

DRYDEN COMMUNITY SCHOOLS
DRYDEN, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 22, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Dryden Community Schools

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2007 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dryden Community Schools' basic financial statements. The additional information on pages 19 - 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Dryden Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

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

Fund Financial Statements:

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds, not the School District as a whole. 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. The District has two kinds of funds:

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

Fiduciary funds – The District is the trustee or fiduciary agent for assets that belong to others in the student activities agency fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

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

District Wide Financial Statements:

The District wide Statement of Net Assets and Statement of Activities are reported using the full accrual basis of accounting. With this method, all of the District's assets, liabilities, current year revenues and expenditures are reported, regardless of when cash is received or paid. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

Financial Position and Results of Operations:

The District' net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating, respectively. The relationship between revenues and expenses indicates the District's operating results. To assess the District's overall health, it is important to consider additional non-financial factors such as the quality of educational services provided, the condition of school buildings and facilities, the safety of the schools, and other non-financial factors.

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

SUMMARY OF NET ASSETS:

The District's net assets totaled \$1,090,111 at June 30, 2007. Of this amount \$571,238 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and legislation that limits the District's ability to use those net assets for day-to-day operations. The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006:

<u>NET ASSETS SUMMARY</u>		
	2007	2006
<u>ASSETS</u>		
Current Assets	\$2,276,565	\$2,245,171
Non-Current Assets	7,120,833	7,485,261
<u>TOTAL ASSETS</u>	\$9,397,398	\$9,730,432
<u>LIABILITIES</u>		
Current Liabilities	\$1,684,643	\$1,455,208
Long-Term Liabilities	6,622,644	6,808,088
Total Liabilities	\$8,307,287	\$8,263,296
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	346,478	559,907
Restricted - Debt Service	172,395	352,728
Restricted - Capital Projects	0	41,943
Unrestricted	571,238	512,558
Total Net Assets	\$1,090,111	\$1,467,136
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$9,397,398	\$9,730,432

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

RESULTS OF OPERATIONS:

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

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$521,727	\$500,333
Property Taxes Levied for Debt Service	427,182	436,918
State of Michigan Unrestricted Foundation Aid	4,815,452	4,729,582
Other General Revenues	<u>110,826</u>	<u>147,367</u>
Total General Revenues	\$5,875,187	\$5,814,200
<u>Operating Grants:</u>		
Federal	156,285	160,219
State of Michigan	251,153	205,613
Other Operating Grants	<u>13,970</u>	<u>11,330</u>
Total Operating Grants	\$421,408	\$377,162
<u>Charges for Services:</u>		
Food Service	135,498	143,497
Athletics	34,753	40,175
Other Charges for Services	<u>57,708</u>	<u>101,536</u>
Total Charges for Services	\$227,959	\$285,208
Total Revenues	\$6,524,554	\$6,476,570
<u>EXPENSES</u>		
Instruction & Instructional Support	3,701,970	3,502,524
Support Services	1,945,387	2,132,825
Community Services	26,323	26,417
Food Service	208,753	200,697
Athletics	178,801	179,725
Interest on Long-Term Debt	435,865	303,938
Bond Issuance Costs	131,755	0
Depreciation	<u>272,725</u>	<u>272,429</u>
Total Expenses	\$6,901,579	\$6,618,555
<u>(DECREASE) IN NET ASSETS</u>	(\$377,025)	(\$141,985)
<u>BEGINNING NET ASSETS</u>	<u>1,467,136</u>	<u>1,609,121</u>
<u>ENDING NET ASSETS</u>	<u><u>\$1,090,111</u></u>	<u><u>\$1,467,136</u></u>

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

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets decreased by \$377,025 to a total of \$1,090,11. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$213,429 during the year due to depreciation and principal payments on related debt exceeding purchases of new capital assets. The districts Unrestricted Net Assets increased by \$58,680 during the year and the restricted portion of the net assets decreased by \$222,276. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall expenses exceeded its revenues for the year by \$377,025. The district's total revenues increased by \$47,984 or 1% over the prior year. The major change was the general fund increase in revenues as discussed below. Expenditures increased by \$283,024 or 4% over last year. This increase was due primarily to Debt Fund increases in interest and bond issuance expenses. Increases in this area, totaled \$263,682.

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The General Fund is the only major fund. Funds reported as "Other Governmental Funds" in the fund financial statements include the 1998, 2002 and 2006 Debt Retirement Funds, the 2002 Capital Projects Fund, Food Service and Athletics Funds.

General Fund

The district's general fund is the chief operating fund of the district. Fund balance for the general fund increased by \$80,588. Revenues for the year increased by \$65,886 primarily from a \$210 per student increase from the State of Michigan. Expenditures and other financing uses increased by \$392 due primarily to increases in salaries, wages and employee benefits. The major source of general fund revenues is state aid and taxes with 95% of general fund operating revenue coming from these. Salaries and benefits amount to nearly 80% of the district's operating expenses.

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

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

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

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Dryden Community Schools foundation allowance was \$7,085 per student for the 2006-2007 school year. This was a \$210 increase from the prior year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2006-2007 was 760 students. A decrease of 13 students from the prior year's fall count of 773.

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

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

Analysis of Financial Position (Continued)

General Fund (Continued)

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

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$514,164. An increase of \$15,708 from the prior year.

Debt Retirement Funds

The districts debt retirement fund balance decreased by \$180,333. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$6,294,620 in paying the required interest and principal payments and a transfer to escrow. The majority of the funds revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2006-2007, the District's debt millage levy was 2.24 mills that generated revenue of \$464,143. An increase of \$28,570 from the prior year.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS:

The District's budgets are prepared according to the Uniform Budget Act of the State of Michigan law which requires the Board of Education to approve the initial budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The initial budget is based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment figures and resultant staffing requirements, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseen items. As a matter of practice, the District amends its budget two times during the fiscal year to adjust for these changes.

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$5,683,437	\$5,840,068	\$5,837,090	2.76%	0.05
Expenditures	5,835,313	5,865,313	5,756,502	0.51%	1.86
<u>TOTAL</u>	<u>(\$151,876)</u>	<u>(\$25,245)</u>	<u>\$80,588</u>		

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

ANALYSIS OF BUDGETS:

The following comparisons of budgets and final expenditures are computed using the Statement of Revenues, Expenditures and Changes as shown on page 6 of the 2006-2007 audit report.

Original Budget vs. Final Budget

Revenues

Final budgeted revenues increased over the original budgeted revenues by \$156,631. This was due primarily to more state aid than was originally budgeted for. The district received \$111,509 more than the original budget in the following state aid areas: special education hold harmless, declining enrollment, equity categorical, middle school math categorical, prior year state aid adjustments, and revenue from an additional 5.58 students. State aid amounts were still uncertain well into the month June, while the state legislature and governor worked out the current year state budget.

Expenditures

General Fund expenditures increased \$30,000 from the original budget. Salaries and benefits decreased \$15,539, while increases were budgeted in the areas of consortium special education costs, professional development, workers compensation insurance, fuel costs and the purchase of new equipment (a van.)

Actual Results vs. Final Budget

Revenues

The variance in the final budgeted revenues and actual amounts was insignificant. The variance was a mere \$2,978, less than 1/10 of one percent.

Expenditures

Actual expenditures amounted to \$108,811 less than budgeted. Significant savings occurred in the following areas; elementary instruction, middle school math grant expenditures, high school instruction, professional development expenditures, superintendent's office expenditures, technology expenditures and the custodial maintenance department. These savings were due in large part to the uncertainty regarding our state funding during the year. Management was diligent and only spent what was absolutely necessary in all areas of the budget.

Summary

The district added \$80,588 to fund equity for the year ended June 30, 2007, bringing the fund balance amount to \$674,012. This represents 11.75% of expenses. The district remains conservative in budgeting during the difficult economy the State of Michigan is facing since 95% of our revenues are from the state. This fund balance addition allowed the district to recall all teachers from layoff for the 2007-2008 school year.

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

ANALYSIS OF BUDGETS: (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

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

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
<u>Governmental Activities:</u>				
General Obligation Bonds	\$6,881,354	\$5,620,000	\$5,760,000	\$6,741,354
Bus Note Payable	44,000	0	11,000	33,000
Severance Package Payable	7,575	0	2,525	5,050
Compensated Absences	71,805	0	5,040	66,765
<u>Total Governmental Activities</u>	<u>\$7,004,734</u>	<u>\$5,620,000</u>	<u>\$5,778,565</u>	<u>\$6,846,169</u>

Repayment and refinancing of debt decreased the District's long-term principal obligations and, thereby increased the net assets of the District. The District repaid \$158,565 of long-term debt during the year ended June 30, 2007.

B. Capital Assets

The district's net investment in capital assets decreased by \$347,188 during the fiscal year. This can be summarized as follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
Capital Assets	\$10,912,438	\$61,946	\$17,240	\$10,957,144
Less: Accumulated Depreciation	<u>(3,427,177)</u>	<u>(409,134)</u>	<u>0</u>	<u>(3,836,311)</u>
<u>Net Investment Capital Outlay</u>	<u>\$7,485,261</u>	<u>(\$347,188)</u>	<u>\$17,240</u>	<u>\$7,120,833</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

* Foundation allowance

The foundation amount for the 2007-2008 school year is still undetermined as of the release date of this audit report. The district has budgeted for no increase in the state foundation amount from 2006-2007. The district has also not budgeted for any declining enrollment money, middle school math money or an equity payment from the state. The district's September 2007 enrollment is expected to be 759 students. This compares to 760 in the fall of 2006. However, the February 2007 enrollment declined compared to the February 2006 enrollment thereby reducing the district's budgeted blended count by almost four students. We have budgeted for a decrease in revenues of \$119,220.

* Retirement rates

General fund expenses are expected to decrease by \$148,707. The majority of this decrease is in the non replacement of one retiring teacher, restructuring the custodial staff, contracting with the high school principal and consolidation of financial services with the Lapeer County ISD and Imlay City Community Schools.

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

<u>REVENUE</u>	\$5,720,848
<u>EXPENDITURES</u>	<u>5,716,606</u>
<u>NET OVER BUDGET</u>	<u><u>\$4,242</u></u>

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 Amy Swantek, Accountant, Dryden Community Schools, 3866 Rochester Road, Dryden, Michigan 42428 or by telephone at (810) 796-9534.

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$269,653
Investments	1,099,230
Deposits	8,730
Due from Other Governmental Units	892,452
Prepaid Expenses	6,500
Total Current Assets	<u>\$2,276,565</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	10,957,144
Less: Accumulated Depreciation	<u>(3,836,311)</u>
Total Noncurrent Assets	<u>\$7,120,833</u>
<u>TOTAL ASSETS</u>	<u><u>\$9,397,398</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$29,396
State Anticipation Note Payable	880,000
Due to Other Governmental Units	81,022
Accrued Expenses	150,390
Salaries Payable	317,541
Deferred Revenue	2,769
Current Portion of Long-Term Obligations	223,525
Total Current Liabilities	<u>\$1,684,643</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>6,622,644</u>
<u>TOTAL LIABILITIES</u>	<u>\$8,307,287</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	346,478
Restricted for:	
Debt Service	172,395
Unrestricted	571,238
<u>TOTAL NET ASSETS</u>	<u>\$1,090,111</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$9,397,398</u></u>

See accompanying notes to the basic financial statements.

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$3,701,970	\$24,409	\$279,839	(\$3,397,722)
Support Services	1,945,387	18,414	68,665	(1,858,308)
Community Services	26,323	14,885	0	(11,438)
Food Service	208,753	135,498	72,904	(351)
Athletics	178,801	34,753	0	(144,048)
Interest - Long-Term Obligations	435,865	0	0	(435,865)
Bond Issuance Costs	131,755	0	0	(131,755)
Depreciation - Unallocated	272,725	0	0	(272,725)
<u>TOTALS</u>	<u>\$6,901,579</u>	<u>\$227,959</u>	<u>\$421,408</u>	<u>(\$6,252,212)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				948,909
State Aid				4,815,452
Investment Earnings				69,071
Miscellaneous				41,755
Total General Revenues and Transfers				<u>\$5,875,187</u>
Change in Net Assets				<u>(\$377,025)</u>
Net Assets - Beginning				<u>1,467,136</u>
<u>Net Assets - Ending</u>				<u>\$1,090,111</u>

See accompanying notes to the basic financial statements.

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$86,824	\$182,829	\$269,653
Investments	1,099,230	0	1,099,230
Deposits	8,730	0	8,730
Due from Other Funds	0	5,357	5,357
Due from Other Governmental Units	890,280	2,172	892,452
Prepaid Expenses	5,820	680	6,500
<u>TOTAL ASSETS</u>	<u>\$2,090,884</u>	<u>\$191,038</u>	<u>\$2,281,922</u>
<u>LIABILITIES</u>			
Accounts Payable	\$29,377	\$19	\$29,396
State Anticipation Note Payable	880,000	0	880,000
Due to Other Funds	5,311	46	5,357
Due to Other Governmental Units	81,022	0	81,022
Accrued Expenses	105,408	823	106,231
Salaries Payable	314,299	3,242	317,541
Deferred Revenue	1,455	1,314	2,769
Total Liabilities	\$1,416,872	\$5,444	\$1,422,316
<u>FUND BALANCES</u>			
Reserved For:			
Debt Retirement	0	172,395	172,395
Unreserved:			
Undesignated, Reported In:			
General Fund	674,012	0	674,012
Special Revenue Funds	0	13,199	13,199
Total Fund Balances	\$674,012	\$185,594	\$859,606
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,090,884</u>	<u>\$191,038</u>	<u>\$2,281,922</u>

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances:	\$859,606
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$10,957,144 and the accumulated depreciation is \$3,836,311	7,120,833
Accrued Interest on Long-Term Debt	(44,159)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds Payable	\$6,741,354
Bus Loan	33,000
Severance Package Payable	5,050
Compensated Absences	66,765
Total Long-Term Liabilities	<u>(6,846,169)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>\$1,090,111</u>

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$653,358	\$657,499	\$1,310,857
State Sources	5,057,236	9,369	5,066,605
Federal Sources	92,750	63,535	156,285
Total Revenues	<u>\$5,803,344</u>	<u>\$730,403</u>	<u>\$6,533,747</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	3,614,127	0	3,614,127
Student Services	119,140	0	119,140
Instructional Support	53,576	0	53,576
General Administration	298,385	0	298,385
School Administration	405,107	0	405,107
Business Administration	65,248	0	65,248
Operation & Maintenance of Plant	575,678	0	575,678
Transportation	333,101	0	333,101
Other Support Services	39,126	0	39,126
Community Services	26,323	0	26,323
Special Revenue	0	380,383	380,383
Debt Service	0	352,815	352,815
Capital Projects	0	42,878	42,878
Total Expenditures	<u>\$5,529,811</u>	<u>\$776,076</u>	<u>\$6,305,887</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$273,533	(\$45,673)	\$227,860
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(146,667)	146,667	0
Bond Proceeds	0	5,620,000	5,620,000
Transfers to Escrow Account	0	(5,810,050)	(5,810,050)
Bond Issuance Costs	0	(131,755)	(131,755)
Other Transfers	(46,278)	0	(46,278)
Total Other Financing Sources (Uses)	<u>(\$192,945)</u>	<u>(\$175,138)</u>	<u>(\$368,083)</u>
Net Change in Fund Balance	\$80,588	(\$220,811)	(\$140,223)
<u>FUND BALANCE - BEGINNING</u>	<u>593,424</u>	<u>406,405</u>	<u>999,829</u>
<u>FUND BALANCE - ENDING</u>	<u>\$674,012</u>	<u>\$185,594</u>	<u>\$859,606</u>

See accompanying notes to the basic financial statements.

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

Total net change in fund balances - governmental funds	(\$140,223)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(364,428)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	5,773,525
Loan Proceeds	(5,620,000)
Decrease in accrued compensated absences	5,040
Revenue reported in the statement of activities last year that did not provide current financial resources and are not reported as revenue in the governmental funds	(37,939)
Change in accrued interest on long-term liabilities	<u>7,000</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$377,025)</u></u>

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

ASSETS

Cash and Cash Equivalents

\$56,352

TOTAL ASSETS

\$56,352

LIABILITIES

Due to Student Groups

\$56,352

TOTAL LIABILITIES

\$56,352

See accompanying notes to the basic financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$658,213	\$665,860	\$653,358	(\$12,502)
State Sources	4,913,821	5,042,456	5,057,236	14,780
Federal Sources	99,403	98,352	92,750	(5,602)
Total Revenues	<u>\$5,671,437</u>	<u>\$5,806,668</u>	<u>\$5,803,344</u>	<u>(\$3,324)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	3,634,351	3,640,884	3,614,127	26,757
Student Services	117,012	121,291	119,140	2,151
Instructional Support	60,813	74,753	53,576	21,177
General Administration	312,400	312,896	298,385	14,511
School Administration	386,894	411,046	405,107	5,939
Business Administration	35,226	65,337	65,248	89
Operation & Maintenance of Plant	624,367	607,415	575,678	31,737
Transportation	327,098	331,956	333,101	(1,145)
Other Support Services	43,245	45,912	39,126	6,786
Community Services	27,424	27,424	26,323	1,101
Total Expenditures	<u>\$5,568,830</u>	<u>\$5,638,914</u>	<u>\$5,529,811</u>	<u>\$109,103</u>
Excess of Revenues Over Expenditures	\$102,607	\$167,754	\$273,533	\$105,779
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>(254,483)</u>	<u>(192,999)</u>	<u>(192,945)</u>	<u>54</u>
	(\$151,876)	(\$25,245)	\$80,588	\$105,833
<u>FUND BALANCE - BEGINNING</u>			<u>593,424</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$674,012</u>	

See accompanying notes to the basic financial statements.

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

1) REPORTING ENTITY

The School District is governed by an elected seven-member Board of Education. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

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

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS (Continued)

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

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

General Fund

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

Special Revenue Funds

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

Debt Retirement Fund

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

Capital Projects Fund

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

Fiduciary Funds

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

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

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

Modified Accrual

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

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

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

D) CASH AND CASH EQUIVALENTS

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

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

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INVENTORY

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

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

G) CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) using a \$2,500 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

H) INTERFUND BALANCES

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

I) COMPENSATED ABSENCES

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

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

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

K) FUND BALANCE RESERVES

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

L) NET ASSETS

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

M) ESTIMATES

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

N) BUDGETARY DATA

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

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

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

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

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

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

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

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

4) DEPOSITS AND INVESTMENTS

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

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MILAF External Investment Pool - MIMAX	\$ 1,099,006	0.0027	AAAm	99.98%
MILAF External Investment Pool - MICMS	224	0.0027	AAAm	0.02%
<u>TOTAL</u>	<u>\$ 1,099,230</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

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

4) DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

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, \$275,524 of the District's bank balance of \$547,919 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

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

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

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$56,352	\$ 326,005
Investments	1,099,230
	\$ 1,425,235
<u>TOTAL</u>	<u>\$ 1,425,235</u>

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

Cash Agency Fund	\$ 269,653
Cash – District Wide	56,352
Investments – District Wide	1,099,230
	\$ 1,425,235
<u>TOTAL</u>	<u>\$ 1,425,235</u>

5) PROPERTY TAXES

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

6) RECEIVABLES

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

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

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 869,462
Other	22,990
	\$ 892,452
<u>TOTAL</u>	<u>\$ 892,452</u>

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

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the School District had estimated claims of \$13,819 in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$880,000 at 3.68% interest per annum on August 18, 2006, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 20, 2007.

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007
State Aid Note	\$771,000	\$880,000	\$771,000	\$880,000

9) CAPITAL ASSETS

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

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007
<u>GOVERNMENTAL ACTIVITIES</u>				
Land	\$137,502	\$0	\$0	\$137,502
Buildings and Improvements	8,975,142	42,878	0	9,018,020
Land Improvements	487,365	0	0	487,365
Equipment and Furniture	839,306	3,978	0	843,284
Vehicles	473,123	15,090	17,240	470,973
Totals at Historical Cost	\$10,912,438	\$61,946	\$17,240	\$10,957,144
Less: Accumulated Depreciation				
Buildings and Improvements	(2,724,519)	(236,723)	0	(2,961,242)
Land Improvements	(51,079)	(20,639)	0	(71,718)
Equipment and Furniture	(369,705)	(111,494)	0	(481,199)
Vehicles	(281,874)	(40,278)	0	(322,152)
Total Accumulated Depreciation	(\$3,427,177)	(\$409,134)	\$0	(\$3,836,311)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	\$7,485,261	(\$347,188)	\$17,240	\$7,120,833

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

Instruction	\$ 87,843
Support Services	41,395
Food Service	1,932
Athletics	5,239
Unallocated	272,725
<u>TOTAL DEPRECIATION EXPENSE</u>	\$ 409,134

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

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2007 were \$69,865 and the District received a refund of \$5,875.

11) GENERAL LONG-TERM DEBT

A) General Obligation – School Building and Site Bonds

1998 Series

Dryden Community Schools has issued General Obligation Bonds dated June 1, 1998, in the amount of \$135,000, bearing interest at rates varying from 4.85% to 5.35% per annum. The proceeds are to be used for the purpose of erecting, furnishing, and equipping a bus garage, acquiring a school bus, and developing and improving the site. The balance of the bonds as of June 30, 2007 was \$20,000.

2002 Series

Dryden Community Schools has issued General Obligation Bonds dated November 1, 2002, in the amount of \$6,870,000, bearing interest at rates varying from 3.00% to 5.00% per annum. The proceeds are to be used for the purpose of erecting, furnishing, and equipping and addition or additions to, and partially remodeling, furnishing, and re-equipping technology for the elementary school and high school, acquiring buses, improving play fields at the high school, and developing and improving sites. A portion of these bonds were advance defeased on October 25, 2006. The balance of the bonds as of June 30, 2007 was \$985,000.

2006 Refunding Series

On October 25, 2006, the District issued \$5,620,00 in General Obligation Bonds with an interest rate of 4.000 percent to advance refund \$5,525,000 of outstanding 2002 Series bonds with an average interest rate of 4.755 percent. The net proceeds of \$5,587,334 (after payment of \$32,666 in underwriting fees, insurance, and other issuance costs) plus an additional \$323,500 of 2002 Series Building & Site Bond fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for a portion of the future debt service payments on the 2002 Series bonds. As a result, the 2002 Series bonds are considered to be partially defeased and the liability for those defeased bonds has been removed from the general long-term debt account group. The advance refunding was done in order to reduce debt payments. The refunding decreased the District's total debt service payments by \$431,381. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$200,296.

B) 1999 Energy Conservation Improvement Bonds

Dryden Community Schools issued general obligation - limited tax bonds for the purpose of defraying the cost of energy conservation building improvements.

The bonds are dated June 24, 1999 in the aggregate amount of \$390,000 and require annual payments of principal and interest. The interest rates range from 4.45% to 4.85% per annum. The principal balance at June 30, 2007 was \$135,000.

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

11) GENERAL LONG-TERM DEBT (Continued)

C) Durant Resolution Package Bonds

Dryden Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$61,569 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2007 was \$36,354. The legislature refinanced the repayment schedule during the year ended June 30, 2007.

D) Employee Severance Plan

During the year ended June 30, 2001, the District implemented an employee severance plan for early retirement of employees who met certain criteria. Six teachers elected the plan, exiting the district in June, 2001. Benefits shall be paid by Educator Preferred Corporation in 96 equal monthly installments to five teachers and 36 equal monthly installments to the remaining teacher electing the plan. The balance at June 30, 2007 was \$5,050.

E) Notes Payable

Dryden Community Schools is indebted to Oxford Bank for the purchase of a bus. The note is payable in the amount of \$58,780. The note requires annual payments of \$11,000, plus interest at 3.1% and matures May 1, 2010. The balance of the note at June 30, 2007 was \$33,000.

F) Annual Principal Requirements

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

	<u>SEVERANCE PACKAGE</u>	<u>NOTES PAYABLE</u>	<u>BONDS PAYABLE</u>	<u>INTEREST</u>	<u>TOTAL</u>
June 30, 2008	\$2,525	\$11,000	\$210,000	\$265,977	\$489,502
June 30, 2009	2,525	11,000	198,426	258,737	470,688
June 30, 2010	0	11,000	208,589	251,223	470,812
June 30, 2011	0	0	173,761	243,127	416,888
June 30, 2012	0	0	196,451	243,843	440,294
June 30, 2013-2017	0	0	1,054,127	1,071,164	2,125,291
June 30, 2018-2022	0	0	1,345,000	836,800	2,181,800
June 30, 2023-2027	0	0	1,630,000	544,400	2,174,400
June 30, 2028-2032	0	0	1,725,000	207,000	1,932,000
<u>TOTAL</u>	<u>\$5,050</u>	<u>\$33,000</u>	<u>\$6,741,354</u>	<u>\$3,922,271</u>	<u>\$10,701,675</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$166,253.

G) Changes in General Long-Term Debt

	<u>BALANCE JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2007</u>	<u>AMOUNT DUE IN ONE YEAR</u>
<u>Governmental Activities:</u>					
General Obligation Bonds	\$6,881,354	\$5,620,000	\$5,760,000	\$6,741,354	\$210,000
Bus Note Payable	44,000	0	11,000	33,000	11,000
Severance Package Payable	7,575	0	2,525	5,050	2,525
Compensated Absences	71,805	0	5,040	66,765	0
<u>Total Governmental Activities</u>	<u>\$7,004,734</u>	<u>\$5,620,000</u>	<u>\$5,778,565</u>	<u>\$6,846,169</u>	<u>\$223,525</u>

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

12) OPERATING LEASES

On July 13, 2004, the District leased equipment under a operating lease agreement with Xerox. The lease is for 60 months and requires monthly payments of \$1,195. Rent expense for the year was \$14,344. The future minimum payments are as follows:

YEAR ENDED JUNE 30,	AMOUNT
2008	\$ 14,344
2009	1,195
<u>TOTAL</u>	<u>\$ 15,539</u>

13) INTERFUND ACTIVITY

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

DUE FROM			
DUE TO	General Fund	Athletic Fund	Total
General Fund	\$0	\$5,357	\$5,357
Athletic Fund	46	0	46
<u>TOTAL</u>	<u>\$46</u>	<u>\$5,357</u>	<u>\$5,403</u>

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

14) INTERFUND TRANSFERS

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

TRANSFERS FROM				
TRANSFERS TO	General Fund	Food Service	Debt Retirement	Total
General Fund	\$0	\$5,000	\$0	\$5,000
Athletics Fund	134,622	0	0	134,622
Debt Retirement	17,025	0	323,500	340,525
Capital Projects Fund	20	0	0	20
<u>TOTAL</u>	<u>\$151,667</u>	<u>\$5,000</u>	<u>\$323,500</u>	<u>\$480,167</u>

These transfers were made to subsidize the cost of services for athletics and to cover principal and interest payment for debt.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

15) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$569,742, \$543,143 and \$482,492, respectively.

Postemployment Benefits

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

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor agencies.

In January 2006, the federal regulation for arsenic amounts in the drinking water changed. At this time the District is investigating the cost of implementing a water treatment system.

18) SUBSEQUENT EVENTS

In August, 2007, the District borrowed \$770,000 at 3.68% from Chase Bank on a State Aid Anticipation Note. The note proceeds will be used to meet cash flow needs for the 2007-2008 fiscal year.

In July, 2007, the District closed on the sale of land to St. Cemelius Church in the Archdiocese of Detroit in the amount of \$105,000.

OTHER SUPPLEMENTAL
INFORMATION

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	Special Revenue Funds	Debt Retirement Funds	2002 Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$10,434	\$172,395	\$0	\$182,829
Due from Other Funds	5,357	0	0	5,357
Due from Other Governmental Units	2,172	0	0	2,172
Prepaid Expenses	680	0	0	680
<u>TOTAL ASSETS</u>	<u>\$18,643</u>	<u>\$172,395</u>	<u>\$0</u>	<u>\$191,038</u>
<u>LIABILITIES</u>				
Accounts Payable	\$19	\$0	\$0	\$19
Due to Other Funds	46	0	0	46
Accrued Expenses	823	0	0	823
Salaries Payable	3,242	0	0	3,242
Deferred Revenue	1,314	0	0	1,314
Total Liabilities	\$5,444	\$0	\$0	\$5,444
<u>FUND BALANCES</u>				
Reserved For:				
Debt Retirement	0	172,395	0	172,395
Unreserved:				
Undesignated, Reported In:				
Special Revenue Funds	13,199	0	0	13,199
Total Fund Balances	\$13,199	\$172,395	\$0	\$185,594
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$18,643</u>	<u>\$172,395</u>	<u>\$0</u>	<u>\$191,038</u>

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

	Special Revenue Funds	Debt Retirement Funds	2002 Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$179,322	\$477,262	\$915	\$657,499
State Sources	9,369	0	0	9,369
Federal Sources	63,535	0	0	63,535
Total Revenues	<u>\$252,226</u>	<u>\$477,262</u>	<u>\$915</u>	<u>\$730,403</u>
<u>OTHER FINANCING SOURCES</u>				
Transfer from Other Funds	129,622	17,025	20	146,667
Bond Proceeds	0	5,620,000	0	5,620,000
Total Other Financing Sources	<u>\$129,622</u>	<u>\$5,637,025</u>	<u>\$20</u>	<u>\$5,766,667</u>
Total Revenues & Other Financing Sources	<u>\$381,848</u>	<u>\$6,114,287</u>	<u>\$935</u>	<u>\$6,497,070</u>
<u>EXPENDITURES</u>				
Special Revenue	380,383	0	0	380,383
Debt Service	0	352,815	0	352,815
Capital Projects				
Purchased Services	0	0	2,000	2,000
Building Improvements	0	0	40,878	40,878
Total Expenditures	<u>\$380,383</u>	<u>\$352,815</u>	<u>\$42,878</u>	<u>\$776,076</u>
<u>OTHER FINANCING USES</u>				
Transfer to Escrow Agent	0	5,810,050	0	5,810,050
Bond Issuance Costs	0	131,755	0	131,755
Total Other Financing Uses	<u>\$0</u>	<u>\$5,941,805</u>	<u>\$0</u>	<u>\$5,941,805</u>
Total Expenditures and Other Financing Uses	<u>\$380,383</u>	<u>\$6,294,620</u>	<u>\$42,878</u>	<u>\$6,717,881</u>
Net Change in Fund Balance	\$1,465	(\$180,333)	(\$41,943)	(\$220,811)
<u>NET ASSETS - BEGINNING</u>	<u>11,734</u>	<u>352,728</u>	<u>41,943</u>	<u>406,405</u>
<u>NET ASSETS - ENDING</u>	<u>\$13,199</u>	<u>\$172,395</u>	<u>\$0</u>	<u>\$185,594</u>

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
SPECIAL REVENUE
COMBINING BALANCE SHEET
AS OF JUNE 30, 2007

	Food Service	Athletic Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$10,434	\$0	\$10,434
Due from Other Funds	0	5,357	5,357
Due from Other Governmental Units	2,172	0	2,172
Prepaid Expenses	680	0	680
<u>TOTAL ASSETS</u>	<u>\$13,286</u>	<u>\$5,357</u>	<u>\$18,643</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$19	\$19
Due to Other Funds	46	0	46
Accrued Expenses	0	823	823
Salaries Payable	0	3,242	3,242
Deferred Revenue	41	1,273	1,314
Total Liabilities	\$87	\$5,357	\$5,444
<u>FUND EQUITY</u>			
Unreserved and Undesignated	13,199	0	13,199
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$13,286</u>	<u>\$5,357</u>	<u>\$18,643</u>

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

	Food Service	Athletic Activities	Total
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$135,498	\$0	\$135,498
Athletic Activities	0	34,753	34,753
Interest	915	0	915
Other Local Sources	3,969	4,187	8,156
Total Local Sources	<u>\$140,382</u>	<u>\$38,940</u>	<u>\$179,322</u>
<u>State Sources</u>			
State Reimbursements	9,369	0	9,369
<u>Federal Sources</u>			
Federal Reimbursements	48,718	0	48,718
Commodities	14,817	0	14,817
Total Federal Sources	<u>\$63,535</u>	<u>\$0</u>	<u>\$63,535</u>
Total Revenues	<u>\$213,286</u>	<u>\$38,940</u>	<u>\$252,226</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	134,622	134,622
Total Revenues and Other Financing Sources	<u>\$213,286</u>	<u>\$173,562</u>	<u>\$386,848</u>
<u>EXPENDITURES</u>			
Salaries - Professional	6,417	23,318	29,735
Salaries - Non-Professional	64,405	81,996	146,401
Insurance	288	5,713	6,001
Fica, Retirement, Etc.	17,940	26,029	43,969
Purchased Services	3,091	19,074	22,165
Supplies and Materials	113,149	5,847	118,996
Capital Outlay	0	7,858	7,858
Other	1,531	3,727	5,258
Total Expenditures	<u>\$206,821</u>	<u>\$173,562</u>	<u>\$380,383</u>
<u>OTHER FINANCING (USES)</u>			
Transfers to General Fund	5,000	0	5,000
Total Expenditures and Other Financing Uses	<u>\$211,821</u>	<u>\$173,562</u>	<u>\$385,383</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u> <u>AND OTHER FINANCING USES</u>			
	<u>\$1,465</u>	<u>\$0</u>	<u>\$1,465</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			
	<u>\$11,734</u>	<u>\$0</u>	<u>\$11,734</u>
<u>FUND BALANCE - END OF YEAR</u>			
	<u>\$13,199</u>	<u>\$0</u>	<u>\$13,199</u>

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
COMBINING BALANCE SHEET
DEBT RETIREMENT FUND
AS OF JUNE 30, 2007

	1998 Debt Fund	2002 Debt Fund	2006 Refunding Debt Fund	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$0	\$41,115	\$131,280	\$172,395
<u>FUND BALANCES</u>				
Reserved For:				
Debt Retirement	\$0	\$41,115	\$131,280	\$172,395

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>1998</u> <u>Debt</u> <u>Fund</u>	<u>2002</u> <u>Debt</u> <u>Fund</u>	<u>2006</u> <u>Refunding</u> <u>Debt Fund</u>	<u>Total After</u> <u>Interfund</u> <u>Eliminations</u>
<u>REVENUE</u>				
<u>Local Sources</u>				
Property Tax Levy	\$0	\$168,069	\$297,052	\$465,121
Earnings on Investments	0	8,229	3,912	12,141
Total Revenue	<u>\$0</u>	<u>\$176,298</u>	<u>\$300,964</u>	<u>\$477,262</u>
<u>OTHER FINANCING SOURCES</u>				
Transfer from Other Funds	17,025	0	323,500	17,025
Bond Proceeds	0	0	5,620,000	5,620,000
Total Other Financing Sources	<u>\$17,025</u>	<u>\$0</u>	<u>\$5,943,500</u>	<u>\$5,637,025</u>
Total Revenues and Other Financing Sources	<u>\$17,025</u>	<u>\$176,298</u>	<u>\$6,244,464</u>	<u>\$6,114,287</u>
<u>EXPENDITURES</u>				
Redemption of Bonds	15,000	125,000	55,000	195,000
Interest	1,725	38,701	116,147	156,573
Dues and Fees	300	710	232	1,242
Total Expenditures	<u>\$17,025</u>	<u>\$164,411</u>	<u>\$171,379</u>	<u>\$352,815</u>
<u>OTHER FINANCING USES</u>				
Transfer to Other Funds	0	323,500	0	0
Transfer to Escrow Agent	0	0	5,810,050	5,810,050
Bond Issuance Costs	0	0	131,755	131,755
Total Other Financing Uses	<u>\$0</u>	<u>\$323,500</u>	<u>\$5,941,805</u>	<u>\$5,941,805</u>
Total Expenditures and Other Financing Uses	<u>\$17,025</u>	<u>\$487,911</u>	<u>\$6,113,184</u>	<u>\$6,294,620</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u> <u>AND OTHER FINANCING USES</u>				
	\$0	(\$311,613)	\$131,280	(\$180,333)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>0</u>	<u>352,728</u>	<u>0</u>	<u>352,728</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$41,115</u>	<u>\$131,280</u>	<u>\$172,395</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

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

REVENUES FROMLocal Sources

Property Tax Levy	\$521,727
Earnings on Investments and Deposits	55,100
Tuition	24,409
Medicaid	13,970
Transportation	3,068
Other Local Revenues	35,084
Total Revenues from Local Sources	<u>\$653,358</u>

State Sources

State Aid - Foundation - Sec. 20	4,815,452
Durant	6,157
At Risk - Sec. 31A	40,772
Other State Grants	48,538
Special Education	146,317
Total Revenues from State Sources	<u>\$5,057,236</u>

Federal Sources

Title I	23,783
Title II	17,598
IDEA Flowthrough	49,095
Medicaid - Outreach	1,651
Capacity Building	623
Total Revenues from Federal Sources	<u>\$92,750</u>
Total Revenues	<u>\$5,803,344</u>

OTHER FINANCING SOURCES

Transfer from Other Governmental Units	15,346
Transfers from Other Funds	5,000
Other Transfers	13,400
Total Other Financing Sources	<u>\$33,746</u>

TOTAL REVENUES AND OTHER
FINANCING SOURCES

\$5,837,090

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

INSTRUCTION

BASIC PROGRAMS

Elementary

Salaries - Professional	\$974,474
Salaries - Non-Professional	31,831
Insurances	179,479
Fica, Retirement, Etc.	255,157
Other Benefits	17,200
Purchased Services	5,012
Supplies and Materials	27,369
Total Elementary	\$1,490,522

Secondary

Salaries - Professional	1,001,024
Salaries - Non-Professional	27,836
Insurances	242,993
Fica, Retirement, Etc.	269,574
Other Benefits	5,090
Purchased Services	14,879
Supplies and Materials	32,121
Capital Outlay	4,541
Other	1,022
Total Secondary	\$1,599,080

Preschool

Salaries - Professional	17,046
Salaries - Non-Professional	567
Fica, Retirement, Etc.	4,458
Purchased Services	66
Supplies and Materials	1,074
Other	60
Total Preschool	\$23,271

Total Basic Programs

\$3,112,873

ADDED NEEDS

Special Education

Salaries - Professional	212,185
Salaries - Non-Professional	15,194
Insurances	42,845
Fica, Retirement, Etc.	57,427
Purchased Services	668
Supplies and Materials	276
Capital Outlay	623
Other	105,496
Total Special Education	\$434,714

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
AS OF JUNE 30, 2007

INSTRUCTION (Continued)

ADDED NEEDS

Compensatory Educator

Salaries - Professional	\$5,159
Salaries - Non-Professional	41,969
Fica, Retirement, Etc.	11,939
Other Benefits	505
Purchased Services	6,298
Other	670
Total Compensatory Educator	\$66,540

<u>Total Added Needs</u>	\$501,254
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<u>TOTAL INSTRUCTION</u>	\$3,614,127
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SUPPORT SERVICES

Student Services

Salaries - Professional	73,307
Salaries - Non-Professional	5,620
Insurances	17,852
Fica, Retirement, Etc.	19,936
Other Benefits	505
Purchased Services	1,073
Supplies and Materials	847
Total Student Services	\$119,140

Instructional Support

Salaries - Professional	3,385
Salaries - Non-Professional	27,921
Fica, Retirement, Etc.	7,912
Other Benefits	505
Purchased Services	8,655
Supplies and Materials	1,928
Capital Outlay	160
Other	3,110
Total Instructional Support	\$53,576

General Administration

Salaries - Professional	103,785
Salaries - Non-Professional	35,621
Insurances	16,308
Fica, Retirement, Etc.	34,573
Other Benefits	2,887
Purchased Services	99,155
Supplies and Materials	2,028
Other	4,028
Total General Administration	\$298,385

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
AS OF JUNE 30, 2007

SUPPORT SERVICES (Continued)

School Administration

Salaries - Professional	\$87,897
Salaries - Non-Professional	115,223
Insurances	68,008
Fica, Retirement, Etc.	49,266
Other Benefits	800
Purchased Services	80,004
Supplies and Materials	3,292
Other	617
Total School Administration	\$405,107

Business Office

Fica, Retirement, Etc.	22,554
Purchased Services	8,705
Other	33,989
Total Business Office	\$65,248

Operation and Maintenance

Salaries - Non-Professional	145,208
Insurances	16,203
Fica, Retirement, Etc.	40,191
Other Benefits	4,800
Purchased Services	127,423
Supplies and Materials	234,754
Capital Outlay	5,926
Other	1,173
Total Operation and Maintenance of Plant	\$575,678

Transportation

Salaries - Non-Professional	165,053
Insurances	14,931
Fica, Retirement, Etc.	41,665
Other Benefits	108
Purchased Services	23,371
Supplies and Materials	55,468
Capital Outlay	15,090
Other	17,415
Total Transportation	\$333,101

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
AS OF JUNE 30, 2007

SUPPORT SERVICES (Continued)

Other Support Services

Salaries - Professional	\$11,986
Salaries - Non-Professional	2,210
Fica, Retirement, Etc.	3,597
Purchased Services	10,591
Supplies and Materials	326
Other Expenses	10,416
Total Other Support Services	<u>\$39,126</u>

TOTAL SUPPORT SERVICES

\$1,889,361

COMMUNITY SERVICES

Salaries - Professional	19,763
Fica, Retirement, Etc.	4,990
Supplies and Materials	1,570
Total Community Services	<u>\$26,323</u>

TOTAL EXPENDITURES

\$5,529,811

OTHER FINANCING USES

Transfers to Other Funds	151,667
Payments and Interest	75,024

TOTAL OTHER FINANCING USES

\$226,691

TOTAL EXPENDITURES AND OTHER
FINANCING USES

\$5,756,502

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

STUDENT GROUPS	Due to (From)			Due to (From)
	Student Groups	Receipts	Disbursements	Student Groups
	7-1-06			6-30-07
Assemblies	\$0	\$750	\$0	\$750
Athletics - Booster Projects	2,515	113	0	2,628
Athletics - Busing	682	0	682	0
Athletics - Dues & Fees	0	2,288	2,288	0
Athletics - Pay to Participate	0	17,000	17,000	0
Athletics Gate & Officials	0	22,179	22,179	0
Baseball	192	727	0	919
Basketball	226	5,348	4,896	678
Basketball - Freshman	15	0	15	0
Basketball - Junior High	3	0	3	0
Basketball - Junior High - Boys	74	0	74	0
Box Tops for Education - Elem.	2,090	904	1,949	1,045
Cardinal Creations	662	0	662	0
Cheerleading	678	3,221	2,472	1,427
Cheerleading - Junior High	799	692	900	591
Class of 2007	2,123	129	2,213	39
Class of 2008	7,308	6,876	10,805	3,379
Class of 2009	2,170	3,451	2,037	3,584
Class of 2010	0	1,066	515	551
Class of 2011	526	0	0	526
Color Me Green	336	500	483	353
Drama	377	1,494	1,641	230
Elementary - Miscellaneous	643	5,274	5,468	449
Elementary Eary Music	0	600	327	273
Elementary Student Council	942	505	681	766
Enrichment	0	335	0	335
Enrichment - Elementary	1,515	4,762	5,922	355
Flood Relief	390	0	0	390
Football	1,785	1,070	1,318	1,537
Former Graduates	1,448	902	2,350	0
Four County - 21st Century	0	1,069	877	192
Four County - Hand on Lit.	75	0	0	75
Four County - Stremler	0	5,400	0	5,400
Four County Grant - Hudson	252	0	0	252
French/Spanish Club	48	988	1,018	18
Genesee ISD Project Tap	350	0	0	350
Girls Basketball	473	1,813	836	1,450
Girls Basketball - JV	30	334	30	334
Interest	4,303	3,039	4,151	3,191
Junior High Environmental	297	0	200	97
Knights of Columbus - Elem.	275	441	279	437
Knights of Columbus - HS	179	0	89	90
Library Fund - Elementary	348	832	362	818

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

STUDENT GROUPS	Due to (From)		Due to (From)	
	Student Groups	Receipts	Disbursements	Student Groups
	7-1-06			6-30-07
Junior High Football	\$128	\$0	\$128	\$0
Junior High Volleyball	200	299	299	200
Library Fund - High School	1,614	1,004	767	1,851
Mass Media	2,118	9,109	10,509	718
Math Testing	0	230	230	0
Math/Science - High School	120	0	36	84
Meijer Rewards - Elem.	1,506	1,040	832	1,714
Meijer Rewards - High School	1,091	945	1,169	867
Miscellaneous	1,085	3,340	1,949	2,476
Music	714	1,944	1,323	1,335
National Honor Society	73	1,502	1,043	532
Pepsi Money - Elementary	63	0	0	63
Pepsi Money - High School	1,229	0	1,228	1
Pre-School Fundraiser	262	0	0	262
Project Graduation - 2007	4,192	12,600	16,791	1
Project Graduation - Current	0	90	0	90
PTO - High School	3,289	6,251	6,761	2,779
Quiz Bowl	987	0	987	0
Recycling	0	52	0	52
SADD	150	82	172	60
SchoolCash.com - Elementary	29	0	0	29
Sixth Grade Trip	476	12,240	12,716	0
Ski Club - Junior High & HS	0	285	285	0
Spanish Club	0	140	140	0
Student Council - High School	1,913	1,115	2,039	989
Student Council - Junior High	128	498	400	226
Target Account - Elementary	804	554	276	1,082
Target Rewards - High School	99	111	157	53
Tom Sterner Memorial Scholar.	282	4,000	500	3,782
Tom Sterner Volleyball	100	1,540	1,579	61
Track - Varsity	4	0	4	0
Varsity Soccer	1,897	1,192	875	2,214
Varsity Softball	373	1,873	2,073	173
Verizon - High School	54	100	0	154
Volleyball	949	1,655	1,609	995
Wrestling	2	0	2	0
TOTAL STUDENT GROUPS	\$60,060	\$157,893	\$161,601	\$56,352

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2006

GENERAL OBLIGATION - 1998 SCHOOL BUILDING AND SITE BONDS

Date of Issue - June 1, 1998 Original amount of issue - \$135,000

	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>TOTAL</u>
<u>PAYMENT DATE - MAY 1ST</u>					
2007-2008	4.95%	\$20,000	\$495	\$495	\$20,990

1999 ENERGY CONSERVATION IMPROVEMENT BONDS

Date of Issue - June 24, 1999 Original amount of issue - \$390,000

	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>TOTAL</u>
<u>PAYMENT DATE - MAY 1ST</u>					
2007-2008	4.65%	\$45,000	\$3,206	\$3,206	\$51,412
2008-2009	4.75%	45,000	2,160	2,160	49,320
2009-2010	4.85%	45,000	1,092	1,092	47,184
<u>TOTAL</u>		<u>\$135,000</u>	<u>\$6,458</u>	<u>\$6,458</u>	<u>\$147,916</u>

1998 DURANT RESOLUTION PACKAGE BONDS

Date of Issue - November 24, 1998 Original amount of issue - \$61,569

	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
<u>PAYMENT DATE - MAY 15TH</u>				
2008	\$0	4.761353%	\$0	\$0
2009	3,426	4.761353%	897	4,323
2010	3,589	4.761353%	734	4,323
2011	3,761	4.761353%	563	4,324
2012	21,451	4.761353%	7,599	29,050
2013	4,127	4.761353%	196	4,323
<u>TOTAL</u>	<u>\$36,354</u>		<u>\$9,989</u>	<u>\$46,343</u>

DRYDEN COMMUNITY SCHOOLS - DRYDEN, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2006

GENERAL OBLIGATION - 2002 SCHOOL BUILDING AND SITE BONDS

Date Authorized : November 1, 2002 Amount Authorized: \$6,870,000

<u>PAYMENT DATE - MAY 1ST</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>TOTAL</u>
2007-2008	3.250%	\$145,000	\$17,476	\$17,476	\$179,952
2008-2009	3.250%	150,000	15,119	15,119	180,238
2009-2010	3.500%	160,000	12,682	12,682	185,364
2010-2011	3.600%	170,000	9,982	9,982	189,964
2011-2012	3.700%	175,000	6,822	6,822	188,644
2012-2013	3.875%	185,000	3,584	3,584	192,168
<u>TOTAL</u>		<u>\$985,000</u>	<u>\$65,665</u>	<u>\$65,665</u>	<u>\$1,116,330</u>

GENERAL OBLIGATION - 2006 REFUNDING BONDS

Date Authorized : October 25, 2006 Amount Authorized: \$5,620,000

<u>PAYMENT DATE - MAY 1ST</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>TOTAL</u>
2007-2008	3.250%	\$0	\$111,300	\$111,300	\$222,600
2008-2009	3.250%	0	111,300	111,300	222,600
2009-2010	3.500%	0	111,300	111,300	222,600
2010-2011	3.600%	0	111,300	111,300	222,600
2011-2012	3.700%	0	111,300	111,300	222,600
2012-2013	3.875%	0	111,300	111,300	222,600
2013-2014	4.000%	195,000	111,300	111,300	417,600
2014-2015	4.100%	210,000	107,400	107,400	424,800
2015-2016	4.200%	225,000	103,200	103,200	431,400
2016-2017	4.300%	235,000	98,700	98,700	432,400
2017-2018	4.375%	245,000	94,000	94,000	433,000
2018-2019	4.500%	260,000	89,100	89,100	438,200
2019-2020	4.550%	270,000	83,900	83,900	437,800
2020-2021	4.600%	280,000	78,500	78,500	437,000
2021-2022	4.650%	290,000	72,900	72,900	435,800
2022-2023	4.700%	305,000	67,100	67,100	439,200
2023-2024	4.750%	315,000	61,000	61,000	437,000
2024-2025	4.750%	330,000	54,700	54,700	439,400
2025-2026	4.750%	340,000	48,100	48,100	436,200
2026-2027	4.800%	340,000	41,300	41,300	422,600
2027-2028	4.875%	345,000	34,500	34,500	414,000
2028-2029	4.875%	345,000	27,600	27,600	400,200
2029-2030	5.000%	345,000	20,700	20,700	386,400
2030-2031	5.000%	345,000	13,800	13,800	372,600
2031-2032	5.000%	345,000	6,900	6,900	358,800
<u>TOTAL</u>		<u>\$5,565,000</u>	<u>\$1,882,500</u>	<u>\$1,882,500</u>	<u>\$9,330,000</u>



August 22, 2007

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

To the Board of Education of
Dryden Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dryden Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the Dryden Community Schools' basic financial statements and have issued our report thereon dated August 22, 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 Dryden Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dryden Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dryden Community Schools' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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 Dryden Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Dryden Community Schools
Page 2
August 22, 2007

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

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS