

ADAMS TOWNSHIP SCHOOL DISTRICT
PAINESDALE, MICHIGAN

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

June 30, 2007

ADAMS TOWNSHIP SCHOOL DISTRICT

JUNE 30, 2007

ADMINISTRATION

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High School Principal Tim Keteri
Elementary Principal Kim Harris

BOARD OF EDUCATION

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Vice President Barbara Ruotsala
Treasurer Scott Manninen
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Adams Township School District
Painesdale, Michigan

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Adams Township School District as of June 30, 2007, and the respective changes in financial position 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 a report dated August 19, 2007 on our consideration of Adams Township School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 8 through 14 and 35, 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 any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Adams Township School District's basic financial statements. The additional information on pages 37 to 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

August 19, 2007



Bruce A Rukkila, CPA, PC



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

To the Board of Education
Adams Township School District
Painesdale, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams Township School District as of and for the year then ended June 30, 2007, which collectively comprise the Adams Township School District's basic financial statements and have issued our report thereon dated August 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams Township School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adams Township School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Adams Township School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Adams Township School 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 combination of control deficiencies, that adversely affects the Adams Township School 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 Adams Township School District's financial statements is more than inconsequential and will not be prevented or detected by the Adams Township School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Adams Township School 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.

This report is intended solely for the information and use of the District's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

August 19, 2007

Adams Township School District
Management's Discussion and Analysis
June 30, 2007

This section of Adams Township School District's annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

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

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

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

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

• **Overview of the Financial Statements - Continued**

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Fund, Capital Projects Fund, School Food Service, and Athletics funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Service Fund meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.
- Other supplementary information provides detailed information about the General, Debt Service, Capital Projects Fund, School Food Service and Athletic Funds.

**Adams Township School District
Management's Discussion and Analysis
June 30, 2007**

Summary of Net Assets

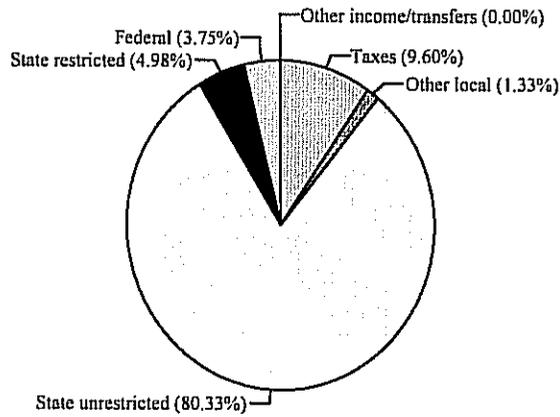
	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$ 1,096,294	\$ 1,009,035
Restricted cash	74,458	49,879
Restricted investments	857,209	661,595
Capital assets - Net of accumulated depreciation	<u>6,167,061</u>	<u>6,353,266</u>
Total Assets	<u>\$ 8,195,022</u>	<u>\$ 8,073,775</u>
Liabilities		
Current liabilities	\$ 1,000,298	\$ 947,047
Long-term liabilities	<u>8,520,664</u>	<u>7,047,560</u>
Total Liabilities	<u>9,520,962</u>	<u>7,994,607</u>
Net Assets		
Invested in property and equipment - net of related debt	(2,764,187)	(963,609)
Restricted	1,007,077	668,727
Reserved	40,349	36,241
Unrestricted	<u>390,821</u>	<u>337,809</u>
Total net assets	<u>(1,325,940)</u>	<u>79,168</u>
Total Liabilities and Net Assets	<u>\$ 8,195,022</u>	<u>\$ 8,073,775</u>

Results of Operations in Governmental Activities

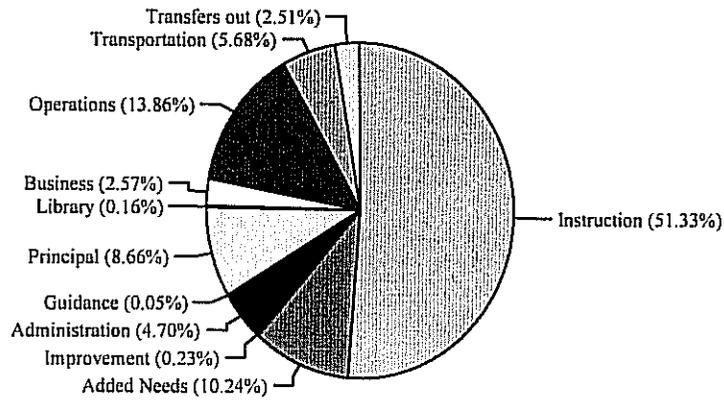
	<u>2007</u>	<u>2006</u>
Program Revenue:		
Charges for services	\$ 61,984	\$ 76,301
Grants and contributions	438,913	538,344
General Revenue:		
Property taxes	765,419	738,776
State foundation allowance	2,723,211	2,785,490
Other	<u>72,443</u>	<u>95,409</u>
Total Revenue	<u>4,061,970</u>	<u>4,234,320</u>
Functions/Program Expenses		
Instruction	2,212,195	2,385,127
Support services	1,228,098	1,256,825
School food services	178,596	205,613
Athletics	38,444	69,627
Interest on long-term debt	220,298	270,203
Other debt	<u>1,589,447</u>	<u>91,843</u>
Total Expenses	<u>5,467,078</u>	<u>4,279,238</u>
Change in Net Assets	(1,405,108)	(44,918)
Net Assets - Beginning	<u>79,168</u>	<u>124,086</u>
Net Assets - Ending	<u>\$ (1,325,940)</u>	<u>\$ 79,168</u>

The following charts highlight the District's General Fund activities:

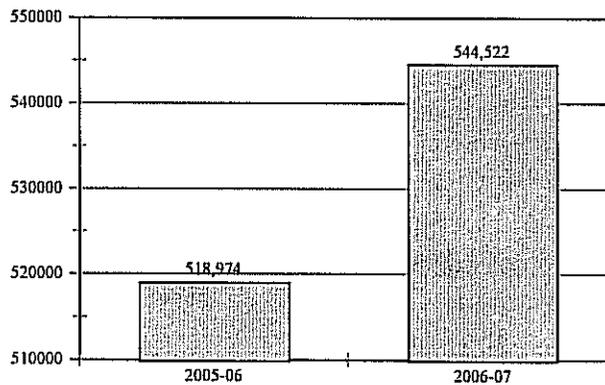
2006-07 Revenues



2006-07 Expenditures



Fund Balance Comparison



**Adams Township School District
Management's Discussion and Analysis
June 30, 2007**

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 3,395,459	\$ 3,595,173	\$ (199,714)
Expenditures/Transfers	\$ 3,369,911	\$ 3,693,801	\$ (323,890)
Fund Balance	\$ 544,522	\$ 518,974	\$ 25,548
Debt Service Fund:			
Revenues/Transfers	\$ 641,420	\$ 470,934	\$ 170,486
Expenditures/Transfers	\$ 342,983	\$ 357,295	\$ (14,312)
Fund Balance	\$ 1,007,077	\$ 708,640	\$ 298,437
Capital Projects Fund:			
Revenues/Transfers	\$ 1,188	\$ 11,565	\$ (10,377)
Expenditures/Transfers	\$ 0	\$ 0	\$ 0
Fund Balance	\$ 17,753	\$ 16,565	\$ 1,188
School Food Service Fund:			
Revenues/Transfers	\$ 189,704	\$ 223,030	\$ (33,326)
Expenditures/Transfers	\$ 178,596	\$ 205,613	\$ (27,017)
Fund Balance	\$ 35,840	\$ 24,732	\$ 11,108
Athletic Fund:			
Revenues/Transfers	\$ 40,952	\$ 66,272	\$ (25,320)
Expenditures/Transfers	\$ 37,051	\$ 68,234	\$ (31,183)
Fund Balance	\$ 20,180	\$ 16,279	\$ 3,901

General Fund - The District's state revenue had a decrease in unrestricted state aid in the amount of \$62,279 and a decrease of \$33,336 in restricted state revenue. Federal sources decreased by \$9,278. Local sources decreased by \$83,412. Transfers from other schools decreased by \$11,409. Local revenue had a decrease in contributions of \$59,950 and a small increase of \$11,423 in taxes.

Debt Service Fund - The Debt Service Fund collects property taxes and receives interest earnings on bank deposits to finance the payment of interest and principal on bond issue-related debt of the District. This year the District borrowed \$137,252 from the School Bond Loan Fund in order to make the interest and principal payments.

Capital Projects Fund - The Capital Projects Fund is used for the purpose of setting aside money from the General Fund for future building repairs/improvements, and technology updates. By doing this, when a major capital purchase is needed, all the money does not have to come out of the General Fund at one time.

School Food Service Fund - The Food Service program for the District has required operating transfers from the General Fund in recent years. This year the transfer totals \$4,455. The decrease in revenue is related to contracted services for meals with BHK Child Development being decreased.

Athletic Fund - The Athletic Fund is supported primarily by operating transfers from the General Fund. This fund also collects revenues in the form of gate receipts. The transfer from General Fund for this year totaled \$2,000. The District has required fund-raising to be performed for each sport to assist in the in the amount needed from General Fund.

**Adams Township School District
Management's Discussion and Analysis
June 30, 2007**

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2007, the original budget was adopted on June 12, 2006. Since the original budget is adopted two months before the District is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. Therefore, the District amended its budget twice during the fiscal year.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 3,304,374	\$ 3,364,998	\$ 3,395,459	\$ 30,461	0.9%
Expenditures					
Instruction	\$ 2,106,213	\$ 2,036,013	\$ 2,074,996	\$ (38,983)	-1.9%
Supporting services	1,287,694	1,346,244	1,210,268	135,976	11.2%
Total expenditures	\$ 3,393,907	\$ 3,382,257	\$ 3,285,264	\$ 96,993	
Other financing sources (uses)	\$ (125,876)	\$ (87,000)	\$ (84,047)	\$ (2,953)	4%

Variance between the final budget and actual were minimal in most areas. The expenditures for operations and maintenance and pupil transportation were lower than expected.

Capital Assets and Debt Administration

Capital Assets: The District's net investment in capital assets decreased by \$186,205 during the fiscal year. The decrease was due to depreciation.

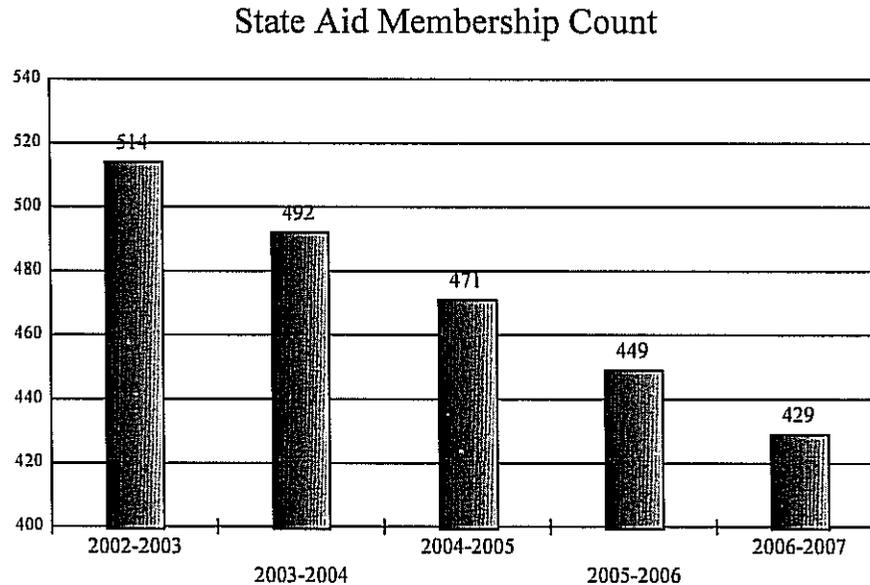
Additional information on the District's capital assets can be found on a page 26 of this report.

Long-term Debt: At the end of the current fiscal year, the Districts total debt was \$8,517,277. This total amount is backed by the full faith and credit of the District. The District's total debt was increased by \$1,640,513 during the fiscal year. The School Bond Loan Fund's accrued interest was increased by \$76,831.

Additional information on the District's long-term debt can be found on a page 27 of this report.

Known Facts, Decisions, or Conditions Having Significant Effect on Future Operations

The graph depicts decline of 20 students enrolled from the previous year, using the State Aid Membership Count.



Our elected officials and administration consider many factors when setting the District's fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

Approximately eighty percent of total General Fund revenues are from the foundation allowance. Under State law, the District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Each year the district is forced to borrow money against projected State Aid to meet payroll needs during the months of August and September. The District borrowed \$475,000 for the 2006-07 school year.

Contacting the District's Financial Management

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

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 425,720
Taxes receivable	145,363
Accounts receivable	20,355
Inventory	3,477
Due from other governmental units	<u>501,379</u>
TOTAL CURRENT ASSETS	<u>1,096,294</u>
NON-CURRENT ASSETS:	
Restricted cash	74,458
Restricted investments	857,209
Capital assets	7,623,826
Less: Accumulated depreciation	<u>(1,456,765)</u>
TOTAL NON-CURRENT ASSETS	<u>7,098,728</u>
TOTAL ASSETS	<u>\$ 8,195,022</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 16,280
Accrued expenses	287,565
Accrued interest	413,971
Due to other governmental units	37,063
Deferred revenue	10,000
Short-term note payable	51,681
Notes payable within one year	13,738
Bonds payable within one year	<u>170,000</u>
TOTAL CURRENT LIABILITIES	<u>1,000,298</u>
NON-CURRENT LIABILITIES	
Bonds payable, due in more than one year	6,960,000
Compensated absences	187,125
School bond loan fund payable	<u>1,373,539</u>
TOTAL NON-CURRENT LIABILITIES	<u>8,520,664</u>
TOTAL LIABILITIES	<u>9,520,962</u>
NET ASSETS	
Invested in capital assets, net of related debt	(2,764,187)
Restricted for debt service	1,007,077
Reserved	40,349
Unreserved	<u>390,821</u>
TOTAL NET ASSETS	<u>(1,325,940)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,195,022</u>

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

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 2,212,795	\$ 7,050	\$ 302,292	\$ (1,903,453)
Support services	1,228,098	-	-	(1,228,098)
School service	178,596	48,358	136,621	6,383
Athletics	38,444	6,576	-	(31,868)
Interest on long-term debt	220,298	-	-	(220,298)
Other debt service	1,589,447	-	-	(1,589,447)
Total Governmental Activities	<u>\$ 5,467,678</u>	<u>\$ 61,984</u>	<u>\$ 438,913</u>	<u>(4,966,781)</u>
General Revenues:				
Taxes				
Property taxes, levied for general operation:				325,335
Property taxes, levied for debt service				432,952
Other taxes				7,132
State school aid - unrestricted				2,723,211
Interest and investment earnings				85,911
Other				49,578
Transfers				<u>(62,446)</u>
Total general revenues and transfers				<u>3,561,673</u>
Change in Net Assets				(1,405,108)
Net Assets - Beginning				<u>79,168</u>
Net Assets - Ending				<u>\$ (1,325,940)</u>

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

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2007

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 375,831	\$ -	\$ 49,889	\$ 425,720
Investments	-	857,209	-	857,209
Taxes receivable	72,228	73,135	-	145,363
Accounts receivable	-	-	20,355	20,355
Inventory	-	-	3,477	3,477
Due from other governmental units	500,392	-	987	501,379
Due from other funds	-	39,147	1,433	40,580
Restricted cash	36,872	37,586	-	74,458
TOTAL ASSETS	<u>\$ 985,323</u>	<u>\$ 1,007,077</u>	<u>\$ 76,141</u>	<u>\$ 2,068,541</u>
LIABILITIES				
Accounts payable	\$ 13,912	\$ -	\$ 2,368	\$ 16,280
Accrued expenses	287,565	-	-	287,565
Due to other governmental units	37,063	-	-	37,063
Due to other funds	40,580	-	-	40,580
Short-term notes payable	51,681	-	-	51,681
Deferred revenue	10,000	-	-	10,000
TOTAL LIABILITIES	<u>440,801</u>	<u>-</u>	<u>2,368</u>	<u>443,169</u>
FUND BALANCES:				
Reserved	36,872	1,007,077	3,477	1,047,426
Unreserved	507,650	-	70,296	577,946
TOTAL FUND BALANCES	<u>544,522</u>	<u>1,007,077</u>	<u>73,773</u>	<u>1,625,372</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 985,323</u>	<u>\$ 1,007,077</u>	<u>\$ 76,141</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,167,061
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(8,704,402)
Accrued interest is not included as a liability in governmental funds	<u>(413,971)</u>
Net assets of governmental activities	<u>\$ (1,325,940)</u>

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

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	General Fund	Debt Service Fund	Other Non-major Governmental Funds	Totals
REVENUES				
Local sources	\$ 370,517	\$ 504,168	\$ 88,768	\$ 963,453
State sources	2,892,129	-	14,952	2,907,081
Federal sources	<u>132,813</u>	-	<u>121,669</u>	<u>254,482</u>
Total revenues	<u>3,395,459</u>	<u>504,168</u>	<u>225,389</u>	<u>4,125,016</u>
EXPENDITURES				
Instruction	2,075,596	-	-	2,075,596
Supporting services	1,210,268	-	-	1,210,268
Debt service	-	182,983	-	182,983
School service	-	-	178,596	178,596
Athletics	-	-	37,051	37,051
Total expenditures	<u>3,285,864</u>	<u>182,983</u>	<u>215,647</u>	<u>3,684,494</u>
Excess (deficiency) of revenue over expenditures	<u>109,595</u>	<u>321,185</u>	<u>9,742</u>	<u>440,522</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(6,455)	-	6,455	-
Interest payments on loans	(96)	-	-	(96)
Other outgoing transfers	(62,446)	-	-	(62,446)
Debt principal payments	(15,050)	(160,000)	-	(175,050)
Loan proceeds	-	137,252	-	137,252
Total other financing sources (uses)	<u>(84,047)</u>	<u>(22,748)</u>	<u>6,455</u>	<u>100,340</u>
NET CHANGE IN FUND BALANCE	25,548	298,437	16,197	340,182
FUND BALANCES - BEGINNING OF YEAR	<u>518,974</u>	<u>708,640</u>	<u>57,576</u>	
FUND BALANCES - END OF YEAR	<u>\$ 544,522</u>	<u>\$ 1,007,077</u>	<u>\$ 73,773</u>	

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

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(186,205)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(66,241)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	(137,252)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>1,355,592</u>
Changes in net assets of governmental activities	<u>\$ (1,405,108)</u>

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

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Fiduciary Fund
ASSETS:	
Cash	\$ 72,953
TOTAL ASSETS	\$ 72,953
 LIABILITIES:	
Due to student groups	\$ 28,684
Due to scholarship funds	44,269
TOTAL LIABILITIES	\$ 72,953

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

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Adams Township School District 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 District accounting policies are described below.

REPORTING ENTITY

Adams Township School District (the "District") is governed by the Adams Township School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

Excluded from the reporting entity:

Adams Township School District Foundation, Inc.

The potential component unit has a separately elected board and provides assistance with development, implementation, and/or maintenance of educational programs which significantly contribute to the education and personal growth of Adams Township School students. The foundation is excluded from the reporting entity because the District does not have the ability to exercise influence or control over the operations, approve budgets, or provide funding.

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 inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational 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 and are reported 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 and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District does allocate indirect costs.

The government-wide focus is more on the sustain ability 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 the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

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

Other non-major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service, Athletic Activities and Capital Projects Fund.

Fiduciary Funds - The Trust and Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to account for assets that the District holds for others in an agency capacity (primary student activities).

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Scholarship Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals or private organizations designated for scholarship purposes. The Fund distributes the assets according to scholarship requirements.

Fiduciary funds are not included in the government-wide statements.

Accrual Method - The government-wide financials 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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

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 done.

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

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

2006-07 Foundation	\$ 7,085.00
Less Local Support:	
Non-Homestead Tax Value	16,073,568
Multiplied by mills	<u>0.018</u>
Total Local Support	289,324
Divided by General Education K-12 membership	<u>422.72</u>
Calculated Local Support	<u>(684.43)</u>
Foundation Grant Allowance Per Pupil	<u>\$ 6,400.57</u>

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 to August. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Other Accounting Policies

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

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

Michigan law authorizes the District to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Property Taxes - Property taxes levied by the District are collected by Adams and Bohemia Townships and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 of each year and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

Fund	Mills
General fund - Non-homestead	17.896
Debt service fund - Homestead and non-homestead	11.45

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables - Activity between funds are reported as "due to/from other funds." All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory - Inventory in the District's School Food Service Fund consists of food, a la carte items, and USDA commodities totaling \$3,477. The District utilizes the consumption method of recording inventories of food supplies in the School Food Service Fund. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

All other funds utilize the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

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

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits - The liabilities for accrued benefits reported in the district-wide statements in the amount of \$187,125, consisted of retirement incentives.

Teachers - The District's contract with the Copper Country Education Association includes a retirement incentive payment to retiring teachers with at least 10 years of service. The minimum benefit is \$4,500 and is increased each 10 years by \$1,500 with a maximum of \$7,500. As of June 30, 2007, there were 18 teachers who qualified for the early retirement incentive, with a potential liability of \$135,000.

Twelve Month Employees - The District's contract with the Adams Township School District Support Personnel Association includes a retirement incentive payment to eligible retiring twelve month employees with at least 10 years of service. The minimum benefit is \$4,500 and is increased each 10 years by \$1,500 with a maximum of \$7,500. As of June 30, 2007, there were six employees who qualified for the early retirement incentive, with a potential liability to the District of \$33,000.

School Year Employees - The District's contract with the Adams Township School District Support Personnel Association MEA/NEA includes a retirement incentive payment to eligible retiring school year employees and teachers with at least 10 years of service. The minimum benefit is \$3,375 and is increased each 10 years by \$1,125 with a maximum of \$5,625. As of June 30, 2007, there were five employees who qualified for the early retirement incentive, with a potential liability to the District of \$19,125.

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

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Reclassification - Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 July 1. The operating budget includes proposed expenditures and 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. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

NOTE C - CASH AND INVESTMENTS

As of June 30, 2007 the District had the following investments in the Debt Service Fund:

Investment Type	Fair Value	Rating	%
U.S. Agency Notes and Bonds	\$ 843,705	AAA	98.42%
U.S. Treasury Notes	13,504	AAA	1.58%
Total fair value	<u>\$ 857,209</u>		<u>100.00%</u>

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

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

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

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE C - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$306,939 of the District's bank balance of \$596,908 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

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

At year-end, the District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 425,720	\$ 0	\$ 425,720
Restricted cash	74,458	72,953	147,411
Total cash and cash equivalents	500,178	72,953	573,131
Investments	857,209	0	857,209
Total deposits and investments	\$ 1,357,387	\$ 72,953	\$ 1,430,340

NOTE D - FIXED ASSETS

Fixed Asset activity of the District's governmental activities was as follows:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Land	\$ 2	\$ 0	\$ 0	\$ 2
Building and additions	7,046,439	0	0	7,046,439
Improvements other than building	19,200	0	0	19,200
Equipment and furniture	157,047	0	0	157,047
Vehicles	28,160	0	0	28,160
School buses	372,978	0	0	372,978
Subtotal	7,623,826	\$ 0	\$ 0	7,623,826
Accumulated depreciation:				
Building and additions	876,243	\$ 143,682	\$ 0	1,019,925
Improvements other than building	3,005	960	0	3,965
Equipment and furniture	78,127	11,702	0	89,829
Vehicles	28,160	0	0	28,160
School buses	285,025	29,861	0	314,886
	1,270,560	\$ 186,205	\$ 0	1,456,765
Net capital assets	\$ 6,353,266			\$ 6,167,061

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE D - FIXED ASSETS (Continued)

Depreciation expense was charged to activities of the District as follows:

Governmental activities		
Athletic	\$	1,393
Instruction		152,574
Operations		2,377
Transportation		29,861
Total governmental activities	\$	<u>186,205</u>

NOTE E - RECEIVABLES

Receivables from governmental units at June 30, 2007 consist of the following:

	General	School Food	
	Fund	Service	Total
State	\$ 490,844	\$ 987	\$ 491,831
Federal	9,548	0	9,548
	<u>\$ 500,392</u>	<u>\$ 987</u>	<u>\$ 501,379</u>

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2007 are as follows:

<u>Fund</u>	<u>Inter-fund</u>	<u>Fund</u>	<u>Inter-fund</u>
	<u>Receivable</u>		<u>Payable</u>
Debt Service Fund	\$ 39,147	General	\$ 40,580
School Food Service	1,433	Debt Service Fund	0
TOTAL	<u>\$ 40,580</u>	TOTAL	<u>\$ 40,580</u>
<u>Fund</u>	<u>Transfer Out</u>	<u>Fund</u>	<u>Transfer In</u>
General	\$ 6,455	School Food Service	\$ 4,455
Athletic	0	Athletic	2,000
TOTAL	<u>\$ 6,455</u>	TOTAL	<u>\$ 6,455</u>

NOTE G - LONG TERM DEBT

2001 BUILDING AND SITE BONDS - SERIES A

On July 26, 2001, the District issued \$1,860,000 of unlimited tax general obligation bonds to finance the remodeling, refurbishing, and re-equipping the high school; erecting, furnishing, and equipping an addition; developing and improving the site; and acquiring and installing educational technology improvements.

The bond issue (denominations of \$5,000 or multiples thereof) matures as indicated below with interest at varying rates of 4.20% to 5.00% per annum. Interest payments started on May 1, 2002, and are payable semi-annually on November 1 and May 1 as indicated. The bonds are to be both term and serial.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE G - LONG-TERM DEBT (Continued)

The Bonds, or portions of Bonds in multiples of \$5,000 of this issue maturing in the years 2012 and thereafter, shall be subject to redemption prior to maturity, at the option of the District in such order as the District may determine and by lot within any maturity, on any interest payment date on or after May 1, 2011, at par and accrued interest to the date fixed for redemption.

\$1,400,000 of this bond are being defeased with the 2007 Advance Refunding.

<u>Fiscal Year</u>	<u>November 1 Interest</u>	<u>May 1 Principal</u>	<u>May 1 Interest</u>	<u>Total</u>
2007-2008	\$ 39,450	\$ 50,000	\$ 39,450	\$ 128,900
2008-2009	38,350	50,000	38,350	126,700
2009-2010	37,250	50,000	37,250	124,500
2010-2011	36,125	1,450,000	36,125	1,522,250
TOTAL	<u>\$ 151,175</u>	<u>\$ 1,600,000</u>	<u>\$ 151,175</u>	<u>\$ 1,902,350</u>

2001 BUILDING AND SITE BONDS - SERIES B

On October 9, 2001, the District issued \$2,000,000 of unlimited tax general obligation, Qualified Zone Academy Bonds to finance the remodeling, refurbishing, and re-equipping the high school; developing and improving the site; and acquiring and installing educational technology improvements.

The bond issue (denominations of \$5,000 or multiples thereof) matures as indicated below and bears an interest rate of 0.00% per annum. The Bonds are not subject to redemption prior to maturity. The District is required to make yearly payments starting in 2002 and continuing through 2014 of \$132,319 to a set aside account to be used for the principal payments.

<u>Fiscal Year</u>	<u>Principal</u>
2011-12	\$ 95,000
2012-13	635,000
2013-14	635,000
2014-15	635,000
	<u>\$ 2,000,000</u>

2007 Advance Refunding

On February 6, 2007 the District issued \$3,530,000 of general obligation unlimited tax refunding bonds to advance refund \$3,400,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds will be used to provide for the payment of the principal of, interest on and redemption premium on the 1997 Refunding Bonds and 2001 Building and Site Bonds Series A. The Escrow Fund will be held by an escrow agent and will be used to pay, when due, the principal and interest, and call premiums coming due on the refunded bonds, whether by maturity or by redemption on May 1, 2011.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE G - LONG-TERM DEBT (Continued)

This advance refunding was undertaken to reduce total debt service payments over the next 21 years by \$46,100. Sources and uses of funds to service the old debt and the new debt and complete the refunding were as follows:

<u>Sources of Funds:</u>	
Par amount of bonds	\$ 3,530,000
Production	12,891
Contribution from Debt Service Fund	46,100
NET SOURCES OF FUNDS	<u>\$ 3,588,991</u>

<u>Uses of Funds:</u>	
Deposit to Escrow Account	\$ 3,499,850
Bond Insurance Premium	12,395
Excess Contingency	607
Underwriter's Discount	28,240
Issuance Costs	47,899
TOTAL FUNDS USED	<u>\$ 3,588,991</u>

The bond issue matures as indicated below with interest an rate of 4% per annum. Interest payments started on May 1, 2007, and are payable semi-annually on May 1, and November 1 as indicated. The bonds are to be both term and serial.

Optional Redemption: The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2018, are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2017, at par plus accrued interest to the date fixed for redemption.

Mandatory Redemption of Term Bonds: The Bonds maturing on May 1, 2019, May 1, 2024 and May 1, 2031 are term bonds (the "Term Bonds) subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date. When Term Bonds are purchased by the District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in order determined by the District.

Fiscal Year	November 1 Interest	May 1		Total
		Interest	Principal	
2007-2008	\$ 71,181	\$ 71,181	\$ 120,000	\$ 262,362
2008-2009	68,781	68,781	130,000	267,562
2009-2010	66,181	66,181	130,000	262,362
2010-2011	63,582	63,582	130,000	257,164
2011-2012	60,981	60,981	185,000	306,962
2012-2013	57,281	57,281	185,000	299,562
2013-2014	53,581	53,581	185,000	292,162
2014-2015	49,882	49,882	200,000	299,764
2015-2016	45,881	45,881	200,000	291,762
2016-2021	169,406	169,406	1,000,000	1,338,812
2021-2026	72,024	72,025	730,000	874,049
2026-2031	21,676	21,676	335,000	378,352
	<u>\$ 800,437</u>	<u>\$ 800,438</u>	<u>\$ 3,530,000</u>	<u>\$ 5,130,875</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE G - LONG-TERM DEBT (Continued)

SCHOOL BOND LOAN FUND

During the year ended June 30, 2007 the District borrowed funds from the Michigan School Bond Loan Fund for the purpose of making principal and interest payments on debt associated with the construction of the District's school. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can loan the District funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. During the year ended June 30, 2007 the District borrowed \$137,252 from the school bond loan fund to cover debt payments on the 1997 bond issue. At June 30, 2007, the balance due to the School Bond Loan Fund, including accrued interest of \$392,425 was \$1,765,964.

The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the District's 1997 bond issue. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds.

The interest rate associated with loans from the School Bond Loan Fund is established periodically by the State Administrative Board. The rates at June 30, 2007 were 4.75% and 4.82341%.

OTHER LONG-TERM DEBT

The District has several installment loans payable which are detailed below.

SCHEDULE OF LOANS PAYABLE

<u>Purpose of Loan</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance 06/30/07</u>
2000 School Bus	06/28/04	<u>\$ 56,673</u>	06/28/08	2.99%	<u>\$ 13,738</u>

As of June 30, 2007, the aggregate maturities of loans payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	<u>\$ 13,738</u>	<u>\$ 241</u>	<u>\$ 13,979</u>

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2007:

	<u>Balance June 30, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2007</u>	<u>Current Portion</u>
1997 Refunding Bonds	\$ 2,110,000	\$ 0	\$ 2,110,000	\$ 0	\$ 0
2001 Series A	1,650,000	0	50,000	1,600,000	50,000
2001 Series B-QZAB	2,000,000	0	0	2,000,000	0
2007 Refunding Bonds	0	3,530,000	0	3,530,000	120,000
Installment Loans	28,146	0	14,408	13,738	13,738
School Bond Loan	<u>1,236,287</u>	<u>137,252</u>	<u>0</u>	<u>1,373,539</u>	<u>0</u>
	<u>7,024,433</u>	<u>3,667,252</u>	<u>2,174,408</u>	<u>8,517,277</u>	<u>\$ 183,738</u>
Accrued Interest	263,677	150,294	0	413,971	
Accrued Benefits	<u>189,750</u>	<u>0</u>	<u>2,625</u>	<u>187,125</u>	
TOTAL	<u>\$ 7,477,860</u>	<u>\$ 3,817,546</u>	<u>\$ 2,177,033</u>	<u>\$ 9,118,373</u>	

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE G - LONG-TERM DEBT (Continued)

As of June 30, 2007, the aggregate maturities of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007-2008	\$ 221,503	\$ 183,738	\$ 405,241
2008-2009	214,262	180,000	394,262
2009-2010	206,862	180,000	386,862
2010-2011	199,414	1,580,000	1,779,414
2011-2012	121,962	280,000	401,962
2012-2013	114,562	820,000	934,562
2013-2014	107,162	820,000	927,162
2014-2015	99,764	835,000	934,764
2015-2016	91,762	200,000	291,762
2016-2021	338,812	1,000,000	1,338,812
2021-2026	144,049	730,000	874,049
2026-2031	435,777	1,708,539	2,144,316
	<u>\$ 2,295,891</u>	<u>\$ 8,517,277</u>	<u>\$ 10,813,168</u>

NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service; or at age sixty with at least 10 years of credited service; or at age 60 with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

The District was required by the state statute to contribute 16.34% of covered compensation through September 30, 2006 and 17.74% of covered compensation to the Plan for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was \$274,365 and equaled the required contributions.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among MPERS and employers. The MPERS does not make separate measurements of assets and pension benefit obligations for individual districts.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2007

NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

As of September 30, 2006 for the MPSERS as a whole, the actuarial accrued liability was \$48.2 billion. The pension plan net assets were \$43 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 89%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2007 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS' September 30, 2006 annual report.

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

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employer. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

NOTE I - RESERVE FUND BALANCES

The Debt Service reserve fund balance is restricted for retirement of debt. Reserve fund balances in the School Food Service Fund is reserved for inventory.

NOTE J - RECONCILIATION OF MDE GRANT REPORTS

The amounts reported as current payments on MDE grant reports prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 18 as follows:

Total current payments per MDE Reports	\$ 334,288
Less prior year grants	(111,121)
Less State Revenue (School Breakfast)	(9,080)
MDE receivable	4,000
Direct Awards:	
MiBlsi	3,000
Drug Free Schools	500
REAP Grant	22,193
USDA Commodities	10,702
Total Federal Financial Assistance	<u>\$ 254,482</u>

The District expended less than \$500,000 in Federal awards during the fiscal year ended June 30, 2007 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

NOTE K - CONTINGENT LIABILITIES

Risk Pool

Adams Township School 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 was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Adams Township School District joined together with other school districts currently operating a common risk management and insurance program. Adams Township District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Adams Township School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2007, which can be obtained through the District

NOTE L - SUBSEQUENT EVENT

School Loan Fund: On August 20, 2007, the District entered into a note with the School Loan Fund. The principal amount and the interest rate on the Note shall not exceed \$300,000 and 3.68% per annum, respectively. The note matures on August 20, 2008. The loan, which is pledged by future state aid payments, will provide funds for general operating expenditures.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

ADAMS TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Local sources	\$ 310,360	\$ 328,853	\$ 370,517	\$ 41,664
State sources	2,862,591	2,903,839	2,892,129	(11,710)
Federal sources	131,423	132,306	132,813	507
TOTAL REVENUE	3,304,374	3,364,998	3,395,459	30,461
EXPENDITURES:				
Instruction	2,106,213	2,073,513	2,075,596	(2,083)
Supporting services	1,287,694	1,308,744	1,210,268	98,476
TOTAL EXPENDITURES	3,393,907	3,382,257	3,285,864	96,393
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(89,533)	(17,259)	109,595	126,854
OTHER FINANCING SOURCES (USES)				
Incoming transfers - other schools	-	-	-	-
Operating transfers out	(36,000)	(26,000)	(6,455)	19,545
Interest payments	(11,876)	-	(15,050)	(15,050)
Loan payments	(17,000)	-	(96)	(96)
Other outgoing transfers	(61,000)	(61,000)	(62,446)	(1,446)
Total other financing sources (uses)	(125,876)	(87,000)	(84,047)	(2,953)
NET CHANGE IN FUND BALANCE	\$ (215,409)	\$ (104,259)	25,548	\$ 123,901.00
FUND BALANCE - BEGINNING OF YEAR			518,974	
FUND BALANCE - END OF YEAR			\$ 544,522	

SUPPLEMENTAL FINANCIAL INFORMATION

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
REVENUES:				
Local sources:				
Taxes:	\$ 287,653	\$ 325,335	\$ 37,682	\$ 313,912
Other local sources:				
Investment revenue	16,000	20,369	4,369	13,402
Driver's education fees	1,000	7,050	6,050	7,900
Rentals	-	3,200	3,200	3,200
Contributions	2,500	561	(1,939)	60,511
Miscellaneous	21,700	14,002	(7,698)	55,004
Total other local sources	41,200	45,182	3,982	140,017
Total local sources	328,853	370,517	41,664	453,929
State sources:				
Unrestricted grant - State Aid	2,751,246	2,723,211	(28,035)	2,785,490
Restricted grants:				
Special Education	56,000	72,252	16,252	102,861
Vocational education	5,174	5,258	84	3,263
At-risk	86,419	86,412	(7)	95,594
Middle school math	5,000	4,996	(4)	-
Other state revenue	-	-	-	536
Total restricted grants	152,593	168,918	16,325	202,254
Total state sources	2,903,839	2,892,129	(11,710)	2,987,744
Federal sources:				
Title I	98,517	98,856	339	98,517
Title V	3,600	1,200	(2,400)	2,716
Title II	30,189	29,257	(932)	30,190
Other federal sources	-	3,500	3,500	10,668
Total federal sources	132,306	132,813	507	142,091
TOTAL REVENUES	3,364,998	3,395,459	30,461	3,583,764
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	859,302	867,200	(7,898)	992,591
High School	880,050	863,330	16,720	902,923
Total basic program	1,739,352	1,730,530	8,822	1,895,514
Added needs:				
Special education - Elementary School	151,950	164,910	(12,960)	155,539
Compensatory education	82,553	78,217	4,336	101,897
At-Risk	99,658	101,939	(2,281)	83,780
Total added needs	334,161	345,066	(10,905)	341,216

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

(Continued)

For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
Total instruction	2,073,513	2,075,596	(2,083)	2,236,730
Supporting services:				
Pupil:				
Guidance	2,000	1,794	206	1,187
Instructional staff:				
Improvement of instruction	9,884	7,724	2,160	7,677
Library	7,750	5,378	2,372	11,846
Total instructional staff	17,634	13,102	4,532	19,523
General administration:				
Board of education	65,100	58,443	6,657	56,731
Executive administration	99,676	99,891	(215)	111,612
Total general administration	164,776	158,334	6,442	168,343
School administration				
Elementary	149,177	139,077	10,100	159,518
High School	154,452	152,625	1,827	147,898
Total school administration	303,629	291,702	11,927	307,416
Business-fiscal services	78,200	86,659	(8,459)	112,461
Operation & maintenance	512,200	467,230	44,970	465,576
Pupil transportation	230,305	191,447	38,858	193,420
Total supporting services	1,308,744	1,210,268	98,476	1,267,926
TOTAL EXPENDITURES	3,382,257	3,285,864	96,393	3,504,656
Excess of revenues over expenditures	(17,259)	109,595	(126,854)	79,108
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	-	-	-	11,409
Operating transfer out	(26,000)	(6,455)	19,545	(57,442)
Interest payments on loans	-	(96)	(96)	(10,610)
Other outgoing transfers	(61,000)	(62,446)	(1,446)	(70,543)
Loan payments	-	(15,050)	(15,050)	(50,550)
Total other financing sources (uses)	(87,000)	(84,047)	(2,953)	(177,736)

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
(Continued)
Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (104,259)</u>	25,548	<u>\$ (129,807)</u>	(98,628)
FUND BALANCE, BEGINNING OF YEAR		<u>518,974</u>		<u>617,602</u>
FUND BALANCE, END OF YEAR		<u>\$ 544,522</u>		<u>\$ 518,974</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
DEBT SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>
REVENUES:		
Local sources:		
Taxes:		
Current taxes	\$ 432,952	\$ 424,864
Interest income	64,084	1,488
Other taxes	<u>7,132</u>	<u>-</u>
TOTAL REVENUES	<u>504,168</u>	<u>426,352</u>
EXPENDITURES:		
Interest on bonds	138,586	190,915
Other expense	<u>44,397</u>	<u>1,380</u>
TOTAL EXPENDITURES	<u>182,983</u>	<u>192,295</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	321,185	234,057
OTHER FINANCING SOURCES (USES)		
Redemption of bond principal	(160,000)	(165,000)
SBLF loan proceeds	<u>137,252</u>	<u>44,582</u>
TOTAL OTHER FINANCING SOURCES	<u>(22,748)</u>	<u>(120,418)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>298,437</u>	<u>113,639</u>
FUND BALANCE, BEGINNING OF YEAR	<u>708,640</u>	<u>595,001</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,007,077</u>	<u>\$ 708,640</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS

June 30, 2007

ASSETS AND OTHER DEBITS	School Food		Capital		Totals	
	Service	Athletic	Projects	Memorandum Only		
				2007	2006	
Cash	\$ 29,702	\$ 2,434	\$ 17,753	\$ 49,889	\$ 50,384	
Receivables	241	20,114	-	20,355	5,161	
Inventory	3,477	-	-	3,477	4,224	
Due from other funds	1,433	-	-	1,433	-	
Due from other governmental units	987	-	-	987	878	
TOTAL ASSETS	<u>\$ 35,840</u>	<u>\$ 22,548</u>	<u>\$ 17,753</u>	<u>\$ 76,141</u>	<u>\$ 60,647</u>	
LIABILITIES						
Accounts payable	\$ -	\$ 2,368	-	\$ 2,368	\$ 2,003	
Due to other funds	-	-	-	-	1,068	
TOTAL LIABILITIES	<u>-</u>	<u>2,368</u>	<u>-</u>	<u>2,368</u>	<u>3,071</u>	
FUND EQUITY:						
Fund balance - reserved	3,477	-	-	3,477	4,224	
Fund balance - unreserved	32,363	20,180	17,753	70,296	53,352	
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 35,840</u>	<u>\$ 22,548</u>	<u>\$ 17,753</u>	<u>\$ 76,141</u>	<u>\$ 60,647</u>	

ADAMS TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
June 30, 2007

	School Food		Capital Projects	Totals	
	Service	Athletic		Memorandum Only	
				2007	2006
REVENUES:					
Local sources	\$ 48,628	\$ 38,952	\$ 1,188	\$ 88,768	\$ 109,937
State sources	14,952	-	-	14,952	14,459
Federal sources	121,669	-	-	121,669	119,029
TOTAL REVENUES	185,249	38,952	1,188	225,389	243,425
EXPENDITURES:					
Salaries	58,273	-	-	58,273	73,422
Employee benefits	42,373	-	-	42,373	57,495
Supplies, materials, and other	77,950	37,051	-	115,001	142,930
TOTAL EXPENDITURES	178,596	37,051	-	215,647	273,847
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,653	1,901	1,188	9,742	(30,422)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	4,455	2,000	-	6,455	57,442
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	11,108	3,901	1,188	16,197	27,020
FUND BALANCE, BEGINNING OF YEAR	24,732	16,279	16,565	57,576	30,556
FUND BALANCE, END OF YEAR	\$ 35,840	\$ 20,180	\$ 17,753	\$ 73,773	\$ 57,576

ADAMS TOWNSHIP SCHOOL DISTRICT
SCHOOL FOOD SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>
REVENUES:		
Local sources:		
Adult lunches	\$ 2,857	\$ 3,110
A-La-Carte	560	887
Student lunches	34,218	37,611
Miscellaneous	<u>10,993</u>	<u>21,901</u>
Total local sources	<u>48,628</u>	<u>63,509</u>
State sources	<u>14,952</u>	<u>14,459</u>
Federal sources:		
School lunch program	110,967	102,463
USDA entitlements	10,661	14,421
USDA bonus entitlements	<u>41</u>	<u>2,145</u>
Total federal sources	<u>121,669</u>	<u>119,029</u>
TOTAL REVENUES	<u>185,249</u>	<u>196,997</u>
EXPENDITURES:		
Salaries	58,273	63,656
Employee benefits	42,373	57,261
Supplies, materials, and other	<u>77,950</u>	<u>84,696</u>
TOTAL EXPENDITURES	<u>178,596</u>	<u>205,613</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,653	(8,616)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	<u>4,455</u>	<u>26,033</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	11,108	17,417
FUND BALANCE, BEGINNING OF YEAR	<u>24,732</u>	<u>7,315</u>
FUND BALANCE, END OF YEAR	<u>\$ 35,840</u>	<u>\$ 24,732</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
ATHLETIC FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>
REVENUES:		
Local sources:		
Gate receipts	\$ 6,576	\$ 13,722
Other	<u>32,376</u>	<u>32,550</u>
TOTAL REVENUES	<u>38,952</u>	<u>46,272</u>
EXPENDITURES:		
Purchase services	<u>37,051</u>	<u>68,234</u>
TOTAL EXPENDITURES	<u>37,051</u>	<u>68,234</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,901	(21,962)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	<u>2,000</u>	<u>20,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	3,901	(1,962)
FUND BALANCE, BEGINNING OF YEAR	<u>16,279</u>	<u>18,241</u>
FUND BALANCE, END OF YEAR	<u>\$ 20,180</u>	<u>\$ 16,279</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	<u>2007</u>	<u>2006</u>
REVENUES:		
Local sources:		
Interest	\$ 1,188	\$ 156
EXPENDITURES:		
Buildings and additions	-	-
Equipment and furniture	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,188	156
OTHER FINANCING SOURCES (USES)		
Operating transfers in	<u>-</u>	<u>11,409</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	1,188	11,565
FUND BALANCE, BEGINNING OF YEAR	<u>16,565</u>	<u>5,000</u>
FUND BALANCE, END OF YEAR	<u>\$ 17,753</u>	<u>\$ 16,565</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
TRUST & AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2007

	Balance July 1, 2006	Receipts	Disbursements	Balance June 30, 2007
ASSETS:				
Cash	\$ 19,276	\$ 67,016	\$ 57,608	\$ 28,684
LIABILITIES:				
Due to Student Groups:				
Elementary School	\$ 11,662	\$ 23,048	\$ 19,512	\$ 15,198
High School	7,614	43,968	38,096	13,486
TOTAL LIABILITIES	\$ 19,276	\$ 67,016	\$ 57,608	\$ 28,684

ADAMS TOWNSHIP SCHOOL DISTRICT
SCHOLARSHIP FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2007</u>
ASSETS:				
Investments	\$ 44,146	\$ 33,273	\$ 33,150	\$ 44,269
LIABILITIES:				
Scholarship funds	\$ 44,146	\$ 31,173	\$ 31,050	\$ 44,269



Bruce A Rukkila, CPA, PC



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LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education
Adams Township School District
Painesdale, Michigan

In connection with our audit of the financial statements of Adams Township School District, as of and for the year ended June 30, 2007, the following concerns regarding the accounting records, procedures, and internal control structure came to our attention.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

Public Act 621 - Budget Over Expenditures

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

Statement on Auditing Standards (SAS) No. 112

Those charged with governance is defined as, "the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity." This includes overseeing the financial reporting and disclosure process. In smaller entities, such as the Adams Township School District, those charged with governance may be the same people.

SAS No. 112 states that those charged with governance need to have the necessary accounting expertise and competence with respect to financial statement preparation. They must be able to prevent, detect, and correct a potential misstatement in the financial statements. In order to eliminate control deficiencies, significant deficiencies, or material weaknesses, the district should review their internal control, segregation of duties, and management's ability to prepare financial statements.

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

It has been a pleasure to provide audit services to the Adams Township School District. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

August 19, 2007