

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

JUNE 30, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

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July 19, 2007

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Kingsley Area Schools
Kingsley, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kingsley Area Schools, Kingsley, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kingsley Area Schools' management. Our responsibility is to express opinions on these basic 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 Kingsley Area Schools, Kingsley, Michigan, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2007, on our consideration of Kingsley Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x and 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kingsley Area Schools, Kingsley, Michigan financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C

Baird, Cotter & Bishop, P.C.

**Kingsley Area Schools
Kingsley, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

Kingsley Area Schools, a K-12 school district located in Grand Traverse and Wexford Counties, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Kingsley Area Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

A. Fund Financial Statements

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

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being 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. The obligations for future years' debt service are not recorded in the fund financial statements.

B. Government-Wide Financial Statements

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely resemble those presented by business and industry. The District's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Kingsley Area Schools
Kingsley, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

C. Summary of Net Assets

The following schedule summarizes the net assets at fiscal years ended June 30,

	2007	2006
Assets		
Current Assets	\$ 5,407,432	\$ 5,371,442
Non Current Assets		
Capital Assets	16,236,226	15,888,968
Less Accumulated Depreciation	(4,988,274)	(4,531,874)
Total Non Current Assets	11,247,952	11,357,094
Total Assets	\$ 16,655,384	\$ 16,728,536
Liabilities		
Current Liabilities	\$ 1,553,120	\$ 1,550,925
Non Current Liabilities	6,881,670	7,398,103
Total Liabilities	8,434,790	8,949,028
Net Assets		
Invested in Capital Assets Net of Related Debt	4,117,179	3,713,074
Restricted for Debt Service	156,760	156,760
Unrestricted	3,946,655	3,909,674
Total Net Assets	8,220,594	7,779,508
Total Liabilities and Net Assets	\$ 16,655,384	\$ 16,728,536

D. Analysis of Financial Position

During the fiscal year ended June 30, 2007, the District's net assets increased by \$441,086. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

**Kingsley Area Schools
Kingsley, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2007, \$475,895 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2007, \$366,753 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a net decrease in capital assets in the amount of \$109,142 for the fiscal year ended June 30, 2007.

E. Results of Operations

For the fiscal years ended June 30, the results of operations, on a District-wide basis, were:

	2007		2006	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property Taxes	\$ 1,624,428	12.4%	\$ 1,463,360	11.4%
Investment Earnings	102,280	0.8%	57,492	0.4%
State Sources	9,336,187	70.9%	9,194,918	71.9%
Gain on Sale of Assets	0	0.0%	19,276	0.2%
Other	36,548	0.3%	76,992	0.6%
Total General Revenues	<u>\$ 11,099,443</u>	<u>84.4%</u>	<u>\$ 10,812,038</u>	<u>84.5%</u>
Program Revenues				
Charges for Services	\$ 339,868	2.6%	\$ 338,528	2.6%
Operating Grants	1,711,676	13.0%	1,652,147	12.9%
Total Program Revenues	<u>\$ 2,051,544</u>	<u>15.6%</u>	<u>\$ 1,990,675</u>	<u>15.5%</u>
Total Revenues	<u>\$ 13,150,987</u>	<u>100.0%</u>	<u>\$ 12,802,713</u>	<u>100.0%</u>

**Kingsley Area Schools
Kingsley, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

	Amount	% of Total	Amount	% of Total
Expenses				
Instruction	\$ 7,495,001	58.9%	\$ 7,074,825	57.3%
Supporting Services	3,794,063	29.9%	3,837,668	31.1%
Food Service Activities	621,355	4.9%	595,113	4.8%
Athletic Activities	359,493	2.8%	351,961	2.9%
Community Services	112,493	0.9%	108,260	0.9%
Payments to Other School Districts	3,228	0.0%	13,367	0.1%
Interest on Long-Term Debt	324,268	2.6%	360,587	2.9%
Total Expenses	\$12,709,901	100.0%	\$12,341,781	100.0%
 Change in Net Assets	 <u>\$ 441,086</u>		 <u>\$ 460,932</u>	

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenses are discussed in the segments below:

1. Property Taxes

The District levied 18.0000 mills of property taxes for operations on non-homestead properties. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2006-2007 fiscal year, the District levied \$911,133 in non-homestead property taxes. This represented an increase of 12.03% from the prior year. The amount of unpaid property taxes at June 30, 2007, was \$41,990.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-Homestead Tax Levy	% Change from Prior Year
2006-2007	911,133	12.03%
2005-2006	813,288	7.60%
2004-2005	755,831	13.25%
2003-2004	667,415	12.73%
2002-2003	592,041	4.96%

**Kingsley Area Schools
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Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2006-2007 fiscal year, the District received \$7,085 per student FTE. For the 2005-2006 fiscal year, the district per pupil funding equated to \$6,875.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

Fiscal Year	Blended Student FTE	FTE Change from Prior Year
2006-2007	1,492	(11)
2005-2006	1,503	32
2004-2005	1,471	15
2003-2004	1,456	42
2002-2003	1,414	41

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2007, federal, state, and other grants accounted for \$1,711,676. This represents an increase over the total grant sources of \$1,652,147 received for the 2005-2006 fiscal year.

5. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

A comparison of expenditures by fund is as follows:

Expenditures	2006-2007 Fiscal Year	2005-2006 Fiscal Year	Increase (Decrease)
General Fund	\$ 10,997,089	\$ 10,674,011	\$ 323,078
Food Service Fund	615,326	582,782	32,544
Athletic Activities Fund	320,367	313,818	6,549
Debt Service Funds	685,445	689,607	(4,162)
Public Improvements Fund	479,437	256,149	223,288
Total Expenditures	<u>\$ 13,097,664</u>	<u>\$ 12,516,367</u>	<u>\$ 581,297</u>

**Kingsley Area Schools
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Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

A comparison of expenditures by function is as follows:

Expenditures	2006-2007 Fiscal Year	2005-2006 Fiscal Year	Increase (Decrease)
Instruction	\$ 7,484,467	\$ 7,071,962	\$ 412,505
Supporting Services	3,718,157	3,578,390	139,767
Food Service Activities	615,326	582,782	32,544
Athletic Activities	320,367	313,818	6,549
Debt Service	843,626	847,788	(4,162)
Community Service	112,493	108,260	4,233
Payments to Other Districts	3,228	13,367	(10,139)
Total Expenditures	\$ 13,097,664	\$ 12,516,367	\$ 581,297

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2006-2007 fiscal year, the District amended the General Fund budget twice, with the Board adopting the changes in May and June 2007. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Total Revenues	\$ 11,755,304	\$ 11,548,522	\$ 11,721,884	\$ 173,362
EXPENDITURES				
Instruction	\$ 7,597,646	\$ 7,391,663	\$ 7,484,467	\$ 92,804
Supporting Services	3,425,304	3,569,385	3,396,901	(172,484)
Community Services	110,957	110,957	112,493	1,536
Payments to Other Districts	62,300	0	3,228	3,228
Total Expenditures	\$ 11,196,207	\$ 11,072,005	\$ 10,997,089	\$ (74,916)

The original revenue budget of \$11,755,304 was decreased to \$11,721,884 primarily as a result of anticipated changes in the level of state aid funding and reduction in student enrollment.

**Kingsley Area Schools
Kingsley, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

H. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2006-2007 fiscal year, the District had invested \$11,247,952 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Significant capital expenditures this year included purchase of forty acres of land adjacent to the High School, a Middle School flooring project and a new school bus at a total cost of \$366,753.

2. Long-Term Debt

At June 30, 2007, the District had \$7,420,558 in long-term debt outstanding. This represents a decrease of \$490,794 from the amount outstanding at the close of the prior fiscal year.

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2007-2008 fiscal year. The early indication is that the foundation allowance will be increased by \$100. This may be largely diminished by increases in salaries and health benefits. Substantial increases in fuel, heating, and electrical costs are also being predicted. This will pose a challenge to the District to maintain structural balance while continuing with its current educational programming.
- Kindergarten projections for the upcoming year shows a 20% decrease over previous year levels at the time of this audit. This could result in a reduction of \$140,000 in revenues.
- The State retirement rate will decrease from 17.74% in 2006-2007 to 16.72% for 2007-2008. This will amount to almost an \$83,200 decrease in expenditures. The change was due to increased MPSERS retirement interest earnings and a recalculation of the five year smoothing formula.
- The Michigan Legislature is currently debating future equity issues, which could add additional revenues to under funded schools throughout Michigan. As of the June 30, 2007 audit, Kingsley Area School District received approximately \$34 per student as an equity payment. This equity payment has not been approved by the entire legislative body to become a part of the District's anticipated revenues for the 2007-2008 school year.

**Kingsley Area Schools
Kingsley, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

Contacting the District's Financial Management

- This financial report is designed to provide District citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. Questions relating to this report, or for additional financial information, may be addressed to the Business Manager, Kingsley Area Schools, 402 Fenton Street, Kingsley, Michigan 49649.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 2,171,185
Taxes Receivable	41,990
Due from External Parties (Fiduciary Funds)	3,793
Due from Other Governments	1,804,221
Inventories	57,839
Prepaid Expenditures	15,292
Investments	1,313,112
Total Current Assets	<u>\$ 5,407,432</u>
<u>NONCURRENT ASSETS</u>	
Capital Assets	\$ 16,236,226
Less Accumulated Depreciation	(4,988,274)
Total Non Current Assets	<u>\$ 11,247,952</u>
TOTAL ASSETS	<u><u>\$ 16,655,384</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 92,207
Accrued Expenses	222,168
Accrued Interest Payable	47,210
Salaries Payable	652,176
Deferred Revenue	471
Current Portion of Noncurrent Liabilities	538,888
Total Current Liabilities	<u>\$ 1,553,120</u>
<u>NONCURRENT LIABILITIES</u>	
Bonds Payable	\$ 6,519,715
Installment Purchase Agreement	611,058
Compensated Absences	289,785
Less Current Portion of Non Current Liabilities	(538,888)
Total Non Current Liabilities	<u>\$ 6,881,670</u>
Total Liabilities	<u>\$ 8,434,790</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	\$ 4,117,179
Restricted for Debt Service	156,760
Unrestricted	3,946,655
Total Net Assets	<u>\$ 8,220,594</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 16,655,384</u></u>

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES
				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 6,118,284	\$ 0	\$ 132,975	\$ (5,985,309)
Added Needs	1,376,717	0	972,613	(404,104)
Supporting Services				
Pupil	330,541	0	147,557	(182,984)
Instructional Staff	196,295	0	12,789	(183,506)
General Administration	274,914	0	0	(274,914)
School Administration	558,903	0	0	(558,903)
Business	158,118	0	0	(158,118)
Operation and Maintenance	1,243,264	0	0	(1,243,264)
Security Services	36,404	0	0	(36,404)
Pupil Transportation Services	794,119	1,148	2,462	(790,509)
Technology Central Services	201,505	0	0	(201,505)
Food Service Activities	621,355	269,049	345,990	(6,316)
Athletic Activities	359,493	65,653	4,040	(289,800)
Community Services	112,493	4,018	93,250	(15,225)
Payments to Other School Districts	3,228	0	0	(3,228)
Interest on Long Term Debt	324,268	0	0	(324,268)
Total Governmental Activities	<u>\$12,709,901</u>	<u>\$ 339,868</u>	<u>\$ 1,711,676</u>	<u>\$ (10,658,357)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				\$ 904,758
Property Taxes - Debt Service				719,670
Extraordinary Insurance Reimbursement				8,982
Investment Earnings				102,280
State Sources				9,336,187
Other				27,566
Total General Revenues				<u>\$ 11,099,443</u>
Change in Net Assets				\$ 441,086
<u>NET ASSETS</u> - Beginning of Year				<u>7,779,508</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 8,220,594</u>

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	OTHER			
	GENERAL FUND	PUBLIC IMPROVEMENT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 1,743,796	\$ 142,272	\$ 285,117	\$ 2,171,185
Taxes Receivable	33,979	0	8,011	41,990
Due from Other Funds	5,869	12,299	7,810	25,978
Due from Other Governments	1,801,160	0	3,061	1,804,221
Inventory	48,604	0	9,235	57,839
Prepaid Expenditures	15,292	0	0	15,292
Investments	1,311,487	1,130	495	1,313,112
TOTAL ASSETS	<u>\$ 4,960,187</u>	<u>\$ 155,701</u>	<u>\$ 313,729</u>	<u>\$ 5,429,617</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 92,207	\$ 0	\$ 0	\$ 92,207
Accrued Expenditures	222,168	0	0	222,168
Salaries Payable	652,176	0	0	652,176
Due to Other Funds	20,418	0	1,767	22,185
Deferred Revenue	34,450	0	8,011	42,461
Total Liabilities	<u>\$ 1,021,419</u>	<u>\$ 0</u>	<u>\$ 9,778</u>	<u>\$ 1,031,197</u>
<u>FUND BALANCES</u>				
Reserved for Inventory	\$ 48,604	\$ 0	\$ 9,235	\$ 57,839
Reserved for Prepaid Expenditures	15,292	0	0	15,292
Reserved for Debt Retirement	0	0	241,342	241,342
Unreserved, Designated for				
Food Service	0	0	52,808	52,808
Athletic Activities	0	0	566	566
Public Improvements	0	155,701	0	155,701
Capital Purchases -				
Vehicle Replacement	180,000	0	0	180,000
Unreserved, Undesignated	3,694,872	0	0	3,694,872
Total Fund Balances	<u>\$ 3,938,768</u>	<u>\$ 155,701</u>	<u>\$ 303,951</u>	<u>\$ 4,398,420</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,960,187</u>	<u>\$ 155,701</u>	<u>\$ 313,729</u>	<u>\$ 5,429,617</u>

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2007

Total Governmental Fund Balances	\$ 4,398,420
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of the capital assets is	\$ 16,236,226
Accumulated depreciation is	<u>(4,988,274)</u> 11,247,952
Property taxes receivable in governmental activities are deferred unless they are collected within sixty days of year end.	
	41,990
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds Payable	(6,519,715)
Installment Purchase Agreement	(611,058)
Compensated Absences	(289,785)
Accrued interest is not included as a liability in government funds, it is recorded when paid	
	<u>(47,210)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 8,220,594</u>

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	GENERAL FUND	PUBLIC IMPROVEMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 1,026,451	\$ 5,275	\$ 1,066,640	\$ 2,098,366
State Sources	10,099,086	0	28,062	10,127,148
Federal Sources	384,866	0	317,928	702,794
Other Transactions	211,481	0	0	211,481
Total Revenues	<u>\$ 11,721,884</u>	<u>\$ 5,275</u>	<u>\$ 1,412,630</u>	<u>\$ 13,139,789</u>
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	\$ 6,107,750	\$ 0	\$ 0	\$ 6,107,750
Added Needs	1,376,717	0	0	1,376,717
Supporting Services				
Pupil	330,541	0	0	330,541
Instructional Staff	196,295	0	0	196,295
General Administration	276,173	0	0	276,173
School Administration	547,239	0	0	547,239
Business	152,293	0	0	152,293
Operation and Maintenance	901,873	321,256	0	1,223,129
Security Services	36,404	0	0	36,404
Pupil Transportation Services	754,578	0	0	754,578
Technology Central Services	201,505	0	0	201,505
Food Service Activities	0	0	615,326	615,326
Athletic Activities	0	0	320,367	320,367
Debt Service				
Principal	0	128,247	385,000	513,247
Interest	0	29,934	300,445	330,379
Community Services	112,493	0	0	112,493
Payments to Other School Districts	3,228	0	0	3,228
Total Expenditures	<u>\$ 10,997,089</u>	<u>\$ 479,437</u>	<u>\$ 1,621,138</u>	<u>\$ 13,097,664</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ 724,795</u>	<u>\$ (474,162)</u>	<u>\$ (208,508)</u>	<u>\$ 42,125</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	\$ 0	\$ 300,000	\$ 241,565	\$ 541,565
Extraordinary Insurance Reimbursement	0	0	8,982	8,982
Transfers Out	(541,565)	0	0	(541,565)
Total Other Financing Sources (Uses)	<u>\$ (541,565)</u>	<u>\$ 300,000</u>	<u>\$ 250,547</u>	<u>\$ 8,982</u>
Net Change in Fund Balance	\$ 183,230	\$ (174,162)	\$ 42,039	\$ 51,107
<u>FUND BALANCE</u> - Beginning of Year	<u>3,755,538</u>	<u>329,863</u>	<u>261,912</u>	<u>4,347,313</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 3,938,768</u>	<u>\$ 155,701</u>	<u>\$ 303,951</u>	<u>\$ 4,398,420</u>

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

Net change in Fund Balances Total Governmental Funds	\$ 51,107
Amounts reported for governmental activities are different because:	
In governmental funds property taxes receivable are deferred unless they are collected within sixty days of year end.	
Deferred Property Tax Revenue - Beginning of Year	(39,774)
Deferred Property Tax Revenue - End of Year	41,990
Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(475,895)
Capital Outlay	366,753
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued Interest Payable - Beginning of Year	53,321
Accrued Interest Payable - End of Year	(47,210)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	513,247
Employees Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Compensated Absences - Beginning of Year	267,332
Compensated Absences - End of Year	<u>(289,785)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 441,086</u>

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2007

	<u>SCHOLARSHIP</u>	
	<u>PRIVATE-PURPOSE</u>	<u>AGENCY</u>
	<u>TRUST FUND</u>	<u>FUND</u>
<u>ASSETS</u>		
Cash	\$ 13,705	\$ 150,117
Investments	86,414	0
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 100,119</u>	<u>\$ 150,117</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Groups and Organizations	\$ 0	\$ 146,324
Due to Other Funds	0	3,793
	<hr/>	<hr/>
Total Liabilities	<u>\$ 0</u>	<u>\$ 150,117</u>
<u>NET ASSETS</u>		
Held in Trust for Endowments	\$ 97,656	\$ 0
Held in Trust for Scholarships	2,463	0
	<hr/>	<hr/>
Total Net Assets	<u>\$ 100,119</u>	<u>\$ 0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 100,119</u>	<u>\$ 150,117</u>

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

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2007

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ADDITIONS</u>	
Earnings on Investments	\$ 4,428
<u>DEDUCTIONS</u>	
Scholarships Awarded	<u>3,000</u>
CHANGE IN NET ASSETS	\$ 1,428
<u>NET ASSETS</u> - Beginning of Year	<u>98,691</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 100,119</u>

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

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is located in Grand Traverse and Wexford Counties with its administrative offices located in Kingsley, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,492 students in elementary, middle school, high school, special education, transportation, food service and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column 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 two parts – invested in capital assets, net of related debt; and unrestricted net assets.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The District first utilizes restricted resources to finance qualifying activities.

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

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

The District does not allocate indirect costs.

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

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

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

The District reports the following major governmental funds:

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

The *CAPITAL PROJECTS FUND* (Public Improvement Fund) accounts for major improvement projects and is primarily funded with loans and transfers from the General Fund.

Other Non-Major Funds

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

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

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Fiduciary Funds

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

The *PRIVATE-PURPOSE TRUST FUND* is used to account for resources legally held in trust to provide scholarships to post-secondary education students. Contributions are held as permanent endowments and the earnings from those endowments can be used to provide the scholarships.

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

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

Accrual Method

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

Modified Accrual Method

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

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006. For the year ended June 30, 2007, the per pupil foundation allowance was \$7,085 for Kingsley Area Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as accounts receivable.

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

D. Other Accounting Policies

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government, or obligations of the state.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

- (c) Commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (e) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

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

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date.

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

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0000
Debt Service Fund -Homestead and non-homestead	4.0000

4. Inventories and Prepaid Expenditures

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

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

5. Capital Assets

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

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

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

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

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

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The District has elected to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2003.

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

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

8. Fund Equity

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

Encumbrance accounting is not employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

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

1. The superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.

4. The superintendent is charged with general supervision of the budgets and holds the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 12, 2006, or as amended by the School Board of Education on May 14, 2007 and June 11, 2007.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

The District's deposits and investments are all on deposit with Northwestern Bank, Huntington National Bank and the Michigan School District Liquid Asset Fund Plus. The Agency Fund's deposits are on deposit with Northwestern Bank and the Scholarship Trust Funds deposits and investments are held by Wachovia Securities.

Investment rate risk. The District minimizes 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 investing pools and limiting the average maturity in accordance with the District's cash requirement.

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

Credit risk. The District minimizes Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of credit risk. The District minimizes 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.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, \$1,956,784 of the government's bank balance of \$2,504,621 was exposed to custodial credit risk because it was uninsured and uncollateralized. The book balance for these accounts was \$2,335,007.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year end, the only investments were investment trust funds.

Investments not subject to categorization:

Michigan Liquid Asset Fund \$1,313,112

The Scholarship Trust Fund had \$13,705 in an uninsured money market account and \$86,414 invested in various open ended mutual funds.

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	GENERAL FUND	OTHER NONMAJOR FUNDS	TOTAL
Taxes Receivable	\$ 33,979	\$ 8,011	\$ 41,990
Due from Other Governments	1,801,160	3,061	1,804,221
Total Receivables	<u>\$ 1,835,139</u>	<u>\$ 11,072</u>	<u>\$ 1,846,211</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

	<u>Unavailable</u>	<u>Unearned</u>
Property Taxes	\$ 41,990	\$ 0
Federal Grant	0	471

C. Lease Information

Operating Leases – The School District is committed under a noncancelable lease for electrical equipment. This lease is an operating lease with no contingent lease payments. Lease expense for the current year was \$7,995. Future minimum lease payments are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2008	\$ 7,995

D. Capital Assets

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

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 200,313	\$ 196,257	\$ 0	\$ 396,570
Capital assets, being depreciated				
Buildings	\$ 13,088,745	\$ 36,992	\$ 0	\$ 13,125,737
Land Improvements	581,518	21,125	0	602,643
Machinery and Equipment	720,766	47,393	6,995	761,164
Transportation Equipment	1,257,126	64,986	0	1,322,112
Other Assets	40,500	0	12,500	28,000
Total capital assets, being depreciated	<u>\$ 15,688,655</u>	<u>\$ 170,496</u>	<u>\$ 19,495</u>	<u>\$ 15,839,656</u>

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	\$ 2,985,904	\$ 321,978	\$ 0	\$ 3,307,882
Land Improvements	168,263	31,928	0	200,191
Machinery and Equipment	565,551	20,945	6,995	579,501
Transportation Equipment	773,256	99,444	0	872,700
Other Assets	38,900	1,600	12,500	28,000
Total accumulated depreciation	<u>\$ 4,531,874</u>	<u>\$ 475,895</u>	<u>\$ 19,495</u>	<u>\$ 4,988,274</u>
Total capital assets, being depreciated, net of depreciation	<u>\$ 11,156,781</u>	<u>\$ (305,399)</u>	<u>\$ 0</u>	<u>\$ 10,851,382</u>
Governmental activities capital assets, net of depreciation	<u><u>\$ 11,357,094</u></u>	<u><u>\$ (109,142)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 11,247,952</u></u>

Depreciation for the fiscal year ended June 30, 2007, was charged to the following functions:

Basic Programs	\$ 12,942
General Administration	6,541
Operation and Maintenance	308,993
Pupil Transportation	107,025
Food Service Activities	3,383
Athletic Activities	37,011

E. Long-Term Debt

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

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

	Bonds	Notes	Compensated Absences	Total
Balance - July 1, 2006	\$ 6,904,715	\$ 739,305	\$ 267,332	\$ 7,911,352
Additions	0	0	22,453	22,453
Reductions	(385,000)	(128,247)	0	(513,247)
Balance - June 30, 2007	<u>\$ 6,519,715</u>	<u>\$ 611,058</u>	<u>\$ 289,785</u>	<u>\$ 7,420,558</u>
Less Current Portion	(405,000)	(133,888)	0	(538,888)
Total Due After One Year	<u><u>\$ 6,114,715</u></u>	<u><u>\$ 477,170</u></u>	<u><u>\$ 289,785</u></u>	<u><u>\$ 6,881,670</u></u>

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

At June 30, 2007, the District's long-term debt consisted of the following issues:

1999 School Building and Site Bonds due in annual installments of \$405,000 to \$695,000 through May 1, 2019, interest at 4.375% to 4.400%	\$ 6,445,000
1998 School Improvement Bonds due in annual installments of \$8,211 to \$55,179 through May 15, 2013, interest at 4.761353%, being serviced by designated state aid	74,715
Middle School energy improvement note payable in quarterly installments of \$39,545, including interest at 4.328%	611,058
Accumulated Compensated Absences	<u>289,785</u>
Total long-term debt	<u><u>\$ 7,420,558</u></u>

The requirements to amortize debt outstanding as of June 30, 2007, including interest of \$2,084,016 are as follows:

Year Ending June 30,	Bonds		Installment Purchase Agreement		Total
	Principal	Interest	Principal	Interest	
2008	\$ 405,000	\$ 283,262	\$ 133,888	\$ 24,293	\$ 846,443
2009	469,799	275,922	139,777	18,404	903,902
2010	452,061	248,100	145,926	12,255	858,342
2011	472,333	228,360	152,345	5,836	858,874
2012	497,615	207,617	39,122	423	744,777
2013-2017	2,862,907	689,124	0	0	3,552,031
2018-2019	1,360,000	90,420	0	0	1,450,420
	<u>\$ 6,519,715</u>	<u>\$ 2,022,805</u>	<u>\$ 611,058</u>	<u>\$ 61,211</u>	<u>\$ 9,214,789</u>

Accumulated Compensated Absences	<u>289,785</u>
	<u><u>\$ 9,504,574</u></u>

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

F. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2007, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 5,869	\$ 20,418
Food Service Fund	7,161	0
Athletic Activities Fund	0	1,087
1999 Debt Retirement Fund	649	680
Public Improvement Fund	12,299	0
Agency Fund	0	3,793
	<u>\$ 25,978</u>	<u>\$ 25,978</u>

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

Interfund transfers are used to move unrestricted General Fund revenues to special revenue and capital projects funds that the District must account for in other funds in accordance with the state uniform accounting manual.

Interfund transfers as shown in the individual fund financial statements at June 30, 2007, were:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 541,565
Athletic Activities Fund	241,565	0
Public Improvement Fund	300,000	0
	<u>\$ 541,565</u>	<u>\$ 541,565</u>

G. Designated and Reserved Fund Balance

The School has reserved or designated the fund balances as follows:

1. Food Service and Public Improvements Funds

The School's policy is to show fund balance of the Food Service Fund and Public Improvements Fund as designated for those purposes.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

2. Debt Service

The entire fund balances of the Debt Service Funds are reserved for debt service.

3. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventory in the General Fund consists of supplies held for consumption. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

NOTE 4 – OTHER INFORMATION

A. Employee Retirement System

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.

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

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

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007, was 16.34% until September 30, 2006, and 17.74% for the rest of the year. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006 and 2005 were \$1,143,766, \$1,065,960 and \$904,748 respectively, and were equal to the required contribution for those years.

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

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage

B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

C. Commitments

The District is committed on roofing and paving contracts totaling \$48,789 at June 30, 2007.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS
<u>REVENUES</u>			
Local Sources	\$ 906,200	\$ 982,400	\$ 1,026,451
State Sources	10,382,387	10,089,792	10,099,086
Federal Sources	371,717	384,717	384,866
Other Transactions	95,000	91,613	211,481
Total Revenues	<u>\$ 11,755,304</u>	<u>\$ 11,548,522</u>	<u>\$ 11,721,884</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	\$ 6,930,441	\$ 6,004,240	\$ 6,107,750
Added Needs	667,205	1,387,423	1,376,717
Supporting Services			
Pupil	100,374	319,787	330,541
Instructional Staff	199,604	196,213	196,295
General Administration	306,871	281,827	276,173
School Administration	583,855	557,125	547,239
Business	166,055	199,724	152,293
Operation and Maintenance of Plant	1,065,136	996,800	901,873
Security Services	0	27,000	36,404
Pupil Transportation Services	819,662	807,399	754,578
Technology Central Services	183,747	183,510	201,505
Community Services	110,957	110,957	112,493
Payments to Other School Districts	62,300	0	3,228
Total Expenditures	<u>\$ 11,196,207</u>	<u>\$ 11,072,005</u>	<u>\$ 10,997,089</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 559,097	\$ 476,517	\$ 724,795
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(559,000)	(540,000)	(541,565)
Net Change in Fund Balance	\$ 97	\$ (63,483)	\$ 183,230
<u>FUND BALANCE</u> - Beginning of Year	<u>3,458,045</u>	<u>3,755,538</u>	<u>3,755,538</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 3,458,142</u>	<u>\$ 3,692,055</u>	<u>\$ 3,938,768</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2007

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD	ATHLETIC	1999 DEBT	DURANT DEBT	
	SERVICE	ACTIVITIES	RETIREMENT	RETIREMENT	
<u>ASSETS</u>					
Cash	\$ 45,647	\$ 1,653	\$ 237,817	\$ 0	\$ 285,117
Taxes Receivable	0	0	8,011	0	8,011
Due from Other Funds	7,161	0	649	0	7,810
Due from Other Governments	0	0	3,061	0	3,061
Inventory	9,235	0	0	0	9,235
Investments	0	0	495	0	495
TOTAL ASSETS	\$ 62,043	\$ 1,653	\$ 250,033	\$ 0	\$ 313,729
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 1,087	\$ 680	\$ 0	\$ 1,767
Deferred Revenue	0	0	8,011	0	8,011
TOTAL LIABILITIES	\$ 0	\$ 1,087	\$ 8,691	\$ 0	\$ 9,778
<u>FUND BALANCE</u>					
Reserved for Inventory	\$ 9,235	\$ 0	\$ 0	\$ 0	\$ 9,235
Reserved for Debt Retirement	0	0	241,342	0	241,342
Unreserved					
Designated for Food Service	52,808	0	0	0	52,808
Designated for Athletic Activities	0	566	0	0	566
TOTAL FUND BALANCES	\$ 62,043	\$ 566	\$ 241,342	\$ 0	\$ 303,951
TOTAL LIABILITIES AND FUND BALANCES	\$ 62,043	\$ 1,653	\$ 250,033	\$ 0	\$ 313,729

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	ATHLETIC ACTIVITIES	1999 DEBT RETIREMENT	DURANT DEBT RETIREMENT	
<u>REVENUES</u>					
Local Sources	\$ 269,059	\$ 69,785	\$ 727,796	\$ 0	\$ 1,066,640
State Sources	28,062	0	0	0	28,062
Federal Sources	317,928	0	0	0	317,928
Total Revenues	\$ 615,049	\$ 69,785	\$ 727,796	\$ 0	\$ 1,412,630
<u>EXPENDITURES</u>					
Food Service Activities	\$ 615,326	\$ 0	\$ 0	\$ 0	\$ 615,326
Athletic Activities	0	320,367	0	0	320,367
Debt Service					
Principal	0	0	385,000	0	385,000
Interest	0	0	300,445	0	300,445
Total Expenditures	\$ 615,326	\$ 320,367	\$ 685,445	\$ 0	\$ 1,621,138
Excess (Deficiency) of Revenues Over Expenditures	\$ (277)	\$ (250,582)	\$ 42,351	\$ 0	\$ (208,508)
<u>OTHER FINANCING SOURCES (USES)</u>					
Extraordinary Insurance Reimbursement	\$ 8,982	\$ 0	\$ 0	\$ 0	\$ 8,982
Transfers In	0	241,565	0	0	241,565
Total Other Financing Sources (Uses)	\$ 8,982	\$ 241,565	\$ 0	\$ 0	\$ 250,547
Net Change in Fund Balance	\$ 8,705	\$ (9,017)	\$ 42,351	\$ 0	\$ 42,039
<u>FUND BALANCE</u> - Beginning of Year	53,338	9,583	198,991	0	261,912
<u>FUND BALANCE</u> - End of Year	\$ 62,043	\$ 566	\$ 241,342	\$ 0	\$ 303,951

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 1,743,796	\$ 2,416,426
Taxes Receivable	33,979	32,927
Due from Other Funds	5,869	4,857
Due from Other Governmental Units	1,801,160	1,829,508
Accounts Receivable	0	7,983
Inventory	48,604	46,325
Prepaid Expenditures	15,292	0
Investments	1,311,487	621,816
	<hr/>	<hr/>
TOTAL ASSETS	\$ 4,960,187	\$ 4,959,842
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 92,207	\$ 109,271
Due to Other Funds	20,418	204,254
Accrued Expenditures	222,168	372,159
Salaries Payable	652,176	486,632
Deferred Revenue	34,450	31,988
	<hr/>	<hr/>
Total Liabilities	\$ 1,021,419	\$ 1,204,304
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for		
Inventory	\$ 48,604	\$ 46,325
Prepaid Expenditures	15,292	0
Unreserved		
Designated for Capital Purchases - Vehicle Replacement	180,000	0
Undesignated	3,694,872	3,709,213
	<hr/>	<hr/>
Total Fund Balance	\$ 3,938,768	\$ 3,755,538
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,960,187	\$ 4,959,842
	<hr/> <hr/>	<hr/> <hr/>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 982,400	\$ 1,026,451	\$ 896,823
State Sources	10,089,792	10,099,086	9,983,651
Federal Sources	384,717	384,866	390,172
Other Transactions	91,613	211,481	191,728
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 11,548,522	\$ 11,721,884	\$ 11,462,374
<hr/>			
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary School	\$ 2,179,220	\$ 2,206,518	\$ 2,127,035
Middle School	1,891,920	1,965,349	1,770,102
High School	1,810,660	1,812,425	1,720,116
Preschool	114,936	115,352	123,607
Summer School	7,504	8,106	17,652
Added Needs			
Special Education	1,049,435	1,014,718	961,810
Compensatory Education	337,988	361,999	351,640
Supporting Services			
Pupil			
Guidance Services	165,405	173,790	171,930
Health Services	1,800	3	205
Social Work Services	124,146	136,341	127,828
Other Pupil Services	28,436	20,407	26,326
Instructional Staff			
Improvement of Instruction	15,813	12,789	5,950
Educational Media Services	171,300	176,314	193,531
Academic Student Assessment	9,100	7,192	8,725
General Administration			
Board of Education	68,774	77,431	67,547
Executive Administration	213,053	198,742	196,485
School Administration			
Office of the Principal	555,425	545,918	537,408
Graduation Expenses	1,700	1,321	2,408

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
Business			
Fiscal Services	153,424	144,831	148,525
Other Business Services	46,300	7,462	21,142
Operation and Maintenance	996,800	901,873	956,182
Security Services	27,000	36,404	25,318
Pupil Transportation Services	807,399	754,578	811,688
Technology Central Services	183,510	201,505	179,224
Community Services			
21st Century Grant Project	92,257	93,250	91,492
Community Recreation	0	1,138	0
Resource Center	18,500	16,215	14,466
Custody and Care of Children	200	1,890	2,302
Payments to Other School Districts Within the State	0	3,228	13,367
Total Expenditures	\$ 11,072,005	\$ 10,997,089	\$ 10,674,011
Excess (Deficiency) of Revenues Over Expenditures	\$ 476,517	\$ 724,795	\$ 788,363
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out			
Athletic Activities Fund	\$ (240,000)	\$ (241,565)	\$ (257,089)
Public Improvements Fund	(300,000)	(300,000)	(490,000)
Total Other Financing Sources (Uses)	\$ (540,000)	\$ (541,565)	\$ (747,089)
Net Change in Fund Balance	\$ (63,483)	\$ 183,230	\$ 41,274
<u>FUND BALANCE</u> - Beginning of Year	3,755,538	3,755,538	3,714,264
<u>FUND BALANCE</u> - End of Year	\$ 3,692,055	\$ 3,938,768	\$ 3,755,538

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>LOCAL SOURCES</u>			
Property Taxes			
Operating Millage	\$ 899,400	\$ 902,508	\$ 800,295
Delinquent Collections	0	259	6,450
Penalties and Interest on Delinquent Taxes	0	13	594
Tuition	0	0	2,187
Transportation Fees	0	1,148	3,064
Earnings on Investments and Deposits	57,000	93,076	50,718
Community Service Activity	0	4,018	2,628
Rentals	0	0	115
Contributions from Private Sources	0	800	2,000
Miscellaneous	26,000	24,629	28,772
Total Local Sources	<u>\$ 982,400</u>	<u>\$ 1,026,451</u>	<u>\$ 896,823</u>
<u>STATE SOURCES</u>			
Grants-In-Aid Unrestricted			
State School Aid			
Foundation Allowance	\$ 9,387,382	\$ 9,322,092	\$ 9,194,208
Grants-In-Aid Restricted			
State School Aid Received from State			
Foundation Allowance - Special Education	386,820	436,616	361,204
At Risk	257,695	257,268	227,688
School Readiness	46,200	46,200	161,677
Durant Settlement	11,695	11,695	11,695
Middle School Math	0	18,605	0
State School Aid Received Through			
Intermediate School Districts			
ASAP/PIE	0	3,052	22,880
Teacher Academy	0	2,006	2,632
Bus Driver Training	0	1,552	1,667
Total State Sources	<u>\$ 10,089,792</u>	<u>\$ 10,099,086</u>	<u>\$ 9,983,651</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>FEDERAL SOURCES</u>			
Grants-In-Aid Restricted			
Received Through the Michigan			
Department of Education			
Title I	\$ 180,000	\$ 181,017	\$ 181,017
Title II A	68,378	68,251	68,448
Title II D	3,377	1,858	3,377
Title V	600	308	600
Drug Free Schools Grant	7,790	5,792	11,993
Handicapped Preschool and School Program	0	4,000	0
Received Through Intermediate School District			
Capacity Building Grant	0	0	1,800
Preschool Incentive	13,000	12,748	12,984
IDEA Grants	1,800	1,786	1,094
Medicaid Outreach	0	602	0
Received Through Traverse City Area Public Schools			
21st Century Grant	91,272	93,250	91,347
Received Through Michigan State Police			
State Homeland Security Grant Program, Part II	0	0	3,692
Received Through Family Independence Agency			
Strong Families Safe Children Grant	18,500	15,254	13,820
Total Federal Sources	<u>\$ 384,717</u>	<u>\$ 384,866</u>	<u>\$ 390,172</u>
<u>OTHER TRANSACTIONS</u>			
Sale of Fixed Assets	\$ 0	\$ 0	\$ 28,800
Transfers from Other Districts			
Traverse Bay Area Intermediate School District	91,613	158,336	117,360
Other Transfers from TBAISD	0	53,145	41,329
Traverse City Area Public Schools	0	0	4,239
Total Other Transactions	<u>\$ 91,613</u>	<u>\$ 211,481</u>	<u>\$ 191,728</u>
 TOTAL REVENUES	 <u>\$ 11,548,522</u>	 <u>\$ 11,721,884</u>	 <u>\$ 11,462,374</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

<u>INSTRUCTION</u>	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Basic Programs</u>			
<u>Elementary</u>			
Salaries	\$ 1,471,277	\$ 1,467,440	\$ 1,456,660
Employee Benefits	638,743	652,856	598,467
Purchased Services	18,200	16,634	16,795
Supplies and Materials	44,000	60,323	46,536
Capital Outlay	7,000	9,265	8,577
Total Elementary	<u>\$ 2,179,220</u>	<u>\$ 2,206,518</u>	<u>\$ 2,127,035</u>
 <u>Middle School</u>			
Salaries	\$ 1,220,550	\$ 1,242,850	\$ 1,123,016
Employee Benefits	562,670	616,052	550,243
Purchased Services	17,800	17,039	16,891
Supplies and Materials	80,900	73,164	71,590
Capital Outlay	10,000	16,244	8,362
Total Middle School	<u>\$ 1,891,920</u>	<u>\$ 1,965,349</u>	<u>\$ 1,770,102</u>
 <u>High School</u>			
Salaries	\$ 1,150,820	\$ 1,160,921	\$ 1,116,405
Employee Benefits	503,650	492,513	460,399
Purchased Services	41,790	28,850	32,748
Supplies and Materials	75,400	78,753	79,577
Capital Outlay	22,000	35,667	24,909
Other Expense	3,000	6,109	6,078
Outgoing Transfers	14,000	9,612	0
Total High School	<u>\$ 1,810,660</u>	<u>\$ 1,812,425</u>	<u>\$ 1,720,116</u>
 <u>Pre-school</u>			
Salaries	\$ 72,309	\$ 75,994	\$ 77,949
Employee Benefits	33,805	34,729	41,825
Purchased Services	1,700	1,801	3,833
Supplies and Materials	4,500	1,679	0
Capital Outlay	2,622	1,149	0
Total Pre-school	<u>\$ 114,936</u>	<u>\$ 115,352</u>	<u>\$ 123,607</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Summer School</u>			
Salaries	\$ 6,000	\$ 6,500	\$ 14,375
Employee Benefits	1,504	1,606	3,277
Salaries	<u>\$ 7,504</u>	<u>\$ 8,106</u>	<u>\$ 17,652</u>
 <u>Added Needs</u>			
<u>Special Education</u>			
Salaries	\$ 684,427	\$ 671,013	\$ 645,205
Employee Benefits	328,058	329,140	303,551
Purchased Services	3,850	2,235	2,221
Supplies and Materials	29,800	10,597	9,635
Capital Outlay	3,300	1,733	1,198
Total Special Education	<u>\$ 1,049,435</u>	<u>\$ 1,014,718</u>	<u>\$ 961,810</u>
 <u>Compensatory Education</u>			
Salaries	\$ 187,300	\$ 224,468	\$ 214,410
Employee Benefits	142,188	135,965	136,828
Purchased Services	2,000	100	160
Supplies and Materials	4,000	1,466	242
Capital Outlay	2,500	0	0
Total Compensatory Education	<u>\$ 337,988</u>	<u>\$ 361,999</u>	<u>\$ 351,640</u>
 <u>SUPPORTING SERVICES</u>			
<u>Pupil</u>			
<u>Guidance Services</u>			
Salaries	\$ 129,005	\$ 133,244	\$ 132,823
Employee Benefits	34,900	40,446	39,107
Purchased Services	400	100	0
Supplies and Materials	600	0	0
Capital Outlay	500	0	0
Total Guidance Services	<u>\$ 165,405</u>	<u>\$ 173,790</u>	<u>\$ 171,930</u>
 <u>Health Services</u>			
Purchased Services	<u>\$ 1,800</u>	<u>\$ 3</u>	<u>\$ 205</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Social Work Services</u>			
Salaries	\$ 98,917	\$ 108,874	\$ 102,912
Employee Benefits	25,229	27,467	24,916
Total Social Work Services	<u>\$ 124,146</u>	<u>\$ 136,341</u>	<u>\$ 127,828</u>
<u>Other Pupil Services</u>			
Salaries	\$ 22,741	\$ 16,318	\$ 21,334
Employee Benefits	5,695	4,089	4,992
Total Other Pupil Services	<u>\$ 28,436</u>	<u>\$ 20,407</u>	<u>\$ 26,326</u>
<u>Instructional Staff</u>			
<u>Improvement of Instruction</u>			
Salaries	\$ 0	\$ 5,725	\$ 0
Employee Benefits	0	1,223	0
Purchased Services	15,813	5,841	5,950
Total Improvement of Instruction	<u>\$ 15,813</u>	<u>\$ 12,789</u>	<u>\$ 5,950</u>
<u>Educational Media Services</u>			
Salaries	\$ 88,300	\$ 91,060	\$ 97,009
Employee Benefits	46,500	49,936	59,452
Purchased Services	4,700	4,281	1,164
Supplies and Materials	26,300	25,332	27,639
Capital Outlay	5,500	5,705	8,267
Total Educational Media Services	<u>\$ 171,300</u>	<u>\$ 176,314</u>	<u>\$ 193,531</u>
<u>Academic Student Assessment</u>			
Purchased Services	<u>\$ 9,100</u>	<u>\$ 7,192</u>	<u>\$ 8,725</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>General Administration</u>			
<u>Board of Education</u>			
Salaries	\$ 7,500	\$ 2,875	\$ 3,715
Employee Benefits	574	220	284
Purchased Services	49,900	62,491	48,981
Supplies and Materials	2,800	2,257	867
Other Expense	8,000	9,588	13,700
Total Board of Education	<u>\$ 68,774</u>	<u>\$ 77,431</u>	<u>\$ 67,547</u>
<u>Executive Administration</u>			
Salaries	\$ 134,000	\$ 133,975	\$ 132,172
Employee Benefits	71,703	59,251	55,567
Purchased Services	1,000	1,506	4,409
Supplies and Materials	2,350	1,366	1,658
Capital Outlay	3,000	1,806	1,891
Other Expense	1,000	838	788
Total Executive Administration	<u>\$ 213,053</u>	<u>\$ 198,742</u>	<u>\$ 196,485</u>
<u>School Administration</u>			
<u>Office of the Principal</u>			
Salaries	\$ 353,496	\$ 347,659	\$ 345,104
Employee Benefits	167,729	174,029	175,361
Purchased Services	21,700	18,562	11,365
Supplies and Materials	4,400	3,610	2,070
Capital Outlay	6,000	2,058	2,458
Other Expenses	2,100	0	1,050
Total Office of the Principal	<u>\$ 555,425</u>	<u>\$ 545,918</u>	<u>\$ 537,408</u>
<u>Graduation Expenses</u>			
Supplies and Materials	<u>\$ 1,700</u>	<u>\$ 1,321</u>	<u>\$ 2,408</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Business</u>			
<u>Fiscal Services</u>			
Salaries	\$ 84,100	\$ 85,562	\$ 80,954
Employee Benefits	40,324	42,627	40,363
Purchased Services	20,500	10,228	18,993
Supplies and Materials	4,000	2,966	3,168
Capital Outlay	4,500	511	265
Other Expenses	0	2,937	4,782
Total Fiscal Services	<u>\$ 153,424</u>	<u>\$ 144,831</u>	<u>\$ 148,525</u>
<u>Other Business Services</u>			
Employee Benefits	\$ 24,000	\$ 0	\$ 3,743
Purchased Services	2,300	7,462	6,126
Other Expenses	20,000	0	11,273
Total Other Business Services	<u>\$ 46,300</u>	<u>\$ 7,462</u>	<u>\$ 21,142</u>
<u>Operation and Maintenance</u>			
Salaries	\$ 282,400	\$ 285,589	\$ 274,487
Employee Benefits	156,900	158,484	155,128
Purchased Services	242,000	212,013	263,147
Supplies and Materials	270,500	240,596	225,307
Capital Outlay	45,000	5,191	38,113
Total Operation and Maintenance	<u>\$ 996,800</u>	<u>\$ 901,873</u>	<u>\$ 956,182</u>
<u>Security Services</u>			
Purchased Services	\$ 27,000	\$ 36,054	\$ 25,318
Supplies and Materials	0	350	0
Total Security Services	<u>\$ 27,000</u>	<u>\$ 36,404</u>	<u>\$ 25,318</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Pupil Transportation Services</u>			
Salaries	\$ 367,800	\$ 363,562	\$ 371,267
Employee Benefits	180,399	155,058	150,748
Purchased Services	39,200	29,337	15,938
Supplies and Materials	135,600	127,109	136,671
Capital Outlay	82,000	78,197	135,451
Other Expense	2,400	1,315	1,613
Total Pupil Transportation Services	<u>\$ 807,399</u>	<u>\$ 754,578</u>	<u>\$ 811,688</u>
<u>Technology Central Services</u>			
Salaries	\$ 59,200	\$ 59,841	\$ 55,780
Employee Benefits	26,460	28,365	26,412
Purchased Services	32,350	29,084	32,635
Supplies and Materials	500	9	2,193
Capital Outlay	65,000	84,206	62,204
Total Technology Central Services	<u>\$ 183,510</u>	<u>\$ 201,505</u>	<u>\$ 179,224</u>
<u>COMMUNITY SERVICES</u>			
<u>21st Century Grant Project</u>			
Salaries	\$ 39,080	\$ 59,927	\$ 54,217
Employee Benefits	19,786	24,022	23,611
Purchased Services	31,391	3,771	7,857
Supplies and Materials	2,000	5,530	5,807
Total 21st Century Grant Project	<u>\$ 92,257</u>	<u>\$ 93,250</u>	<u>\$ 91,492</u>
<u>Community Recreation</u>			
Salaries	\$ 0	\$ 908	\$ 0
Employee Benefits	0	230	0
Total Community Recreation	<u>\$ 0</u>	<u>\$ 1,138</u>	<u>\$ 0</u>
<u>Resource Center</u>			
Salaries	\$ 0	\$ 4,839	\$ 1,298
Employee Benefits	0	785	312
Purchased Services	18,500	8,303	11,802
Supplies and Materials	0	2,288	1,054
Total Resource Center	<u>\$ 18,500</u>	<u>\$ 16,215</u>	<u>\$ 14,466</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>Custody and Care of Children</u>			
Salaries	\$ 0	\$ 1,192	\$ 1,776
Employee Benefits	0	302	426
Supplies and Materials	200	396	100
Total Resource Center	\$ 200	\$ 1,890	\$ 2,302
 <u>PAYMENTS TO OTHER GOVERNMENTAL AGENCIES</u>			
<u>Payments to Other School Districts Within the State</u>	\$ 0	\$ 3,228	\$ 13,367
TOTAL EXPENDITURES	\$ 11,072,005	\$ 10,997,089	\$ 10,674,011

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

PUBLIC IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 142,272	\$ 138,615
Investments	1,130	1,076
Due from Other Funds	12,299	200,000
	<hr/>	<hr/>
TOTAL ASSETS	\$ 155,701	\$ 339,691
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 9,828
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Unreserved		
Designated for:		
Land Purchases	\$ 0	\$ 200,000
Public Improvements	155,701	129,863
	<hr/>	<hr/>
Total Fund Balance	\$ 155,701	\$ 329,863
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 155,701	\$ 339,691
	<hr/> <hr/>	<hr/> <hr/>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

PUBLIC IMPROVEMENTS FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 754	\$ 704
Contributions from Private Sources	2,400	0
Miscellaneous	2,121	4,242
	<hr/>	<hr/>
Total Revenues	\$ 5,275	\$ 4,946
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Capital Outlay		
Middle School Energy Improvements	\$ 0	\$ 1,545
High School Equipment	18,048	0
Elementary School Improvements	16,531	23,790
Middle School Improvements	51,338	0
High School Improvements	22,297	17,338
Reroofing Projects	0	722
Middle School Flooring	1,474	54,545
Playground	11,836	0
Storage Facility	1,800	0
Bus Garage	436	0
Security System	212	0
Land Purchase	196,257	0
Debt Service		
Principal	128,247	122,843
Interest	29,934	35,338
Other Expense		
Asbestos Monitoring	1,027	0
Miscellaneous	0	28
	<hr/>	<hr/>
Total Expenditures	\$ 479,437	\$ 256,149
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ (474,162)	\$ (251,203)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	300,000	490,000
	<hr/>	<hr/>
Net Change in Fund Balance	\$ (174,162)	\$ 238,797
<u>FUND BALANCE</u> - Beginning of Year	329,863	91,066
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 155,701	\$ 329,863
	<hr/>	<hr/>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 45,647	\$ 42,691
Due from Other Funds	7,161	4,254
Inventory	9,235	8,794
	<hr/>	<hr/>
TOTAL ASSETS	\$ 62,043	\$ 55,739
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 2,401
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Inventory	\$ 9,235	\$ 8,794
Unreserved		
Designated for Food Service	52,808	44,544
	<hr/>	<hr/>
Total Fund Balance	\$ 62,043	\$ 53,338
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 62,043	\$ 55,739
	<hr/> <hr/>	<hr/> <hr/>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Earnings on Investments and Deposits	\$ 1,000	\$ 10	\$ 0
Food Sales to Pupils	215,000	210,278	264,879
Food Sales to Adults	6,000	11,654	0
Special Milk Sales	0	3,011	0
Ala Carte Sales	3,500	36,730	0
Catering	0	7,376	8,367
Miscellaneous	0	0	6,027
Total Local Sources	<u>\$ 225,500</u>	<u>\$ 269,059</u>	<u>\$ 279,273</u>
State Sources			
State Aid			
Food Service	\$ 35,000	\$ 28,062	\$ 25,411
Federal Sources			
National School Breakfast Program	\$ 0	\$ 48,722	\$ 46,424
National School Lunch Program	215,000	211,656	208,813
U.S.D.A. Entitlement Commodities	42,000	57,380	40,480
U.S.D.A. Bonus Commodities	0	170	6,631
Total Federal Sources	<u>\$ 257,000</u>	<u>\$ 317,928</u>	<u>\$ 302,348</u>
Total Revenues	<u>\$ 517,500</u>	<u>\$ 615,049</u>	<u>\$ 607,032</u>
<u>EXPENDITURES</u>			
Salaries			
Director	\$ 32,000	\$ 33,440	\$ 32,000
Cooks and Assistants	129,500	141,476	137,163
Employee Benefits			
Health and Accident Insurance	55,500	56,198	54,334
Other Insurance	6,600	10,017	9,545
Retirement	27,476	30,765	27,343
Social Security	12,355	13,439	12,934
Worker's Compensation	375	309	450
Cash in Lieu of Insurance	3,500	2,901	2,670

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Purchased Services			
Workshops and Conferences	1,300	270	200
Equipment Service	2,500	5,840	2,486
Supplies and Materials			
Food Purchases	185,000	217,749	225,123
U.S.D.A. Delivery Charges	20,000	26,476	28,319
U.S.D.A. Entitlement Commodities	40,000	57,380	40,480
U.S.D.A. Bonus Commodities	0	170	6,631
Other Supplies	1,500	338	1,092
Capital Outlay			
Equipment	2,500	16,891	0
Other Expenses			
Sales Tax on Adult Lunches	450	700	802
Miscellaneous Expenses	2,600	967	1,210
Total Expenditures	<u>\$ 523,156</u>	<u>\$ 615,326</u>	<u>\$ 582,782</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,656)	\$ (277)	\$ 24,250
<u>OTHER FINANCING SOURCES (USES)</u>			
Extraordinary Insurance Reimbursements	\$ 0	\$ 8,982	\$ 0
Transfers In	5,000	0	0
Total Other Financing Sources	<u>\$ 5,000</u>	<u>\$ 8,982</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (656)	\$ 8,705	\$ 24,250
<u>FUND BALANCE</u> - Beginning of Year	<u>53,338</u>	<u>53,338</u>	<u>29,088</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 52,682</u>	<u>\$ 62,043</u>	<u>\$ 53,338</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

ATHLETIC ACTIVITIES FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 1,653	\$ 14,229
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 4,064
Due to Other Funds	1,087	582
Total Liabilities	\$ 1,087	\$ 4,646
<u>FUND BALANCE</u>		
Unreserved		
Designated for Athletic Activities	566	9,583
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,653	\$ 14,229

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

ATHLETIC ACTIVITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Earnings on Investments and Deposits	\$ 0	\$ 92	\$ 90
Admissions	30,600	58,100	41,310
Entry Fees	8,100	6,730	5,120
Private Contributions	0	4,040	19,200
Miscellaneous	1,250	823	592
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 39,950	\$ 69,785	\$ 66,312
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Athletic Activities			
Salaries	\$ 161,925	\$ 170,759	\$ 154,020
Employee Benefits	56,713	56,102	50,170
Purchased Services	32,500	52,322	47,974
Supplies and Materials	20,500	21,274	27,290
Capital Outlay	8,000	11,321	24,809
Other Expense	4,500	8,589	9,555
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 284,138	\$ 320,367	\$ 313,818
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ (244,188)	\$ (250,582)	\$ (247,506)
	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	230,000	241,565	257,089
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ (14,188)	\$ (9,017)	\$ 9,583
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	14,229	9,583	0
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 41	\$ 566	\$ 9,583
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

	1999 DEBT RETIREMENT	DURANT DEBT RETIREMENT	TOTALS (MEMORANDUM ONLY)	
			2007	2006
<u>ASSETS</u>				
Cash	\$ 237,817	\$ 0	\$ 237,817	\$ 198,309
Taxes Receivable	8,011	0	8,011	7,999
Due from Other Funds	649	0	649	0
Due from Other Governments	3,061	0	3,061	0
Investments	495	0	495	474
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 250,033</u>	<u>\$ 0</u>	<u>\$ 250,033</u>	<u>\$ 206,782</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 680	\$ 0	\$ 680	\$ 5
Deferred Revenue	8,011	0	8,011	7,786
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 8,691	\$ 0	\$ 8,691	\$ 7,791
 <u>FUND BALANCE</u>				
Reserved for Debt Retirement	241,342	0	241,342	198,991
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 250,033</u>	<u>\$ 0</u>	<u>\$ 250,033</u>	<u>\$ 206,782</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	1999	DURANT	TOTALS	
	DEBT	DEBT	(MEMORANDUM ONLY)	
	RETIREMENT	RETIREMENT	2007	2006
<u>REVENUES</u>				
Local Sources				
Property Taxes	\$ 719,445	\$ 0	\$ 719,445	\$ 655,941
Commercial Forest	0	0	0	710
Earnings on Investments and Deposits	8,348	0	8,348	5,980
Penalties and Interest on Delinquent Taxes	3	0	3	55
State Sources				
Nonplaintiff Durant Debt Service	0	0	0	8,213
Total Revenues	<u>\$ 727,796</u>	<u>\$ 0</u>	<u>\$ 727,796</u>	<u>\$ 670,899</u>
<u>EXPENDITURES</u>				
Debt Service				
Principal	\$ 385,000	\$ 0	\$ 385,000	\$ 365,000
Interest and Fiscal Charges	300,445	0	300,445	324,607
Total Expenditures	<u>\$ 685,445</u>	<u>\$ 0</u>	<u>\$ 685,445</u>	<u>\$ 689,607</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 42,351	\$ 0	\$ 42,351	\$ (18,708)
<u>FUND BALANCE</u> - Beginning of Year	<u>198,991</u>	<u>0</u>	<u>198,991</u>	<u>217,699</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 241,342</u>	<u>\$ 0</u>	<u>\$ 241,342</u>	<u>\$ 198,991</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NONEXPENDABLE SCHOLARSHIP TRUST FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	2007	2006
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 13,705	\$ 13,451
Investments	86,414	85,240
TOTAL ASSETS	\$ 100,119	\$ 98,691
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>NET ASSETS</u>		
Reserved for:		
Endowments		
Masonic Scholarship	\$ 18,913	\$ 18,828
Inman Scholarship	22,332	21,735
Zolicoff Memorial Scholarship	11,406	11,349
Taylor Scholarship	8,762	8,723
Duffey Scholarship	10,158	10,112
Guldner Memorial Scholarship	26,085	25,968
Scholarships	2,463	1,976
Total Net Assets	\$ 100,119	\$ 98,691
TOTAL LIABILITIES AND NET ASSETS	\$ 100,119	\$ 98,691

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NONEXPENDABLE SCHOLARSHIP TRUST FUND

COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Earnings on Investments and Deposits	\$ 4,428	\$ 3,516
Donations	0	1,412
Total Operating Revenues	<u>\$ 4,428</u>	<u>\$ 4,928</u>
<u>OPERATING EXPENSES</u>		
Scholarships	\$ 3,000	\$ 1,750
Loss on Investments	0	4,854
Total Operating Expenses	<u>\$ 3,000</u>	<u>\$ 6,604</u>
Change in Net Assets	\$ 1,428	\$ (1,676)
<u>NET ASSETS</u> - Beginning of Year	<u>98,691</u>	<u>100,367</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 100,119</u></u>	<u><u>\$ 98,691</u></u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 07/01/2006	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/2007
AD Account	\$ 1,643	\$ 5,995	\$ 5,066	\$ 2,572
Adventure Club	11,802	34,478	29,389	16,891
Annual	(1,290)	9,353	13,432	(5,369)
Assets	751	354	675	430
Band	2,420	2,021	2,728	1,713
Beverage Concession	64,854	2,236	0	67,090
Baseball	408	3,657	3,210	855
Boys' Basketball	1,555	5,495	5,706	1,344
Boys' Track	(82)	104	0	22
Building Usage	320	1,110	200	1,230
Cheer Dance Team	226	604	781	49
Cheerleaders	267	4,197	3,444	1,020
Class of 2005	668	0	0	668
Class of 2006	185	0	0	185
Class of 2007	12,749	32,123	44,836	36
Class of 2008	5,522	6,781	7,234	5,069
Class of 2009	1,086	265	856	495
Class of 2010	0	5,274	3,925	1,349
Close Up	530	8,357	8,885	2
Concession	5,542	6,455	8,929	3,068
Cross Country	616	7,758	6,596	1,778
Doug Schnick	1,887	250	150	1,987
Eighth Grade	1,573	1,476	1,402	1,647
Eighth Grade Girls Basketball	2	0	0	2
Eighth Grade Tech	0	2,839	480	2,359
Elementary Consortium	119	1,000	1,121	(2)
Elementary Flower Fund	(62)	493	410	21
Elementary Student Services	231	1,621	1,614	238
English III	0	250	250	0
English I	0	70	0	70
English IV	149	0	0	149
Fifth Grade	2,520	5,613	4,996	3,137
First Grade	1,990	4,367	5,205	1,152
Football	1,382	23,470	22,591	2,261

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 07/01/2006	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/2007
Fourth Grade	733	1,664	1,726	671
Girls' Basketball	1,186	3,692	2,825	2,053
Girls' Softball	3,917	644	3,830	731
Girls' Track	(83)	2,796	3,186	(473)
Golf	296	1,338	1,075	559
Graduates	246	0	0	246
Great Northwest Conference	576	595	620	551
High School Consortium	281	1,000	1,242	39
High School Equestrian Club	591	0	455	136
High School Greenhouse	0	50	0	50
High School Paper	707	0	554	153
High School Student Services	2,174	1,707	2,426	1,455
Interest	3,114	1,077	1,628	2,563
Kindergarten	1,000	888	1,652	236
Mascot	155	0	0	155
Matt Stevenson	0	250	250	0
Middle School Boys Basketball	0	661	582	79
Middle School Choir	5,464	16,033	17,764	3,733
Middle School Consortium	23	1,000	1,017	6
Middle School Drama	960	992	477	1,475
Middle School Gym	1,171	640	1,654	157
Middle School Flower Fund	39	0	28	11
Middle School Resource Room	23	38	0	61
Middle School Science	23	1,620	1,476	167
Middle School Shop	522	0	349	173
Middle School Student Council	3,811	2,310	5,419	702
Middle School Student Services	430	916	1,090	256
Middle School Student Store	0	469	150	319
Middle School Track	0	1,025	1,025	0
Music/Drama	1,604	802	488	1,918
National Honor Society	279	676	449	506
Patrice White	240	93	69	264
PSAT - Bbialik	0	82	0	82
S.A.D.D.	197	3,222	1,797	1,622

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 07/01/2006	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/2007
Second Grade	1,254	3,726	2,259	2,721
Seventh Grade	70	0	0	70
Shop	2,401	2,919	2,933	2,387
Sixth Grade	236	2,754	2,805	185
Spanish Club	10	360	366	4
Student Council	3,126	2,585	2,037	3,674
Student Leadership	0	74	0	74
Sue Fak	0	52	52	0
Teacher of the Year	160	0	0	160
Third Grade	840	4,259	4,095	1,004
Varsity Club	479	0	0	479
Video Photo	16	0	0	16
Volleyball	1,489	2,826	3,404	911
Volleyball Camp	0	1,935	1,478	457
Wellness Programs	0	1,860	1,860	0
Wrestling	208	0	200	8
	\$ 159,531	\$ 247,696	\$ 260,903	\$ 146,324

Represented by

Assets

Cash and

Cash Equivalents

\$ 163,801

\$ 150,117

Liabilities

Due to Other Funds

\$ 4,270

\$ 3,793

Due to Groups and
Organizations

159,531

146,324

\$ 163,801

\$ 150,117

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

SCHEDULE OF 2006 TAX ROLL
YEAR ENDED JUNE 30, 2007

	TAXABLE VALUATION	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND (18.0000 MILLS)</u>				
<u>GRAND TRAVERSE COUNTY</u>				
Blair Township	\$ 3,660,504	\$ 65,889	\$ 61,349	\$ 4,540
Fife Lake Township	2,824,098	50,834	45,662	5,172
Grant Township	444,955	8,009	6,915	1,094
Green Lake Township	6,296,064	113,329	102,645	10,684
Mayfield Township	8,732,024	157,176	134,486	22,690
Paradise Township	27,193,895	489,486	415,432	74,054
Union Township	808,380	14,551	12,140	2,411
<u>WEXFORD COUNTY</u>				
Greenwood Township	658,834	11,859	8,670	3,189
	\$ 50,618,754	\$ 911,133	\$ 787,299	\$ 123,834
<u>1999 DEBT RETIREMENT FUND (4.0000 MILLS)</u>				
<u>GRAND TRAVERSE COUNTY</u>				
Blair Township	\$ 10,250,606	\$ 41,002	\$ 36,756	\$ 4,246
Fife Lake Township	11,657,065	46,628	41,418	5,210
Grant Township	1,667,220	6,669	5,989	680
Green Lake Township	17,362,640	69,451	63,721	5,730
Mayfield Township	30,860,019	123,456	107,136	16,320
Paradise Township	102,369,550	409,583	363,713	45,870
Union Township	2,087,910	8,371	6,656	1,715
<u>WEXFORD COUNTY</u>				
Greenwood Township	3,897,914	15,592	13,191	2,401
	\$ 180,152,924	\$ 720,752	\$ 638,580	\$ 82,172

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

1999 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2007

<u>TITLE OF ISSUE</u>	Kingsley Area Schools, 1999 Building and Site Bonds		
<u>PURPOSE</u>	For the purpose of erecting, furnishing, and equipping a new senior high school and developing and improving the sight.		
<u>DATE OF ISSUE</u>	June 1, 1999		
<u>REDEMPTION PRIOR TO MATURITY</u>	Bonds of this issue maturing in the years 2001 to 2009 are not subject to redemption prior to maturity. Bonds of this issue maturing in years 2010 and thereafter, shall be subject to redemption prior to maturity at the option of the School District.		
<u>AMOUNT OF ISSUE</u>		\$	8,570,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$	1,740,000	
Current Year		385,000	2,125,000
			2,125,000
<u>BALANCE OUTSTANDING - June 30, 2007</u>		\$	6,445,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2007		\$ 141,631	\$ 141,631	
May 1, 2008	4.375%	546,631	141,631	\$ 405,000
November 1, 2008		132,771	132,771	
May 1, 2009	4.375%	557,771	132,771	425,000
November 1, 2009		123,474	123,474	
May 1, 2010	4.375%	568,474	123,474	445,000
November 1, 2010		113,740	113,740	
May 1, 2011	4.400%	578,740	113,740	465,000

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

1999 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2007

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2011		103,510	103,510	
May 1, 2012	4.400%	593,510	103,510	490,000
November 1, 2012		92,730	92,730	
May 1, 2013	4.400%	607,730	92,730	515,000
November 1, 2013		81,400	81,400	
May 1, 2014	4.400%	621,400	81,400	540,000
November 1, 2014		69,520	69,520	
May 1, 2015	4.400%	639,520	69,520	570,000
November 1, 2015		56,980	56,980	
May 1, 2016	4.400%	656,980	56,980	600,000
November 1, 2016		43,780	43,780	
May 1, 2017	4.400%	673,780	43,780	630,000
November 1, 2017		29,920	29,920	
May 1, 2018	4.400%	694,920	29,920	665,000
November 1, 2018		15,290	15,290	
May 1, 2019	4.400%	710,290	15,290	695,000
		<u>\$ 8,454,492</u>	<u>\$ 2,009,492</u>	<u>\$ 6,445,000</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

SCHEDULE OF DURANT BONDS PAYABLE
1998 BOND ISSUE

JUNE 30, 2007

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond		
<u>PURPOSE</u>	This bond is issued for purposes permitted in Section 1351a of Act 451, Public Acts of Michigan, 1976 pursuant to the authority granted under Act 94, Public Acts of Michigan, 1979, and a resolution duly adopted by the Kingsley Board of Education.		
<u>DATE OF ISSUE</u>	November 24, 1998		
<u>INTEREST PAYABLE</u>	May 15th, of each year		
<u>REDEMPTION PRIOR TO MATURITY</u>	This bond is not subject to redemption prior to maturity by the School District and the School District may not issue any other bonds or obligations for the purpose of refunding this bond.		
<u>AMOUNT OF ISSUE</u>	\$		116,949
<u>AMOUNT REDEEMED</u>			
Current Year	\$	0	
Prior Years		42,234	42,234
<u>BALANCE OUTSTANDING - June 30, 2007</u>	\$		<u>74,715</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 15, 2008	4.761353%	\$ 0	\$ 0	\$ 0
May 15, 2009	4.761353%	55,179	10,380	44,799
May 15, 2010	4.761353%	8,213	1,152	7,061
May 15, 2011	4.761353%	8,213	880	7,333
May 15, 2012	4.761353%	8,212	597	7,615
May 15, 2013	4.761353%	8,211	304	7,907
		<u>\$ 88,028</u>	<u>\$ 13,313</u>	<u>\$ 74,715</u>

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

SINGLE AUDIT

JUNE 30, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2007

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Baird, Cotter and Bishop, P.C.

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134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
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July 19, 2007

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

To the Board of Education
Kingsley Area Schools
Kingsley, Michigan

COMPLIANCE

We have audited the compliance of Kingsley Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. Kingsley Area Schools major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Kingsley Area Schools' management. Our responsibility is to express an opinion on Kingsley Area 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 Kingsley Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Kingsley Area Schools' compliance with those requirements.

In our opinion, Kingsley Area Schools complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of Kingsley Area 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 Kingsley Area Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material 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 the 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 Kingsley Area Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated July 19, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Kingsley Area Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, others within the District, 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JUNE 30, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
U.S. Department of Education								
Passed Through Michigan Department of Education (M.D.E.)								
Title I Grants to Local Education Agencies								
Project No. 071530/0607	84.010	\$ 181,017	\$ 0	\$ 0	\$ 181,017	\$ 181,017	\$ 0	\$ 0
Handicapped Preschool and School Program								
Project No. 071530/0607	84.027A	\$ 4,000	\$ 0	\$ 0	\$ 4,000	\$ 4,000	\$ 0	\$ 0
Drug Free Schools and Communities								
Project No. 072860/0607	84.186	\$ 5,592	\$ 0	\$ 0	\$ 5,592	\$ 5,592	\$ 0	\$ 0
Project No. 062860/0607	84.186	200	0	0	200	200	0	0
	84.186	\$ 5,792	\$ 0	\$ 0	\$ 5,792	\$ 5,792	\$ 0	\$ 0
Title V A LEA Allocation								
Project No. 070250/0607	84.298	\$ 308	\$ 0	\$ 0	\$ 308	\$ 0	\$ 308	\$ 0
Title II A Improving Teacher Quality								
Project No. 070520/0607	84.367	\$ 68,251	\$ 0	\$ 0	\$ 68,251	\$ 68,251	\$ 0	\$ 0
Title II D Technology Literacy Challenge Grant								
Project No. 074290-0607	84.318	\$ 1,858	\$ 0	\$ 0	\$ 1,858	\$ 1,858	\$ 0	\$ 0
Total Passed Through M.D.E.		\$ 261,226	\$ 0	\$ 0	\$ 261,226	\$ 260,918	\$ 308	\$ 0
Passed Through Traverse Bay Area Intermediate School District (T.B.A.I.S.D.)								
IDEA/Capacity Building Grants								
Project No. 070450/0607	84.027A	\$ 1,392	\$ 0	\$ 0	\$ 1,392	\$ 1,392	\$ 0	\$ 0
Project No. 070490 TS	84.027A	394	0	0	394	394	0	0
	84.027A	\$ 1,786	\$ 0	\$ 0	\$ 1,786	\$ 1,786	\$ 0	\$ 0
Preschool Incentive								
Project No. 070460/0607	84.173A	\$ 12,748	\$ 0	\$ 0	\$ 12,748	\$ 12,748	\$ 0	\$ 0
Total Passed Through T.B.A.I.S.D.		\$ 14,534	\$ 0	\$ 0	\$ 14,534	\$ 14,534	\$ 0	\$ 0
Passed Through Traverse City Area Public Schools								
Twenty-First Century Community Learning Center Grant								
Project No. 042110-21st03-024	84.287	\$ 91,347	\$ 24,186	\$ 91,347	\$ 0	\$ 24,186	\$ 0	\$ 0
Project No. Unknown	84.287	93,721	0	0	93,250	93,721	(471)	0
		\$ 185,068	\$ 24,186	\$ 91,347	\$ 93,250	\$ 117,907	\$ (471)	\$ 0
Total U.S. Department of Education		\$ 460,828	\$ 24,186	\$ 91,347	\$ 369,010	\$ 393,359	\$ (163)	\$ 0

The accompanying notes are an integral part of this statement

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JUNE 30, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
U.S. Department of Health and Human Services								
Passed Through Michigan Family Independence Agency								
Family Preservation and Support Services								
Project No. SF/SC 00-28001-1	93.556	\$ 11,418	\$ 1,102	\$ 11,418	\$ 0	\$ 1,102	\$ 0	\$ 0
Project No. SF/SC 00-28001-3	93.556	15,254	0	0	15,254	13,751	1,503	0
	93.556	<u>\$ 26,672</u>	<u>\$ 1,102</u>	<u>\$ 11,418</u>	<u>\$ 15,254</u>	<u>\$ 14,853</u>	<u>\$ 1,503</u>	<u>\$ 0</u>
Passed Through Traverse Bay Area Intermediate School District (T.B.A.I.S.D.)								
Medicaid Pupil Transportation								
Project No. Unknown	93.778	\$ 602	\$ 0	\$ 0	\$ 602	\$ 602	\$ 0	\$ 0
		<u>\$ 27,274</u>	<u>\$ 1,102</u>	<u>\$ 11,418</u>	<u>\$ 15,856</u>	<u>\$ 15,455</u>	<u>\$ 1,503</u>	<u>\$ 0</u>
Total U.S. Department of Health and Human Services								
U.S. Department of Agriculture								
Passed Through Michigan Department of Education (M.D.E.)								
Child Nutrition Cluster								
National School Lunch								
Section 4 - Total Servings - 071950 and 061950	10.555	\$ 39,295	\$ 0	\$ 0	\$ 39,295	\$ 39,295	\$ 0	\$ 0
Section 11 - Free and Reduced Servings - 071960 and 061960	10.555	172,361	0	0	172,361	172,361	0	0
Total	10.555	<u>\$ 211,656</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 211,656</u>	<u>\$ 211,656</u>	<u>\$ 0</u>	<u>\$ 0</u>
National School Lunch Breakfast Program								
Breakfast - 071970 and 061970	10.553	48,722	0	0	48,722	48,722	0	0
Total Child Nutrition Cluster		<u>\$ 260,378</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 260,378</u>	<u>\$ 260,378</u>	<u>\$ 0</u>	<u>\$ 0</u>
Food Distribution								
Entitlement Commodities	10.550	\$ 34,144	\$ 0	\$ 0	\$ 57,380	\$ 57,380	\$ 0	\$ 0
Bonus Commodities	10.550	170	0	0	170	170	0	0
Total	10.550	<u>\$ 34,314</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,550</u>	<u>\$ 57,550</u>	<u>\$ 0</u>	<u>\$ 0</u>
		<u>\$ 294,692</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 317,928</u>	<u>\$ 317,928</u>	<u>\$ 0</u>	<u>\$ 0</u>
		<u>\$ 782,794</u>	<u>\$ 25,288</u>	<u>\$ 102,765</u>	<u>\$ 702,794</u>	<u>\$ 726,742</u>	<u>\$ 1,340</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district.

Expenditures for bonus and entitlement commodities include spoilage and/or pilferage, if any.

(B) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenue from Federal Sources - Per Basic Financial Statements (Page 5)	\$ <u>702,794</u>
Federal Expenditures per Schedule of Expenditure of Federal Awards	\$ <u>702,794</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(C) Reconciliation of Grant Section Auditor's Report with Schedule of Expenditures of Federal Awards

Current Cash Payments per Grants Section Auditors Report and Grant Auditor Report dated July 10, 2007		\$1,042,999
Add Items Not on Grant Section Auditors Report:		
Amounts Received as Pass Through from:		
Intermediate School Districts		
Preschool	\$ 12,748	
IDEA/Capacity Building	1,786	
Medicaid Pupil Transportation	602	
Traverse City Public Schools		
21st Century Grant	117,907	
Amounts Received as Payments in Kind		
Food Distribution Program		
Entitlement Commodities	57,380	
Bonus Commodities	170	
Grant Passed Through the		
Michigan Family Independence Agency	14,853	205,446
Deduct Items Included on Both Reports		
Title I, Part A	\$(181,017)	
Handicapped Preschool and School Program	(4,000)	
Safe and Drug Free Schools and Communities Act	(5,792)	
Title II, Part D	(1,858)	
Title II, Par A	(68,251)	(260,918)
Deduct Items Included on the Grant Auditor Report in Error		
Fiscal Year 2006 Payments		
Title II, Part D	\$ (3,377)	
Safe and Drug Free Schools and Communities Act	(7,343)	
Title I, Part A	(181,017)	
Title II, Part A	(68,448)	
Title V, Part A	(600)	(260,785)
Current Year Receipts (Cash Basis) per		
Schedule of Expenditures of Federal Awards		\$ 726,742

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
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July 19, 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
Kingsley Area Schools
Kingsley, Michigan

We have audited the basic financial statements of Kingsley Area Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated July 19, 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 Kingsley Area 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 Kingsley Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Kingsley Area 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*.

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

There were no prior year findings or questioned costs.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Section I - Summary of Auditors Results

Financial Statements

Type of auditors' report issued: Unqualified

Material weakness(es) identified: _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified: _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

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July 19, 2007

To the Board of Education
Kingsley Area Schools
Kingsley, Michigan

Dear Board Members:

During our examination of the financial statements and records of the Kingsley Area Schools for the year ended June 30, 2007, we noted the following items which we believe should be considered for adoption into the management and accounting procedures of the School District:

1. Budget Posting to the District's Website

The State School Aid Act now requires local districts to post their annual operating budget and subsequent amendments on their website. We were able to find the 2006-2007 budget on the Districts website but it was not clear whether it was the original budget or an amended one. In addition, beginning and ending fund balance amounts were not included due to an apparent error in a formula of the Excel spreadsheet used to prepare the budget. We recommend that budgets posted on the website be clearly identified as to whether they are original or amended and the date they were adopted. In addition, someone should review the budget as it appears on the website to insure that all required amounts are displaying correctly.

2. Condition of Accounting Records

We found all of the accounting records to be in good condition this year and commend the accounting staff for their efforts.

We wish to thank the Board for this opportunity to be of continuing service. We would also like to thank the administration and staff for their cooperative spirit and assistance in helping us complete this engagement. If we can be of further assistance, please do not hesitate to call on us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.