1,300,000	2035	1,485,250
61,750	61,750	1,300,000	2036	1,423,500
30,875	30,875	1,300,000	2037	1,361,750
<u>\$ 13,966,275</u>	<u>\$ 13,746,379</u>	<u>\$ 33,915,000</u>		<u>\$ 61,627,654</u>

The above bonds have interest rates from 4.00% to 5.00%.

**GRAND LEDGE PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2007 DEBT**  
**JUNE 30, 2007**

\$3,125,000 bonds issued August 23, 2005 for the purpose of acquiring property, developing and improving the site.

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
May 1,	November 1,		June 30,	Amount
\$ 38,844	\$ 38,844	\$ 430,000	2008	\$ 507,688
32,394	32,394	440,000	2009	504,788
25,244	25,244	460,000	2010	510,488
17,194	17,194	475,000	2011	509,388
8,881	8,881	490,000	2012	507,762
<u>\$ 122,557</u>	<u>\$ 122,557</u>	<u>\$ 2,295,000</u>		<u>\$ 2,540,114</u>

The above bonds have interest rates from 3.000% to 3.625%.

**GRAND LEDGE PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1995**  
**JUNE 30, 2007**

\$43,280,000 Bonds issued November 1, 1995 for the purpose of erecting, furnishing and equipping additions to, and partially remodel and re-equip the Sawdon School for Board of Education, administrative, adult education, and community use and the Grand Ledge High School facility and develop and improve the outdoor athletic facilities; to construct and equip a district-wide operations facility and purchase and install technology systems and equipment for the above stated school facilities and improve the sites.

The maturity amount of the original issue was \$43,280,000 of which \$31,370,000 was defeased upon issuance of the 2005 refunding bonds. The portion of the bond issue that was not defeased and remains outstanding consists of the following:

<u>Interest due</u>		Principal due May 1,	<u>Debt service requirement for fiscal year</u>	
<u>May 1,</u>	<u>November 1,</u>		<u>June 30,</u>	<u>Amount</u>
\$ 236,841	\$ 236,841	\$ 350,000	2008	\$ 823,682
227,829	227,828	2,785,000	2009	3,240,657
154,723	154,722	2,840,000	2010	3,149,445
78,753	78,752	2,890,000	2011	3,047,505
<u>\$ 698,146</u>	<u>\$ 698,143</u>	<u>\$ 8,865,000</u>		<u>\$ 10,261,289</u>

The above bonds have interest rates from 5.15% to 5.45%.

**GRAND LEDGE PUBLIC SCHOOLS  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1999  
JUNE 30, 2007**

\$16,860,000 bonds issued May 1, 1999 for the purpose of refunding the 1994 bonds.

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
May 1,	November 1,		June 30,	Amount
\$ 193,480	\$ 193,480	\$ 2,185,000	2008	\$ 2,571,960
148,141	148,141	5,000	2009	301,282
148,034	148,034	265,000	2010	561,068
142,138	142,137	540,000	2011	824,275
129,853	129,852	1,810,000	2012	2,069,705
87,770	87,770	1,845,000	2013	2,020,540
44,413	44,412	1,870,000	2014	1,958,825
<u>\$ 893,829</u>	<u>\$ 893,826</u>	<u>\$ 8,520,000</u>		<u>\$ 10,307,655</u>

The above bonds have interest rates from 4.10% to 4.75%.

**GRAND LEDGE PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1998 DURANT**  
**JUNE 30, 2007**

\$935,814 Durant Bond – issued on November 24, 1998

Principal due May 15,	Interest due May 15,	Debt service requirement for fiscal year	
		June 30,	Amount
\$ -	\$ -	2008	\$ -
52,081	13,636	2009	65,717
320,726	120,809	2010	441,535
57,157	8,559	2011	65,716
59,875	5,837	2012	65,712
62,725	2,987	2013	65,712
<u>\$ 552,564</u>	<u>\$ 151,828</u>		<u>\$ 704,392</u>

This bond is not subject to redemption prior to maturity by the District and the District hereby covenants that it will not issue any other bonds or obligations for the purpose of refunding this bond. The 4.76% interest rates payable on this bond may be adjusted in the sole discretion of the Authority provided that no interest rate shall exceed the maximum rate permitted by law and no interest rate adjustment which causes the total interest payable on this bond to increase shall be permitted.

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 District (the “State Aid Payments”). The 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 District and does not constitute an indebtedness of the District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority’s depository.

**GRAND LEDGE PUBLIC SCHOOLS  
SCHEDULE OF INSTALLMENT NOTE PAYABLE  
JUNE 30, 2007**

\$363,998 installment note payable dated January 2004 for bus purchases.

Principal due July 25,	Principal due January 25,	Interest July 25,	Interest due January 25,	Debt service requirement for fiscal year	
				June 30,	Amount
\$ 30,333	\$ 30,333	\$ 2,002	\$ 1,602	2008	\$ 64,270
30,333	30,333	1,201	801	2009	62,668
30,334		400		2010	30,734
<u>\$ 91,000</u>	<u>\$ 60,666</u>	<u>\$ 3,603</u>	<u>\$ 2,403</u>		<u>\$ 157,672</u>

The above note has an interest rate of 2.64%.

**GRAND LEDGE PUBLIC SCHOOLS  
SCHEDULE OF INSTALLMENT NOTE PAYABLE  
JUNE 30, 2007**

\$137,855 installment note payable dated January 2004 for copiers.

<u>Principal due</u> <u>July 25,</u>	<u>Principal due</u> <u>January 25,</u>	<u>Interest</u> <u>July 25,</u>	<u>Interest due</u> <u>January 25,</u>	<u>Debt service requirement</u> <u>for fiscal year</u>	
				<u>June 30,</u>	<u>Amount</u>
<u>\$ 17,232</u>	<u>\$</u>	<u>\$ 215</u>	<u>\$</u>	2008	<u>\$ 17,447</u>

The above note has an interest rate of 2.49%.

**GRAND LEDGE PUBLIC SCHOOLS  
SCHEDULE OF INSTALLMENT NOTE PAYABLE  
JUNE 30, 2007**

\$875,000 installment note payable dated May 2004 for the purchase of land.

Principal due November 1,	Principal due May 1,	Interest November 1,	Interest due May 1,	Debt service requirement for fiscal year	
				June 30,	Amount
\$ 54,687	\$ 54,688	\$ 8,687	\$ 7,722	2008	\$ 125,784
54,687	54,688	6,757	5,791	2009	121,923
54,687	54,688	4,826	3,861	2010	118,062
54,687	54,688	2,896	1,930	2011	114,201
54,688		965		2012	55,653
<u>\$ 273,436</u>	<u>\$ 218,752</u>	<u>\$ 24,131</u>	<u>\$ 19,304</u>		<u>\$ 535,623</u>

The above note has an interest rate of 3.53%.

**GRAND LEDGE PUBLIC SCHOOLS  
SCHEDULE OF INSTALLMENT NOTE PAYABLE  
JUNE 30, 2007**

\$123,763 installment note payable dated March 2006 for the purchase of band uniforms.

Principal due May 1,	Interest due May 1,	Debt service requirement for fiscal year	
		June 30,	Amount
\$ 24,752	\$ 4,151	2008	\$ 28,903
24,752	2,767	2009	27,519
24,754	1,383	2010	26,137
\$ 74,258	\$ 8,301		\$ 82,559

The above note has an interest rate of 5.59%.

**GRAND LEDGE PUBLIC SCHOOLS**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2007**

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

To the Board of Education  
Grand Ledge Public Schools  
Grand Ledge, Michigan

September 24, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Ledge Public Schools as of and for the year ended June 30, 2007, which collectively comprise Grand Ledge Public Schools' basic financial statements and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grand Ledge Public 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 Grand Ledge Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grand Ledge Public Schools' internal control over financial reporting.

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 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grand Ledge Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Grand Ledge Public Schools in a separate letter dated September 24, 2007.

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

*Mayer, Costenizer & Ellis, P.C.*

Certified Public Accountants



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

To the Board of Education  
Grand Ledge Public Schools  
Grand Ledge, Michigan

September 24, 2007

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

To the Board of Education  
Grand Ledge Public Schools

September 24, 2007

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grand Ledge Public Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated September 24, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Grand Ledge Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Mama, Costenosa & Ellis, P.C.*

Certified Public Accountants

**GRAND LEDGE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2006	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue 6/30/2007
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Child nutrition cluster:								
National School Lunch Program - Section 4	10.555	061950	\$ 93,401	\$	\$ 82,945	\$ 10,456	\$ 10,456	\$
National School Lunch Program - Section 4		071950	83,637			83,637	83,637	
National School Lunch Program - Section 11		061960	214,206		189,432	24,774	24,774	
National School Lunch Program - Section 11		071960	197,609			197,609	197,609	
			588,853		272,377	316,476	316,476	
National School Lunch Program - Breakfast	10.553	061970	30,915			30,914	30,914	
Total child nutrition cluster			619,768		272,377	347,390	347,390	
National School Lunch Program - Commodities:								
Entitlement:								
Entitlement	10.550		61,311			61,311	61,311	
Bonus			186			186	186	
			61,497			61,497	61,497	
Total U.S. Department of Agriculture			681,265		272,377	408,887	408,887	
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
ABE Section 306 Instruction								
	84.002	61130710717	10,000			10,000	10,000	
		71130710717	32,900			32,900	32,900	
			42,900			42,900	42,900	
Title 1	84.010	0615300506	431,269	50,744	395,164	36,106	36,106	
		0715300607	432,394			298,144	366,550	68,406
			863,663	50,744	395,164	334,250	402,656	68,406

The accompanying notes are an integral part of this schedule.

**GRAND LEDGE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2006	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue 6/30/2007
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title V LEA Allocation	84.298	0602500607 0702500607	\$ 2,182 1,099	\$	\$	\$ 2,182 199	\$ 2,182 1,099	\$ 900
			<u>3,281</u>			<u>2,381</u>	<u>3,281</u>	<u>900</u>
Technology literacy challenge grants	84.318	0642900607	4,046			2,411	4,029	1,618
Improving teacher quality	84.367	0605200506 0705200607	157,649 156,371	60,266	141,963	15,686 96,113	15,686 156,371	60,258
			<u>314,020</u>	<u>60,266</u>	<u>141,963</u>	<u>111,799</u>	<u>172,057</u>	<u>60,258</u>
Emergency Impact Aid-Hurricane Katrina	84.938	0641201	4,790			4,790	4,790	
Passed through the Eaton Intermediate School District IDEA (Special Ed)	84.027A	0704450	87,050			188	86,407	86,219
Total U.S. Department of Education			<u>1,319,750</u>	<u>111,010</u>	<u>537,127</u>	<u>498,719</u>	<u>716,120</u>	<u>217,401</u>
<u>U.S. Department of Human Services:</u>								
Passed through City of Grand Ledge:								
Juvenile Justice-Prevention Services Program	16.548	DP052300013	5,000			5,000	5,000	
Passed through the Eaton Intermediate School District Medicaid Outreach	93.778	2981894	84,442			84,442	84,442	
Total U.S. Department of Human Services			<u>89,442</u>			<u>89,442</u>	<u>89,442</u>	
<u>U.S. Department of Homeland Security:</u>								
Passed through Michigan Department of State Police:								
State Homeland Security Grant	97.004		13,340	(11,545)	1,795		11,545	
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,103,797</u>	<u>\$ 99,465</u>	<u>\$ 811,299</u>	<u>\$ 997,048</u>	<u>\$ 1,225,994</u>	<u>\$ 217,401</u>

The accompanying notes are an integral part of this schedule.

**GRAND LEDGE PUBLIC SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Grand Ledge Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. Child nutrition cluster, CFDA # 10.555 & 10.553 were audited as a major program, representing 28% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditors Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial

General fund	\$ 817,107
Special revenue fund	<u>408,887</u>
	<u><u>\$ 1,225,994</u></u>

**GRAND LEDGE PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unqualified

➤ Material weakness(es) identified: \_\_\_\_\_ Yes   X   No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

➤ Material weakness(es) identified: \_\_\_\_\_ Yes   X   No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555	National School Lunch Program
10.553	National School Lunch Program

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**GRAND LEDGE PUBLIC SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2007**

There were no audit findings required to be reported on this schedule for the year ended June 30, 2006.



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September 24, 2007

To the Board of Education  
Grand Ledge Public Schools  
Grand Ledge, Michigan

In planning and performing our audit of the financial statements of Grand Ledge Public 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 Grand Ledge Public School's 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 Grand Ledge Public School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grand Ledge Public School'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, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 24, 2007, on the financial statements of Grand Ledge Public Schools. Our comments are summarized as follows:

**Repeat comment**

**Information Technology Review**

As part of our audit, we performed a review of the District's information technology system. As a result of this review, we had several suggestions that we discussed with the District's personnel. The suggestions addressed were in the areas of offsite backup, disaster recovery plan, strategic plan, computer replacement, password change policy, record retention policy, accounting application and professional development.

**Current year comments**

**Purchase Cards**

As part of our audit, we reviewed the purchase card procedures and tested to ensure the procedures were being followed. In our testing, we found several findings. The weekly statement listing of employee expenses did not always have proper approval by an appropriate supervisor or manager. Our suggestions include having an appropriate manager or supervisor sign the weekly purchase card expense report. In addition, the employee who handles the reconciliations of the statements should initial at the top of the statement to indicate that he/she verified the weekly expense report showing appropriate approval by a supervisor or manager and that the purchases are accompanied with proper support (a sales receipt).

**Bonds - Not yet finalized**

For all bonds issued after May 1, 1994, a separate interim audit must be completed for each individual series of a bond authorization prior to the issuance of the next series. This interim audit must be completed within 120 days after completion of all projects and filed immediately with the Department of Treasury. This requirement is pursuant to Section 1351a(2) of Acts 451 of the Public Acts of 1976. The management of the District should contact us with information as to the completion of all capital projects meeting this requirement so we can perform our audit procedures in a timely manner.

**New Notification Requirements for Related Not-for-Profit Organizations with Gross Receipts of \$25,000 or less Such as Booster Groups and PTO's**

The Pension Protection Act of 2006 requires these organizations to file an annual electronic notice for tax periods beginning after December 31, 2006, if these organizations are not required to file Form 990 (or 990-EZ), Return of Organization Exempt From Income Tax because their gross receipts are normally \$25,000 or less.

If they are a section 509(a)(3) supporting organization, generally, they must file a paper or electronic Form 990 (or Form 990-EZ) even if their gross receipts are normally \$25,000 or less. However, if they are a supporting organization of a religious organization and their gross receipts are normally \$5,000 or less they may file an annual electronic notice instead of Form 990 (or Form 990-EZ).

The annual electronic notice is due by the 15<sup>th</sup> day of the fifth month after the close of their tax period. For example, if their tax period ends on December 31, 2007, the annual electronic notice is due May 15, 2008.

The notice will require these organizations to provide the following information:

- Organization's legal name,
- Any other names your organization uses,
- Organization's mailing address,
- Organization's website address (if applicable),
- Organization's employer identification number (EIN),
- Name and address of a principal officer of your organization.
- Organization's annual tax period,
- Verify that your organization's annual gross receipts are still normally \$25,000 or less, and;
- Indicate if your organization has terminated (is no longer in business).

### **IRS 403(b) Final Regulations**

#### Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

#### Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008.

Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

#### Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

#### Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

#### Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

#### New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

**New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees**

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can effect teachers an similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 - 2009 school year.

To the Board of Education  
Grand Ledge Public Schools  
Grand Ledge, Michigan

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September 24, 2007

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

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

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Mama, Costenison & Ellis, P.C.*



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September 24, 2007

To the Board of Education  
Grand Ledge Public Schools  
Grand Ledge, Michigan

We have audited the financial statements of Grand Ledge Public Schools for the year ended June 30, 2007, and have issued our report thereon dated September 24, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

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

In planning and performing our audit, we considered Grand Ledge Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Grand Ledge Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Grand Ledge Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

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

5. Disagreements with Management

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

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the school district's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have discussed SAS #112 and the ability of the District's personnel to independently prepare the external audit report including all required financial statement disclosures.

To the Board of Education  
Grand Ledge Public Schools  
Grand Ledge, Michigan

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September 24, 2007

8. Difficulties Encountered in Performing the Audit

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

This information is intended solely for the use of the Board of Education and management of Grand Ledge Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Mayer, Costenizer & Ellis, P.C.*