

ATHERTON COMMUNITY SCHOOLS

BURTON, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management’s Discussion and Analysis	II - IX
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Budgetary Comparison Schedules:	
General Fund	6
Notes to the Financial Statements	7 – 17
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	18
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	19
Combining Balance Sheet – School Service Fund	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Service Fund	21
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	22
Schedule 2 - General Fund - Schedule of Expenditures	23 – 26
Other Supplemental Schedules:	
Schedule 3 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	27 – 28
Schedule 4 - Schedule of Bond Principal and Interest Requirements	29



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

September 5, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Atherton Community Schools

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated September 5, 2007 on our consideration of the Atherton Community 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 information on pages II - IX, is not a required part of the basic financial statements but is 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 Atherton Community Schools' basic financial statements. The additional information reported on pages 19 - 30, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The additional 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.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Atherton Community Schools

3354 S. Genesee Road, Burton, Michigan 48519

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Atherton Community 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 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

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 year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis 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 the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

District Wide Financial Statements: (Continued)

These two statements report the Atherton Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

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

NET ASSETS SUMMARY

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets	\$2,406,977	\$2,483,628
Non-Current Assets	<u>10,150,418</u>	<u>10,410,904</u>
<u>TOTAL ASSETS</u>	<u>\$12,557,395</u>	<u>\$12,894,532</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,280,631	\$1,200,296
Long-Term Liabilities	<u>7,336,628</u>	<u>7,703,989</u>
Total Liabilities	\$8,617,259	\$8,904,285
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related debt	2,516,918	2,422,404
Restricted - Debt Service	95,996	52,132
Unrestricted	<u>1,327,222</u>	<u>1,515,711</u>
Total Net Assets	<u>\$3,940,136</u>	<u>\$3,990,247</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$12,557,395</u>	<u>\$12,894,532</u>

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

RESULTS OF OPERATIONS:

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

<u>REVENUES</u>	<u>2007</u>	<u>2006</u>
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$2,396,615	\$2,230,329
Property Taxes Levied for Debt Service	759,719	722,141
State of Michigan Unrestricted Foundation Aid	4,840,662	5,030,570
Other General Revenues	<u>134,004</u>	<u>143,521</u>
Total General Revenues	\$8,131,000	\$8,126,561
 <u>Operating Grants:</u>		
Federal	745,324	712,506
State of Michigan	550,008	519,666
Other Operating Grants	<u>170,074</u>	<u>199,824</u>
Total Operating Grants	\$1,465,406	\$1,431,996
 <u>Charges for Services:</u>		
Food Service	164,523	169,270
Athletics	30,878	39,357
Other Charges for Services	<u>7,975</u>	<u>1,450</u>
Total Charges for Services	<u>\$203,376</u>	<u>\$210,077</u>
Total Revenues	\$9,799,782	\$9,768,634
 <u>EXPENSES</u>		
Instruction & Instructional Support	5,575,979	5,301,408
Support Services	3,019,555	2,935,793
Community Services	35,083	41,564
Food Service	439,088	432,975
Athletics	144,647	157,407
Other Capital Outlay	0	120
Interest on Long-Term Debt	366,050	375,934
Depreciation	<u>269,491</u>	<u>269,491</u>
Total Expenses	<u>\$9,849,893</u>	<u>\$9,514,692</u>
 <u>INCREASE (DECREASE) IN NET ASSETS</u>	 (\$50,111)	 \$253,942
 <u>BEGINNING NET ASSETS</u>	 <u>3,990,247</u>	 <u>3,736,305</u>
 <u>ENDING NET ASSETS</u>	 <u><u>\$3,940,136</u></u>	 <u><u>\$3,990,247</u></u>

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets decreased by \$50,111 to a total of \$3,940,136. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$94,514 during the year due to purchases of new capital assets. The District's Unrestricted Net Assets decreased by \$188,489 during the year and the restricted portion of the net assets increased by \$43,864. The restricted Net Assets consist of the restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall expenditures exceeded its revenues for the year by \$50,111. The total revenues increased by \$31,148 over last years amounts; this was due to an increase in property tax collections. Expenses increased by \$335,201 over last year. Major changes were increases in depreciation, increases in wages from the settlement of collective bargaining agreements, increases in the costs of fringe benefits (health, dental, and vision insurance) and a mandatory increase from the Michigan School Personnel Retirement System in the amount contributed per employee. The district hired two additional teachers to maintain small class sizes in Kindergarten as well as one additional Special Services teacher to meet state mandated class size requirements in Special Education.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$274,744 during the year. Revenues and other financing sources for the year decreased by \$2,352. Property taxes increased by \$166,286 due to the increased valuations, new business coming in to the school district and increased collections efforts by the City Treasurer on delinquent personal property taxes. State aid decreased \$189,907 due to a loss of 64 students in September, 2006. The enrollment increased in February, 2007 by 42 students however, because the Michigan Department of Education calculates state aid for the current fiscal year using 75% of enrollment count from September and 25% of the enrollment count from the previous February, additional revenue from this increase will not be realized until the fiscal year ending June 30, 2008. Expenditures and other financing uses increased by \$346,099, primarily from increases in wages and fringe benefits and the hiring of additional staff as mentioned in the discussion of overall operations earlier in this document. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

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

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

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Atherton Community Schools foundation allowance was \$7,085 per student for the 2006-2007 school year. This was an increase from the 2005-2006 foundation allowance of \$6,875; an increase of \$210 per student. This increase was maintained by the State of Michigan only through the use of one time accounting changes and a reevaluation of the assets of the Michigan Public School Employees' Retirement System (MSPERS) that allowed districts to account for a credit due to a reduced rate.

3. Student Enrollment:

The District's student enrollment for the fall count of 2006-2007 was 1,025 students. This was a decrease of 64 students from the prior year. An analysis of the students who were no longer enrolled at Atherton demonstrated that as a result of the local economy and local job losses, 44 of those students either relocated from Genesee County or the State of Michigan to other counties or states.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.9172 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$2,396,615. This was an increase of \$166,286 or 7.0% from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$8,704,255	\$8,507,925	\$8,523,807	2.26%	0.19%
Expenditures	8,907,974	8,907,585	8,798,551	0.00%	1.22%
<u>TOTAL</u>	<u>(\$203,719)</u>	<u>(\$399,660)</u>	<u>(\$274,744)</u>		

ANALYSIS OF BUDGETS:

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

As a matter of practice, Atherton Community Schools amends its budget during the school year. The June, 2007 budget amendment was the final budget for the fiscal year.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ANALYSIS OF BUDGETS: (Continued)

Original vs. Final Budgets

Revenues

The variance in the amount of the original budget and the final budget reflects the conservative estimates used by administration and the Board of Education to adopt the budget. The budget for the school year is developed and adopted by June 30 of each year. The school district does not know at that time what the State of Michigan will appropriate for the foundation allowance nor does it know what will be appropriated from the various grant sources it utilizes. The actual appropriations become known in October, four months after the fiscal year has begun. Student enrollment is projected based on prior year's enrollment. The decline in enrollment in September 2006 adversely affected the amount of state foundation allowance the district expected to receive and the decline was greater than the Board of Education anticipated.

Expenditures

The variance in the amount of the original budget and final budget reflects the Board of Education's and administration's commitment to maintain staffing and programs once the school year had begun and to draw upon its general fund balance to offset the loss in enrollment. This was done assuming an upswing in the economy and a potential increase in enrollment, which was realized in February 2007.

Actual Results vs. Final Budgets

Revenues

The small difference in actual versus final revenues of .19% results from the greater utilization of grant revenue than anticipated when the final budget amendment was prepared.

Expenditures

The variance in actual versus budgeted expenditures of 1.22% reflects the commitment of the administration to reduce costs throughout the year due to the decline in enrollment. The variance of 1.22% compares with 1.58% in the fiscal year ending June 30, 2006.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-06	Increases 6-30-07	Principal Payments 6-30-07	Principal Balance 6-30-07
Durant Bonds	\$88,500	\$0	\$0	\$88,500
2001 Building & Site Bonds	7,900,000	0	355,000	7,545,000
Vacation & Sick Days Payable	78,088	40	0	78,128
<u>Total Long-Term Obligations</u>	<u>\$8,066,588</u>	<u>\$40</u>	<u>\$355,000</u>	<u>\$7,711,628</u>

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Capital Assets

The district's net investment in capital assets decreased by \$260,486 during the fiscal year. This can be summarized as follows:

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Capital Assets	\$14,370,138	\$65,075	\$0	\$14,435,213
Less: Accumulated Depreciation	(3,959,234)	(325,561)	0	(4,284,795)
<u>Net Investment Capital Outlay</u>	<u>\$10,410,904</u>	<u>(\$260,486)</u>	<u>\$0</u>	<u>\$10,150,418</u>

Significant additions were the purchase of computers to update the Middle School's fourth, fifth and sixth grade computer lab and the addition of ceiling projectors throughout the High School and in all Special Education classrooms. These projectors are part of the computer system utilized in the room by the teacher to better illustrate various teaching concepts, to participate in interactive classroom projects countywide and to better utilize the benefits of United Streaming. United Streaming allows virtual field trips and interactions with class rooms across the internet, reducing the costs of these items while increasing the value of the educational experience to the students.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,085 per pupil for the 07-08 fiscal year based on information received from various professional organizations involved in the budgetary process at the state level. At the date of the audit, the State of Michigan had not adopted a budget for their fiscal year and the legislative bodies were embroiled in a partisan debate regarding of the funding of State government in general, including public schools. This makes it very difficult for the Board of Education to plan for the upcoming school year without significant cuts to programs. The best budgetary controls can not make up for the undue stress and hardship inflicted on all school employees when decisions are not made timely at the State level.

* Student Enrollment

The Board of Education and Administration agreed to a reduced enrollment estimate for the 07-08 fiscal year based on the February 2007 student count; resulting in an estimated blended count of 1050.

* Retirement Rates

The Retirement Rate for MSPERS decreased from 17.74% to 16.72% for the 07-08 fiscal year. This was a direct result of the re-evaluation of plan assets mentioned earlier. This re-evaluation allowed for the estimates to be "smoothed" over a five year period resulting in an actuarial change in assumptions for the plan. This did not address the increasing cost of health care for retirees, which is billed to schools as a percentage on a pay as you go method. It only created a short term solution to a much larger long term problem as the increasing numbers of Baby Boomer generation retirees continue to join the system.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

* The Atherton Community Schools 2007/2008 adopted budget is as follows:

<u>REVENUE</u>	\$8,400,336
<u>EXPENDITURES</u>	<u>8,532,925</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$132,589)</u>

The adopted budget reflects the commitment of the Board of Education and Administration to maintain our current instructional programs and staffing levels. It is recognized that the use of unrestricted fund balance can not continue long term and the Board of Education, Administration and members of the various collective bargaining groups are beginning to look at other ways to help reduce fringe benefit costs, specifically health care, to allow the district to maintain its programs. The budget also assumes that the leadership of the Governor, the House of Representatives and the Senate will find a long term solution to the budgetary crisis in Michigan.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Manager, Atherton Community Schools.

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,281,794
Investments	74
Accounts Receivable	26,742
Due from Other Governmental Units	1,057,565
Inventory	6,520
Prepaid Expenses	34,282
Total Current Assets	\$2,406,977
<u>NON-CURRENT ASSETS</u>	
Capital Assets	14,435,213
Less: Accumulated Depreciation	(4,284,795)
Total Noncurrent Assets	\$10,150,418
<u>TOTAL ASSETS</u>	\$12,557,395
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$71,391
Due to Other Governmental Units	47,309
Salaries Payable	479,000
Accrued Expenses	307,428
Deferred Revenue	503
Current Portion of Long-Term Obligations	375,000
Total Current Liabilities	\$1,280,631
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	7,336,628
<u>TOTAL LIABILITIES</u>	\$8,617,259
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	2,516,918
Restricted for:	
Debt Service	95,996
Unrestricted	1,327,222
<u>TOTAL NET ASSETS</u>	\$3,940,136
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$12,557,395

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$5,575,979	\$0	\$1,050,129	(\$4,525,850)
Support Services	3,019,555	7,975	104,296	(2,907,284)
Community Services	35,083	0	13,103	(21,980)
Food Service	439,088	164,523	297,878	23,313
Athletics	144,647	30,878	0	(113,769)
Interest - Long-Term Obligations	366,050	0	0	(366,050)
Depreciation - Unallocated	269,491	0	0	(269,491)
<u>TOTALS</u>	<u>\$9,849,893</u>	<u>\$203,376</u>	<u>\$1,465,406</u>	<u>(\$8,181,111)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				3,156,334
State Aid				4,840,662
Interest				70,599
Other General Revenues				63,405
Total General Revenues and Transfers				<u>\$8,131,000</u>
Change in Net Assets				(50,111)
Net Assets - Beginning				<u>3,990,247</u>
<u>Net Assets - Ending</u>				<u>\$3,940,136</u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$1,113,757	\$168,037	\$1,281,794
Investments	0	74	74
Accounts Receivable	19,644	7,098	26,742
Due from Other Funds	0	121,469	121,469
Due from Other Governmental Units	1,057,565	0	1,057,565
Inventory	0	6,520	6,520
Prepaid Expenses	34,282	0	34,282
<u>TOTAL ASSETS</u>	<u>\$2,225,248</u>	<u>\$303,198</u>	<u>\$2,528,446</u>
<u>LIABILITIES</u>			
Accounts Payable	\$58,364	\$13,027	\$71,391
Due to Other Funds	121,469	0	121,469
Due to Other Governmental Units	47,309	0	47,309
Salaries Payable	479,000	0	479,000
Accrued Expenses	251,895	0	251,895
Deferred Revenue	0	503	503
Total Liabilities	\$958,037	\$13,530	\$971,567
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	6,520	6,520
Debt Retirement	0	95,996	95,996
Designated	0	38,881	38,881
Unreserved:			
Undesignated, Reported In:			
General Fund	1,267,211	0	1,267,211
School Service Funds	0	148,271	148,271
Total Fund Balances	\$1,267,211	\$289,668	\$1,556,879
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,225,248</u>	<u>\$303,198</u>	<u>\$2,528,446</u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2007

Total Governmental Fund Balances:		\$1,556,879
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$14,435,213 and the accumulated depreciation is \$4,284,795		
		10,150,418
Accrued Interest on Long-Term Debt		(55,533)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$7,633,500	
Compensated Absences Payable	78,128	
Total Long-Term Liabilities		<u>(7,711,628)</u>
<u>TOTAL NET ASSETS -</u>		<u>\$3,940,136</u>
<u>GOVERNMENTAL ACTIVITIES</u>		

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$2,536,157	\$978,097	\$3,514,254
State Sources	5,363,361	27,309	5,390,670
Federal Sources	474,755	270,569	745,324
Total Revenues	<u>\$8,374,273</u>	<u>\$1,275,975</u>	<u>\$9,650,248</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	5,625,563	0	5,625,563
Student Services	249,191	0	249,191
Instructional Support	260,284	0	260,284
General Administration	284,673	0	284,673
School Administration	611,048	0	611,048
Business Administration	169,067	0	169,067
Operation & Maintenance of Plant	831,625	0	831,625
Transportation	316,439	0	316,439
Support Services - Other	226,640	0	226,640
Community Services	35,083	0	35,083
Food Service	0	569,766	569,766
Debt Service	0	724,600	724,600
Total Expenditures	<u>\$8,609,613</u>	<u>\$1,294,366</u>	<u>\$9,903,979</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$235,340)	(\$18,391)	(\$253,731)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(145,000)	145,000	0
Other Transfers	105,596	0	105,596
Total Other Financing Sources (Uses)	<u>(\$39,404)</u>	<u>\$145,000</u>	<u>\$105,596</u>
Net Change in Fund Balance	(\$274,744)	\$126,609	(\$148,135)
<u>FUND BALANCE - BEGINNING</u>	<u>1,541,955</u>	<u>163,059</u>	<u>1,705,014</u>
<u>FUND BALANCE - ENDING</u>	<u>\$1,267,211</u>	<u>\$289,668</u>	<u>\$1,556,879</u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Total net change in fund balances - governmental funds	(\$148,135)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(260,486)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	355,000
Change in accrued interest on long-term liabilities	3,550
(Increase) in accrued compensated absences	<u>(40)</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$50,111)</u></u>

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

	<u>Trust & Agency</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$66,361</u>
<u>TOTAL ASSETS</u>	<u>\$66,361</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$66,361</u>
<u>TOTAL LIABILITIES</u>	<u>\$66,361</u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$2,638,905	\$2,540,907	\$2,536,157	(\$4,750)
State Sources	5,489,282	5,364,135	5,363,361	(774)
Federal Sources	493,919	444,240	474,755	30,515
Total Revenues	<u>\$8,622,106</u>	<u>\$8,349,282</u>	<u>\$8,374,273</u>	<u>\$24,991</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	5,693,892	5,695,126	5,625,563	69,563
Student Services	188,322	252,502	249,191	3,311
Instructional Support	303,805	256,973	260,284	(3,311)
General Administration	331,224	295,075	284,673	10,402
School Administration	555,484	615,387	611,048	4,339
Business Administration	154,974	169,038	169,067	(29)
Operation & Maintenance of Plant	927,855	847,428	831,625	15,803
Transportation	304,012	313,510	316,439	(2,929)
Support Services - Other	194,574	229,427	226,640	2,787
Community Services	66,282	35,092	35,083	9
Total Expenditures	<u>\$8,720,424</u>	<u>\$8,709,558</u>	<u>\$8,609,613</u>	<u>\$99,945</u>
Excess of Revenues Over Expenditures	(\$98,318)	(\$360,276)	(\$235,340)	\$124,936
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>(105,401)</u>	<u>(39,384)</u>	<u>(39,404)</u>	<u>(20)</u>
	(\$203,719)	(\$399,660)	(\$274,744)	\$124,916
<u>FUND BALANCE - BEGINNING</u>			<u>1,541,955</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,267,211</u>	

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1) REPORTING ENTITY

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

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Atherton Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). 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. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

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

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

D) CASH AND CASH EQUIVALENTS

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

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value 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 no 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.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES/DESIGNATIONS

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and prepaid expenditures.

Designations

The District has designated \$38,881 of the fund balance in the Athletic fund for future expenditures for uniforms and capital outlay.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

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

4) 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>Standard & Poor's Rating</u>	<u>%</u>
MILAF External Investment Pool - MICMS	\$ 74	0.0027	AAAm	100.00%

1 day maturity equals 0.0027, one year equals 1.00.

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). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

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. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

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, \$1,384,026 of the District's bank balance of \$1,579,949 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

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

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$66,361	\$ 1,348,155
Investments	<u>74</u>
<u>TOTAL</u>	<u>\$ 1,348,229</u>

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

Cash Agency Fund	\$ 66,361
Cash – District Wide	1,281,794
Investments – District Wide	<u>74</u>
<u>TOTAL</u>	<u>\$ 1,348,229</u>

5) PROPERTY TAXES

The School District levies its property taxes on July 1 and December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 872,383
Federal Grants	64,964
Other Grant Programs & Fees	<u>120,218</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,057,565</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the School District had no estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2007.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$3,973,028	\$0	\$0	\$3,973,028
Land Improvements	9,763,002	0	0	9,763,002
Equipment and Furniture	353,313	65,075	0	418,388
Vehicles	280,795	0	0	280,795
Totals at Historical Cost	\$14,370,138	\$65,075	\$0	\$14,435,213
Less: Accumulated Depreciation				
Buildings and Improvements	(3,368,273)	(269,146)	0	(3,637,419)
Land Improvements	(118,111)	(11,903)	0	(130,014)
Equipment and Furniture	(262,291)	(19,646)	0	(281,937)
Vehicles	(210,559)	(24,866)	0	(235,425)
Total Accumulated Depreciation	(\$3,959,234)	(\$325,561)	\$0	(\$4,284,795)
 <u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$10,410,904</u>	<u>(\$260,486)</u>	<u>\$0</u>	<u>\$10,150,418</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 15,491
Support Services	26,610
Food Service	1,987
Athletics	11,982
Unallocated	269,491
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 325,561</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

10) GENERAL LONG-TERM DEBT

A) 2001 School Building and Site Bonds

Atherton Community Schools has issued General Obligation Bonds dated November 13, 2001, in the amount of \$9,125,000, bearing interest at rates varying from 4.00% to 6.00% per annum. These bonds were issued for the purpose of remodeling, furnishing, equipping, developing and improving the site for Atherton High School, remodel, develop and improve the site for Van Y Elementary and Atherton Middle School; and to acquire, install, equip and re-equip existing school buildings for technology. The balance of the bonds as of June 30, 2007 was \$7,545,000.

B) Durant Resolution Package Bonds

Atherton Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$149,883 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2007 was \$88,500.

C) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2007 are as follows:

	<u>BONDS</u> <u>PAYABLE</u>	<u>INTEREST</u>	<u>TOTAL</u>
June 30, 2008	\$375,000	\$333,200	\$708,200
June 30, 2009	403,341	312,884	716,225
June 30, 2010	423,738	288,787	712,525
June 30, 2011	449,154	263,471	712,625
June 30, 2012	512,221	255,297	767,518
June 30, 2013-2017	2,725,046	887,078	3,612,124
June 30, 2018-2021	<u>2,745,000</u>	<u>281,000</u>	<u>3,026,000</u>
 <u>TOTAL</u>	 <u>\$7,633,500</u>	 <u>\$2,621,717</u>	 <u>\$10,255,217</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$354,500.

D) Changes in General Long-Term Debt

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Amount Due in One Year
<u>Governmental Activities:</u>					
Durant Bonds	\$88,500	\$0	\$0	\$88,500	\$0
2001 Building & Site Bonds	7,900,000	0	355,000	7,545,000	375,000
Vacation & Sick Days Payable	78,088	40	0	78,128	0
 <u>Total Governmental Activities</u>	 <u>\$8,066,588</u>	 <u>\$40</u>	 <u>\$355,000</u>	 <u>\$7,711,628</u>	 <u>\$375,000</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

11) OPERATING LEASES

Atherton Community Schools has entered into the operating leases summarized below:

- A) The District entered into a operating lease with Brady's Business Systems for copiers on September 23, 2003. The lease payment is \$24,074 per annum for a period of five years.
- B) The District entered into a operating lease with Midwest Transit Equipment of Michigan, Inc. to lease five buses. The lease requires an annual payment of \$43,544 for a period of five years.
- C) The District entered into an operating lease with TCF Express Leasing to lease computer equipment. The lease requires an annual payment of \$9,676. The lease expires October, 2007.
- D) Future minimum payments for the operating leases is as follows:

	<u>COPIER</u>	<u>BUSES</u>	<u>COMPUTER EQUIPMENT</u>	<u>TOTAL</u>
June 30, 2008	\$24,074	\$43,544	\$0	\$67,618
June 30, 2009	<u>0</u>	<u>43,544</u>	<u>0</u>	<u>43,544</u>
<u>TOTAL</u>	<u>\$24,074</u>	<u>\$87,088</u>	<u>\$0</u>	<u>\$111,162</u>

12) INTERFUND ACTIVITY

Interfund balances at June 30, 2007 consisted of the following:

	DUE FROM
DUE TO	SPECIAL REVENUE FUND
General Fund	<u>\$121,469</u>

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

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

	TRANSFERS FROM
TRANSFERS TO	GENERAL FUND
Athletics Fund	<u>\$145,000</u>

These transfers were made to subsidize the cost of services for athletics.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

14) DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$885,116, \$761,003 and \$678,392, respectively.

Postemployment Benefits

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

15) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to Indiana Insurance Company and Everest National Insurance.

16) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are the Special Education cluster grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL
INFORMATION

ATHERTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	Special Revenue Funds	2001 Debt Service Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$75,213	\$92,824	\$168,037
Investments	0	74	74
Accounts Receivable	4,000	3,098	7,098
Due from Other Funds	121,469	0	121,469
Inventory	6,520	0	6,520
<u>TOTAL ASSETS</u>	<u>\$207,202</u>	<u>\$95,996</u>	<u>\$303,198</u>
<u>LIABILITIES</u>			
Accounts Payable	\$13,027	\$0	\$13,027
Deferred Revenue	503	0	503
Total Liabilities	\$13,530	\$0	\$13,530
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	6,520	0	6,520
Debt Retirement	0	95,996	95,996
Designated	38,881	0	38,881
Unreserved:			
Undesignated, Reported In:			
School Service Fund	148,271	0	148,271
Total Fund Balances	\$193,672	\$95,996	\$289,668
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$207,202</u>	<u>\$95,996</u>	<u>\$303,198</u>

ATHERTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds	2001 Debt Service Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources			
Cafeteria Sales	\$164,523	\$0	\$164,523
Athletic Activities	30,878	0	30,878
Property Taxes	0	759,719	759,719
Earnings on Investments and Deposits	3,391	8,745	12,136
Other Local Revenues	10,841	0	10,841
Total Local Sources	<u>\$209,633</u>	<u>\$768,464</u>	<u>\$978,097</u>
State Sources	27,309	0	27,309
Federal Sources	270,569	0	270,569
Total Revenues	<u>\$507,511</u>	<u>\$768,464</u>	<u>\$1,275,975</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>145,000</u>	<u>0</u>	<u>145,000</u>
Total Revenues & Other Financing Sources	<u>\$652,511</u>	<u>\$768,464</u>	<u>\$1,420,975</u>
<u>EXPENDITURES</u>			
Food Service & Athletics	569,766	0	569,766
Debt Service			
Principal	0	355,000	355,000
Interest	0	354,500	354,500
Other	0	15,100	15,100
Total Expenditures	<u>\$569,766</u>	<u>\$724,600</u>	<u>\$1,294,366</u>
Net Change in Fund Balance	<u>\$82,745</u>	<u>\$43,864</u>	<u>\$126,609</u>
<u>NET ASSETS - BEGINNING</u>	<u>110,927</u>	<u>52,132</u>	<u>163,059</u>
<u>NET ASSETS - ENDING</u>	<u>\$193,672</u>	<u>\$95,996</u>	<u>\$289,668</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$75,213	\$0	\$75,213
Accounts Receivable	0	4,000	4,000
Due from Other Funds	46,809	74,660	121,469
Inventory	6,520	0	6,520
<u>TOTAL ASSETS</u>	<u>\$128,542</u>	<u>\$78,660</u>	<u>\$207,202</u>
<u>LIABILITIES</u>			
Accounts Payable	\$7,197	\$5,830	\$13,027
Deferred Revenue	503	0	503
Total Liabilities	\$7,700	\$5,830	\$13,530
<u>FUND EQUITY</u>			
Reserved for Inventory	6,520	0	6,520
Designated	0	38,881	38,881
Unreserved and Undesignated	114,322	33,949	148,271
Total Fund Equity	\$120,842	\$72,830	\$193,672
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$128,542</u>	<u>\$78,660</u>	<u>\$207,202</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$164,523	\$0	\$164,523
Athletic Activities	0	30,878	30,878
Earnings on Investments and Deposits	3,391	0	3,391
Other Local Revenues	5,461	5,380	10,841
Total Local Sources	<u>\$173,375</u>	<u>\$36,258</u>	<u>\$209,633</u>
<u>State Sources</u>			
State Reimbursements	27,309	0	27,309
<u>Federal Sources</u>			
Federal Reimbursements	242,308	0	242,308
Commodities	28,261	0	28,261
Total Federal Sources	<u>\$270,569</u>	<u>\$0</u>	<u>\$270,569</u>
Total Revenues	<u>\$471,253</u>	<u>\$36,258</u>	<u>\$507,511</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	145,000	145,000
Total Revenues and Other Financing Sources	<u>\$471,253</u>	<u>\$181,258</u>	<u>\$652,511</u>
<u>EXPENDITURES</u>			
Salaries - Professional	28,563	0	28,563
Salaries - Non-Professional	130,033	64,800	194,833
Insurances	17,965	0	17,965
Fica, Retirement, Etc.	42,541	16,390	58,931
Other Benefits	1,500	0	1,500
Purchased Services	10,470	29,357	39,827
Supplies and Materials	201,133	13,690	214,823
Capital Outlay	4,569	5,728	10,297
Other	327	2,700	3,027
Total Expenditures	<u>\$437,101</u>	<u>\$132,665</u>	<u>\$569,766</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</u>			
	<u>\$34,152</u>	<u>\$48,593</u>	<u>\$82,745</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			
	<u>\$86,690</u>	<u>\$24,237</u>	<u>\$110,927</u>
<u>FUND BALANCE - END OF YEAR</u>			
	<u>\$120,842</u>	<u>\$72,830</u>	<u>\$193,672</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2007

<u>REVENUES FROM</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Local Sources</u>			
Property Tax Levy	\$2,383,529	\$2,396,615	\$13,086
Payments in Lieu of Tax	1,200	0	(1,200)
Earnings on Investments and Deposits	62,727	58,463	(4,264)
Transfer from ISD - Medicaid - Fee-for-Service	9,724	14,976	5,252
Other Local Revenues	83,727	66,103	(17,624)
Total Revenues from Local Sources	<u>\$2,540,907</u>	<u>\$2,536,157</u>	<u>(\$4,750)</u>
<u>State Sources</u>			
Unrestricted			
State Aid - Foundation - Sec. 20	4,864,166	4,840,662	(23,504)
Restricted			
Special Education	201,993	212,791	10,798
At Risk	233,480	233,070	(410)
Durant	14,988	14,988	0
Other State Grants	49,508	61,850	12,342
Total Revenues from State Sources	<u>\$5,364,135</u>	<u>\$5,363,361</u>	<u>(\$774)</u>
<u>Federal Sources</u>			
Title I	94,013	129,169	35,156
Title V	2,826	0	(2,826)
Improving Teacher Quality	46,714	47,358	644
Technology Literacy	4,588	1,387	(3,201)
Medicaid	4,876	4,876	0
Special Education	272,862	255,378	(17,484)
Homeland Security	2,100	2,100	0
Grants from ISD	16,261	34,487	18,226
Total Revenues from Federal Sources	<u>\$444,240</u>	<u>\$474,755</u>	<u>\$30,515</u>
Total Revenues	<u>\$8,349,282</u>	<u>\$8,374,273</u>	<u>\$24,991</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Districts	78,754	71,332	(7,422)
Other Transfers	5,573	5,573	0
County Special Education Tax	74,316	72,629	(1,687)
Total Other Financing Sources	<u>\$158,643</u>	<u>\$149,534</u>	<u>(\$9,109)</u>
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>			
	<u>\$8,507,925</u>	<u>\$8,523,807</u>	<u>\$15,882</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BASIC PROGRAMS</u>			
<u>Elementary</u>			
Salaries - Professional	\$790,000	\$786,077	\$3,923
Salaries - Non-Professional	79,000	78,155	845
Insurances	151,179	152,238	(1,059)
Fica, Retirement, Etc.	222,475	220,990	1,485
Other Benefits	8,059	9,180	(1,121)
Purchased Services	603	603	0
Supplies and Materials	16,610	16,610	0
Total Elementary	<u>\$1,267,926</u>	<u>\$1,263,853</u>	<u>\$4,073</u>
<u>Middle School</u>			
Salaries - Professional	1,088,500	1,088,629	(129)
Salaries - Non-Professional	62,300	62,126	174
Insurances	253,064	256,286	(3,222)
Fica, Retirement, Etc.	294,515	290,342	4,173
Other Benefits	7,310	7,310	0
Purchased Services	603	603	0
Supplies and Materials	25,326	25,326	0
Capital Outlay	10,408	10,408	0
Total Middle School	<u>\$1,742,026</u>	<u>\$1,741,030</u>	<u>\$996</u>
<u>High School</u>			
Salaries - Professional	860,000	858,056	1,944
Salaries - Non-Professional	45,300	44,736	564
Insurances	168,515	170,244	(1,729)
Fica, Retirement, Etc.	232,399	230,768	1,631
Other Benefits	10,915	8,755	2,160
Purchased Services	40,000	39,018	982
Supplies and Materials	69,397	69,376	21
Total High School	<u>\$1,426,526</u>	<u>\$1,420,953</u>	<u>\$5,573</u>
<u>Total Basic Programs</u>	<u>\$4,436,478</u>	<u>\$4,425,836</u>	<u>\$10,642</u>
<u>ADDED NEEDS</u>			
<u>Special Education</u>			
Salaries - Professional	399,729	399,729	0
Salaries - Non-Professional	93,506	87,946	5,560
Insurances	89,828	85,865	3,963
Fica, Retirement, Etc.	126,100	119,465	6,635
Other Benefits	4,320	4,320	0
Purchased Services	185	185	0
Supplies and Materials	54,615	49,046	5,569
Total Special Education	<u>\$768,283</u>	<u>\$746,556</u>	<u>\$21,727</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>INSTRUCTION</u> (Continued)			
<u>ADDED NEEDS</u> (Continued)			
<u>Compensatory Education</u>			
Salaries - Professional	\$185,988	\$190,449	(\$4,461)
Salaries - Non-Professional	22,512	9,623	12,889
Insurances	49,046	47,360	1,686
Fica, Retirement, Etc.	56,035	52,901	3,134
Other Benefits	540	540	0
Purchased Services	375	525	(150)
Supplies and Materials	35,453	11,491	23,962
Total Compensatory Education	<u>\$349,949</u>	<u>\$312,889</u>	<u>\$37,060</u>
<u>Vocational Education</u>			
Salaries - Professional	71,550	71,550	0
Salaries - Non-Professional	2,479	2,479	0
Insurances	17,360	17,352	8
Fica, Retirement, Etc.	18,990	18,801	189
Supplies and Materials	30,037	30,100	(63)
Total Vocational Education	<u>\$140,416</u>	<u>\$140,282</u>	<u>\$134</u>
<u>Total Added Needs</u>	<u>\$1,258,648</u>	<u>\$1,199,727</u>	<u>\$58,921</u>
<u>Total Instruction</u>	<u>\$5,695,126</u>	<u>\$5,625,563</u>	<u>\$69,563</u>
<u>SUPPORT SERVICES</u>			
<u>STUDENT SERVICES</u>			
Salaries - Professional	112,449	112,449	0
Salaries - Non-Professional	45,632	45,600	32
Insurances	45,015	42,359	2,656
Fica, Retirement, Etc.	40,617	40,142	475
Other Benefits	1,489	1,489	0
Purchased Services	6,799	6,651	148
Supplies and Materials	501	501	0
Total Student Services	<u>\$252,502</u>	<u>\$249,191</u>	<u>\$3,311</u>
<u>INSTRUCTIONAL STAFF</u>			
Salaries - Professional	145,738	145,738	0
Salaries - Non-Professional	18,737	19,759	(1,022)
Insurances	15,662	15,567	95
Fica, Retirement, Etc.	42,050	41,983	67
Other Benefits	3,289	3,289	0
Purchased Services	23,324	25,806	(2,482)
Supplies and Materials	7,966	7,935	31
Other	207	207	0
Total Instructional Staff	<u>\$256,973</u>	<u>\$260,284</u>	<u>(\$3,311)</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES (Continued)</u>			
<u>GENERAL ADMINISTRATION</u>			
Salaries - Professional	\$107,170	\$106,299	871
Salaries - Non-Professional	18,261	18,261	0
Insurances	17,631	17,300	331
Fica, Retirement, Etc.	29,894	29,866	28
Purchased Services	99,749	90,867	8,882
Supplies and Materials	20,950	20,660	290
Other	1,420	1,420	0
Total General Administration	<u>\$295,075</u>	<u>\$284,673</u>	<u>\$10,402</u>
<u>SCHOOL ADMINISTRATION</u>			
Salaries - Professional	289,647	288,392	1,255
Salaries - Non-Professional	126,355	125,754	601
Insurances	45,475	45,415	60
Fica, Retirement, Etc.	105,516	104,883	633
Other Benefits	6,760	6,720	40
Purchased Services	31,240	29,573	1,667
Supplies and Materials	8,890	8,807	83
Other	1,504	1,504	0
Total School Administration	<u>\$615,387</u>	<u>\$611,048</u>	<u>\$4,339</u>
<u>BUSINESS OFFICE</u>			
Salaries - Professional	112,366	112,366	0
Insurances	14,489	14,491	(2)
Fica, Retirement, Etc.	28,380	28,340	40
Other Benefits	1,440	1,440	0
Purchased Services	1,152	1,152	0
Supplies and Materials	5,150	5,217	(67)
Other	6,061	6,061	0
Total Business Office	<u>\$169,038</u>	<u>\$169,067</u>	<u>(\$29)</u>
<u>OPERATION & MAINTENANCE OF PLANT</u>			
Salaries - Professional	17,617	17,617	0
Salaries - Non-Professional	100,995	100,639	356
Insurances	8,768	8,771	(3)
Fica, Retirement, Etc.	33,361	33,001	360
Other Benefits	2,112	2,112	0
Purchased Services	431,241	416,562	14,679
Supplies and Materials	253,210	252,799	411
Other	124	124	0
Total Operation and Maintenance of Plant	<u>\$847,428</u>	<u>\$831,625</u>	<u>\$15,803</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES</u> (Continued)			
<u>TRANSPORTATION</u>			
Salaries - Professional	\$17,099	\$17,099	\$0
Salaries - Non-Professional	96,721	96,721	0
Insurances	5,491	5,488	3
Fica, Retirement, Etc.	34,230	33,803	427
Other Benefits	1,844	1,844	0
Purchased Services	71,387	71,914	(527)
Supplies and Materials	49,570	52,402	(2,832)
Other	37,168	37,168	0
Total Transportation	<u>\$313,510</u>	<u>\$316,439</u>	<u>(\$2,929)</u>
<u>OTHER SUPPORT SERVICES</u>			
Salaries - Professional	17,100	17,099	1
Salaries - Non-Professional	8,600	8,600	0
Insurances	5,203	5,165	38
Fica, Retirement, Etc.	6,514	6,503	11
Other Benefits	594	594	0
Purchased Services	161,675	158,938	2,737
Supplies and Materials	2,879	2,879	0
Capital Outlay	26,862	26,862	0
Total Other Support Services	<u>\$229,427</u>	<u>\$226,640</u>	<u>\$2,787</u>
<u>Total Support Services</u>	<u>\$2,979,340</u>	<u>\$2,948,967</u>	<u>\$30,373</u>
<u>COMMUNITY SERVICES</u>			
Salaries - Non-Professional	13,179	13,179	0
Fica, Retirement, Etc.	3,284	3,284	0
Purchased Services	3,745	3,745	0
Supplies and Materials	14,884	14,875	9
Total Community Services	<u>\$35,092</u>	<u>\$35,083</u>	<u>\$9</u>
<u>Total Expenditures</u>	<u>\$8,709,558</u>	<u>\$8,609,613</u>	<u>\$99,945</u>
<u>OTHER FINANCING USES</u>			
Transfers to Other Funds	145,000	145,000	0
Special Ed Consortium	53,027	43,938	9,089
Total Other Financing Uses	<u>\$198,027</u>	<u>\$188,938</u>	<u>\$9,089</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$8,907,585</u>	<u>\$8,798,551</u>	<u>\$109,034</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT GROUPS	Due To (From Student Groups July 1, 2006	Receipts	Disbursements	Due To (From Student Groups June 30, 2007
Adm Bereavement Fund	\$55	\$620	\$582	\$93
Aea Pop & Coffee Fund	232	10	0	242
Art Activity	113	5	0	118
Athletic Activity	2,723	6,471	6,725	2,469
Boys Youth Basketball	83	618	306	395
Boys Youth Basketball Entry Fee	2	0	0	2
Case	82	3	0	85
CC-Fund Raiser	676	28	0	704
Class Of 2000	56	2	0	58
Class Of 2001	57	2	0	59
Class Of 2002	57	2	0	59
Class Of 2003	104	4	0	108
Class Of 2004	1,024	42	0	1,066
Class Of 2005	706	29	0	735
Class Of 2006	1,253	19	788	484
Class Of 2007	595	1,007	708	894
Class Of 2008	897	4,428	4,745	580
Class Of 2009	0	3,864	495	3,369
Class Of 2010	0	582	582	0
Class Of 99	102	4	0	106
Eighth Grade Activity	712	25	233	504
Fifth Grade Activity	279	711	282	708
Fourth Grade Activity	18	1	0	19
Girls Youth Basketball	634	24	170	488
HS Baseball	17	3,456	945	2,528
HS Boys Basketball	567	3,803	3,512	858
HS Building Fund	375	8,429	7,009	1,795
HS Cheerleaders	91	1,342	1,206	227
HS Close-Up	296	12	0	308
HS Drama Guild	223	1,110	564	769
HS Foods	279	760	977	62
HS Football	3,081	1,236	3,446	871
HS Girls Basketball	2,072	6,049	7,080	1,041
HS Homemaking	111	1,623	1,574	160
HS Library	214	50	0	264
HS Literary Magazine	171	2,367	2,300	238
HS Shop	528	141	250	419
HS Stage Improvements	1,031	43	0	1,074
HS Student Council	723	4,275	4,783	215
HS Talent Show	245	10	0	255
HS Volleyball	2,389	4,014	3,337	3,066
J Hemingway Fund	4,853	408	0	5,261
Marketing	853	1,766	1,809	810
MS Arts	581	22	64	539
MS Bldg Fund	2,927	11,455	9,795	4,587

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT GROUPS	Due To (From Student Groups July 1, 2006	Receipts	Disbursements	Due To (From Student Groups June 30, 2007
MS Carnival	\$0	\$2,495	\$2,466	\$29
MS Cheerleaders	69	3	0	72
HS and MS Choir	1,058	7,590	7,166	1,482
MS Drama	329	755	981	103
MS Flower Fund	23	786	751	58
MS Fundraiser	9	0	0	9
MS Industrial Arts	3	0	0	3
MS Journalism	78	3	0	81
MS Library	402	324	70	656
MS N.H.S.	521	0	272	249
MS Parent Group	124	5	0	129
MS Physical Ed	1	0	0	1
MS R.I.F.	105	4	0	109
MS Ski Trip	138	2,474	2,461	151
MS Special Ed	10	0	0	10
MS Special Ed - Sue Will	43	192	176	59
MS Sports Activity	134	5	0	139
MS Student Council	100	376	146	330
MS Track	204	8	0	212
MS Washington Trip	769	32	0	801
MS Yearbook	651	227	16	862
National Honor Society	816	588	66	1,338
Powers MS Classroom	255	0	252	3
S A D D	424	17	0	441
S Winters Band Memorial	137	6	0	143
Seventh Grade Activity	1,357	56	0	1,413
Six Grade Activity	727	6,350	5,053	2,024
Stage Improvement	437	14	206	245
Temporary Fund	374	168	0	542
Tennis Activity	10	862	676	196
Van Y Bldg Fund	8,567	27,686	26,002	10,251
Van Y Library Fund	317	257	124	450
Van Y Music Fund	16	1	0	17
Varsity Softball	324	6,105	4,217	2,212
Wolverine Writing Center	91	4	0	95
Yearbook	3,309	6,876	7,710	2,475
Youth Football Boosters	123	5	0	128
Youth Pom Pon	32	1	0	33
Youth Programs-Misc.	113	5	0	118
TOTALS	\$54,287	\$135,152	\$123,078	\$66,361

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$149,883

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2008	4.761353%	\$0	\$0	\$0
2009	4.761353%	8,341	2,184	10,525
2010	4.761353%	8,738	1,787	10,525
2011	4.761353%	9,154	1,371	10,525
2012	4.761353%	52,221	18,497	70,718
2013	4.761353%	10,046	478	10,524
<u>TOTAL</u>		<u>\$88,500</u>	<u>\$24,317</u>	<u>\$112,817</u>

DATE OF ISSUE - November 13, 2001

Original amount of issue - \$9,125,000

2001 SCHOOL BUILDING AND SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2008	6.00%	\$375,000	\$166,600	\$166,600	\$708,200
2009	6.00%	395,000	155,350	155,350	705,700
2010	6.00%	415,000	143,500	143,500	702,000
2011	4.00%	440,000	131,050	131,050	702,100
2012	4.00%	460,000	118,400	118,400	696,800
2013	4.00%	485,000	109,200	109,200	703,400
2014	4.00%	515,000	99,500	99,500	714,000
2015	4.00%	540,000	89,200	89,200	718,400
2016	4.00%	570,000	78,400	78,400	726,800
2017	4.00%	605,000	67,000	67,000	739,000
2018	4.00%	635,000	54,900	54,900	744,800
2019	4.00%	670,000	42,200	42,200	754,400
2020	4.00%	710,000	28,800	28,800	767,600
2021	4.00%	730,000	14,600	14,600	759,200
<u>TOTAL</u>		<u>\$7,545,000</u>	<u>\$1,298,700</u>	<u>\$1,298,700</u>	<u>\$10,142,400</u>

ATHERTON COMMUNITY SCHOOLS

BURTON, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

CONTENTS

	<u>PAGE</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3 – 4
Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	5 – 6
Notes/Reconciliation to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	7
Reconciliation of Form R7120 "Grant Section Auditor's Report" to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2007	8
Summary of Findings and Questioned Costs for the year ended June 30, 2007	9 – 10
Status of Prior Year Findings	10



September 5, 2007

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 of
Atherton Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the Atherton Community Schools' basic financial statements and have issued our report thereon dated September 5, 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 Atherton Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Atherton Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Atherton Community Schools' internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Atherton Community Schools' 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 Atherton Community Schools' financial statements that is more than inconsequential will not be prevented or detected by the Atherton Community Schools' internal control. We consider the deficiencies identified as 2007-1 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Atherton Community Schools' 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 the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.



Atherton Community Schools
Page 2
September 5, 2007

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atherton Community 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*.

Atherton Community Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Atherton Community Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the finance committee, Board of Education, 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.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



September 5, 2007

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 of
Atherton Community Schools

Compliance

We have audited the compliance of Atherton Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Atherton Community Schools' major federal programs are 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 each of its major federal programs is the responsibility of Atherton Community Schools' management. Our responsibility is to express an opinion on Atherton Community 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 Atherton Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Atherton Community Schools' compliance with those requirements.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or 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.



Atherton Community Schools
Page 2
September 5, 2007

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.

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 Atherton Community Schools, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 5, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Atherton Community 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 finance committee, management, Board of Education, 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.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
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 PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies:	84.010		
Title I Regular (06-07)		71530-0607	\$146,363
Title I Regular (05-06)		61530-0506	165,410
Total Title I			<u>\$311,773</u>
Special Education - Grants to States:	84.027		
IDEA Simms (06-07)		70440-0607	4,000
Innovative Education Program Strategies	84.298		
Title V (06-07)		70250-0607	974
Title V (04-05)		50250-0405	2,875
Total Innovative Education Program Strategies			<u>\$3,849</u>
Enhancing Education Through Technology	84.318		
Technology Literacy Challenge Grants (06-07)		74290-0607	1,502
Technology Literacy Challenge Grants (05-06)		64290-0506	3,086
Total Enhancing Education Through Technology			<u>\$4,588</u>
Teacher/Principal Training and Recruiting	84.367		
Improving Teacher Quality (06-07)		70520-0607	59,396
Improving Teacher Quality (05-06)		60520-0607	8,857
Improving Teacher Quality (05-06)		60520-0506	50,523
Total Teacher/Principal Training & Recruiting			<u>\$118,776</u>
Total Passed Through Michigan Department of Education			<u>\$442,986</u>
Passed Through Genesee Intermediate School District:			
Special Education - Grants to States:	84.027		
IDEA Flowthrough (06-07)		70450-0607	271,462
IDEA Flowthrough (05-06)		60450-0506	254,349
Total Special Education Grants to States			<u>\$525,811</u>
Safe and Drug Free Schools	84.186		
Safe Schools Healthy Students (04-05)		52860-0405	17,056
Safe & Drug Free Schools		72860-0506	1,800
Safe & Drug Free Schools		62860-0506	1,170
Total Safe and Drug Free Schools			<u>\$20,026</u>
Emergency Response Plans (03-04)	87.184E	N/A	2,100
Total Passed Through Genesee Intermediate School District			<u>\$547,937</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$990,923</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$128,861	\$0	\$97,460	\$31,401
51,029	165,102	308	0	51,029	308
<u>\$51,029</u>	<u>\$165,102</u>	<u>\$129,169</u>	<u>\$0</u>	<u>\$148,489</u>	<u>\$31,709</u>
0	0	1,400	0	0	1,400
0	0	0	0	0	0
2,875	2,875	0	0	2,875	0
<u>\$2,875</u>	<u>\$2,875</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,875</u>	<u>\$0</u>
0	0	0	0	0	0
0	0	1,387	0	0	1,387
<u>\$0</u>	<u>\$0</u>	<u>\$1,387</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,387</u>
0	0	40,224	0	40,224	0
0	0	7,134	0	1,285	5,849
10,060	50,523	0	0	10,060	0
<u>\$10,060</u>	<u>\$50,523</u>	<u>\$47,358</u>	<u>\$0</u>	<u>\$51,569</u>	<u>\$5,849</u>
<u>\$63,964</u>	<u>\$218,500</u>	<u>\$179,314</u>	<u>\$0</u>	<u>\$202,933</u>	<u>\$40,345</u>
0	0	253,978	0	233,835	20,143
68,369	239,310	15,055	0	83,424	0
<u>\$68,369</u>	<u>\$239,310</u>	<u>\$269,033</u>	<u>\$0</u>	<u>\$317,259</u>	<u>\$20,143</u>
0	0	17,056	0	17,056	0
0	0	1,206	0	0	1,206
0	0	1,170	0	0	1,170
<u>\$0</u>	<u>\$0</u>	<u>\$19,432</u>	<u>\$0</u>	<u>\$17,056</u>	<u>\$2,376</u>
0	0	2,100	0	0	2,100
<u>\$68,369</u>	<u>\$239,310</u>	<u>\$290,565</u>	<u>\$0</u>	<u>\$334,315</u>	<u>\$24,619</u>
\$132,333	\$457,810	\$469,879	\$0	\$537,248	\$64,964

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
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 PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	\$27,500
Bonus Commodities		N/A	323
Total Food Distribution			<u>\$27,823</u>
School Breakfast Program	10.553	N/A	58,018
National School Lunch Program	10.555	N/A	<u>184,290</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$270,131
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
Passed Through Genesee Intermediate School District			
Medicaid - Administrative Outreach	93.778	N/A	<u>4,876</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$1,265,930</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$27,938	\$0	\$27,938	\$0
0	0	323	0	323	0
<u>\$0</u>	<u>\$0</u>	<u>\$28,261</u>	<u>\$0</u>	<u>\$28,261</u>	<u>\$0</u>
0	0	58,018	0	58,018	0
0	0	184,290	0	184,290	0
<u>\$0</u>	<u>\$0</u>	<u>\$270,569</u>	<u>\$0</u>	<u>\$270,569</u>	<u>\$0</u>
0	0	4,876	0	4,876	0
<u>\$132,333</u>	<u>\$457,810</u>	<u>\$745,324</u>	<u>\$0</u>	<u>\$812,693</u>	<u>\$64,964</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$745,324

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund

\$474,755

School Service Fund

270,569

TOTAL

\$745,324

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$455,108
<u>Less:</u> State Funded Grants		
School Breakfast Program		(9,867)
<u>Add:</u> Grants Passed Through the Genesee Intermediate School District		
Special Education - Grants to States (CFDA 84.027)	\$317,259	
Safe Schools Healthy Students (CFDA 84.186)	17,056	
Medicaid - Administrative Outreach (CFDA 93.778)	4,876	
Total Grants Passed Through Genesee Intermediate School District	339,191	
Entitlement and Bonus Commodities (CFDA 10.550)		28,261
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>		\$812,693

ATHERTON COMMUNITY SCHOOLS- BURTON, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Significant deficiency(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027/84.173	Special Education Cluster

Dollar threshold use to distinguish between type A and type B programs: \$ 300,000.00

Auditee qualified as low-risk auditee? Yes No

ATHERTON COMMUNITY SCHOOLS- BURTON, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2007-1

Finding Considered a Significant Deficiency – Cash Collection Controls

The District's current internal control policies and procedures for cash collections for (1) the activity funds at the high school are not being followed consistently and some key control procedures are not effective. Also, a key control for cash collections at (2) athletic events is not being used correctly.

The District adopted "Activity Fund Procedures" in the Fall of 2006. These procedures have not been effectively implemented for the high school activity funds. Because the internal control policies and procedures have not been effectively implemented deposits are not properly identified and potentially posted to incorrect accounts, deposits are not taken to the bank in a timely manner, customer checks are not cashed for long periods of time and it is unknown as to whether all cash collected is deposited. Because the same individual balances the deposit, creates receipts and take the deposit to the bank, a significant segregation of duties issue is also present.

Management Response:

Management will enforce the Activity Fund Procedures for the High School. The High School office will receipt all funds for High School activity accounts. The receipts and the funds will then be sent to the Business Office for deposit. The Business Office will issue a receipt for the funds and then make the deposits accordingly. Those deposits will be matched against the copies of the receipts sent by the High School and verified for amount, type of transaction (cash, check), date receipted and date received by the Business Office.

A key control for cash collections at athletic events is not being fully implemented. The District uses pre-numbered tickets and an event ticket reconciliation report as a cash control at athletic events. The control policy is very good. However, a ticket should be given to each person who pays to enter the event with the corresponding duplicate ticket put in the cash box for the event. In an effort to get people in to the event without waiting in line for a period of time the ticket sellers mark those who enter with a marker instead of giving them one of the duplicate tickets. When the reconciliation form is completed the appropriate beginning and ending tick numbers are used that balances to the cash collected.

Management Response:

The Athletic Department will give a ticket to each person who pays to enter the event and the corresponding duplicate ticket will be put in the cash box. The use of a ticket dispensing machine that will dispense tickets in order will be used at each event. The duplicate tickets will be kept in this machine until the cash box and the machine are turned in to the Athletic office to be reconciled and the reconciliation report completed. Random checks of this procedure will be made by the Business Office during the seasons to ensure the controls are being followed.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs