SAND CREEK COMMUNITY SCHOOLS
SAND CREEK, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

WITH
INDEPENDENT AUDITORS' REPORT

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Sand Creek Community Schools is a K-12 school district located in Lenawee County, Michigan. The Management's Discussion and Analysis, a requirement of the Governmental Accounting Standards Board Statement 34 (GASB 34), is intended to be the Sand Creek Community School Districts' Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2008. A comparative analysis of fiscal year ended June 30, 2008 to the prior year has been included in this discussion.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The statements report the District's net assets, which is the difference between assets and liabilities, and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating overall results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. The reader will need to consider other nonfinancial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. The fund financial statements are reported on a modified accrual basis, as opposed to the full accrual basis of the Statement of Net Assets and Statement of Activities. Only those revenues that are "measurable" and "currently available" are reported when using the modified accrual basis. Currently available is considered to be collected within 60 days of the end of the current fiscal period. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The fund financial statement provides a detailed short-term view of the District's general operations and the basic services it provides. These fund statements help you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Fund, Capital Project Fund, and the Special Revenue Funds which are comprised of Food Service, Athletic, and Community Service accounts for our two school buildings.

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 interest on long-term obligations are recorded as expenditures, whereas payments of principal are recorded as other financing uses. Future year's debt obligations are not recorded.

Statement of Net Assets:

The following summarizes the net assets at fiscal year ended June 30, 2008, as compared to the prior year. The School District's net assets were $4,601,905 at June 30, 2008. Of this amount, $812,849 was unrestricted. Restricted net assets are reported separately because the School District is limited in their ability to use these net assets for day-to-day operations.

Net Assets Summary	June 30, 2008	June 30, 2007
Assets		
Current Assets	$ 3,036,716	$3,243,506
Noncurrent Assets	6,476,039	6,136,241
Total Assets	$ 9,512,755	$9,379,744
Liabilities		
Current Liabilities	$ 2,266,900	$2,194,779
Noncurrent Liabilities	2,643,950	2,994,724
Total Liabilities	$ 4,910,850	$5,189,503
Net Assets		
Invested in capital assets, net of related debt	3,535,498	2,860,948
Restricted for debt service	119,649	125,815
Restricted for capital projects	133,909	483,153
Unrestricted	812,849	720,325
Total Net Assets	4,601,905	4,190,241
Total Liabilities and Net Assets	$ 9,512,755	$9,379,744

Statement of Activities:

For the fiscal year ended June 30, 2008, the District wide results of operations as compared to June 30, 2007, were:

	June 30, 2008	June 30, 2007
Revenues:		
General Revenues:		
Property taxes levied for general operations	$ 197,011	$ 210,309
Property taxes levied for debt service	394,572	404,490
Property taxes levied for capital projects	57,373	51,767
Investment earnings	46,608	62,155
State of Michigan unrestricted foundation aid	6,552,679	6,611,613
Other general revenues	49,420	23,781
Total General Revenues	7,297,663	7,364,115
Program Revenues:		
Operating Grants:		
Federal	257,990	257,685
State of Michigan	144,846	151,565
Other operating grants	204,362	126,899
Total Operating Grants	607,198	536,149
Charges for Services:		
Food service	214,783	220,369
Athletics	48,429	59,397
Instruction	23,824	24,299
Total Charges for Services	287,036	304,065
Capital Grants:		
Athletics	103,900	60,000
Total Capital Grants	103,900	60,000
Total Revenues	8,295,797	8,264,329

Statement of Activities (continued):

	June 30, 2008	June 30, 2007
Expenses:		
Instruction	4,596,007	4,460,809
Support services	2,273,675	2,223,970
Food service	352,816	342,037
Athletics	253,573	251,785
Interest Expense	(81)	(461)
Interest on long-term debt including amortization of discount	156,052	169,717
Depreciation	252,091	237,349
Amortization	-0-	-0-
Total Expenses	7,884,133	7,685,206
Change in Net Assets	**411,664**	**579,123**
Beginning Net Assets	**4,190,241**	**3,611,118**
Ending Net Assets	**$ 4,601,905**	**$ 4,190,241**

Analysis of Financial Position

During the fiscal year ended June 30, 2008 the District's total governmental activities had an increase in net assets of $411,664. Sand Creek Schools is a declining enrollment district and in the last four years our blended count has decreased by 70 students. However, the schools of choice numbers remain strong with 26% of the 2007/2008 enrollment coming from non-district students. The reduction in student count, and the state funding that goes with it, puts a financial strain on the district budget. The district received $116 more per student in 2007/2008, along with a prorated amount of declining enrollment revenue. Overall, the total revenue for the school year decreased by $16,500, or .23%. Yet, even with this revenue decrease, the district ended the budget year with a fund balance gain. The Master Agreement with the Sand Creek Education Association (teachers' union) expires in August of 2009. The current agreement allows for the salary and benefit portion to be negotiated each year. The district has been negotiating this after the state aid and enrollment for the year are determined. A new salary schedule was approved in the fall of 2008 which included graded step increases. All teaching staff received a step increase (if eligible) and a 2% raise. All other staff received on average a 2% raise. Two teachers retired at the end of the 2006/2007 school year and both of these positions were filled with full FTE teachers, a cost savings of $53,000. The MESSA health insurance premium increase was only 3.6% in 2007/2008, which helped out the budget immensely. The state retirement rate decreased in 2007/2008 by 1.02% points (from 17.74% to 16.72%) amounting to a dollar cost reduction of almost $42,000. Major purchases during the 2007/2008 school year included computer equipment at $25,000, classroom furniture for $7,400 and a new school bus for $70,000. Fuel costs increased drastically during the year with diesel and gasoline purchases going up $16,000, or 36%. Energy costs had a slight increase of only 1.5% in 2007/2008. The net results of the slight decrease in revenue; and both the cost increases and reductions meant a net asset increase of $411,664 for the School District. The assets of the School District exceeded its liabilities at the close of the fiscal year by $4,601,905 (net assets).

General Fund and Special Revenue Fund Operations

The district's revenues from General Fund operations exceeded expenses by $109,618 for the fiscal year ended June 30, 2008. This was less than last year's gain of $312,590. At the end of the fiscal year, the fund balance for the School District's General Fund was $869,165, or 12%. The School District's General Fund supported the Athletic Fund by transferring funds of $202,923 during the 2007-2008 fiscal year. This was up by almost $13,000 from last year, and was used to pay coaching salaries and benefits along with some equipment. The Athletic Fund ended the fiscal year with a fund balance of only $166. This was a decrease in fund equity for the Athletic Fund – the fund balance at June 30, 2007 was $2,357. Expenses were almost the same as 2006/2007, but athletic revenue was down by almost $11,000. This was mostly due to the change in MHSAA athletic seasons which drastically affected our winter sports revenue.

The Lunch Fund (Food Service program) had another good year. The Lunch Fund was once again able to increase its fund balance and support itself with no transfers from the General Fund. It ended the year with a $38,126 fund balance after a gain of $6,661 for the year. Breakfast and lunch sales revenue was down by $5,585 this year. Costs were also down for the year by $5,482. Commodity usage was up once again by about $10,000, which in turn helped to bring food costs down. Our food management works hard to use government commodities to provide nutritional and appetizing meals for our students and staff. The district's student count this year was down by 14 students which affected both student sales and total food cost. Meal prices did not change this year. Salary and benefits were down by $3,100 this year. A main reason for this is the 11 weather days we had this past winter, which both hurt our sales but reduced our costs. The district's food

and milk sales to students and adults amounted to $214,785 for the fiscal year, while state and federal funding totaled $143,380. Of this amount, $23,322 was commodity entitlement. This past year, the district was able to purchase new cabinets and shelving for the elementary kitchen totaling $3,707. A purchase of a new refrigerator for the high school kitchen is being planned for next year. The lunch fund balance will be used to purchase any needed equipment and supplies (as the need arises) for the food service program that would have previously been funded by the district's general fund.

Long-Term Bonded Debt and Long-Term Notes

The District had $2,940,541 in long-term debt as of June 30, 2008. During the fiscal year ended June 30, 2008, total principal payments on long-term debt were $334,752. All of the district's long-term debt is covered below and in the following pages of this report in further detail.

	Principal Balance June 30, 2007	Additions June 30, 2008	Principal Payments June 30, 2008	Principal Balance June 30, 2008
2000 Bond Debt-Voted Bond	$2,320,000		$125,000	$2,195,000
2001 Bond Debt-Resolution Bond	370,000		85,000	285,000
Long-Term Note – Copiers	42,032		9,752	32,280
2006 Building and Site Bonds	490,000		115,000	375,000
Durant Debt	53,261		0	53,261
Total long-term bond obligations	$3,275,293	$ -0-	$334,752	$2,940,541

VOTED BOND DEBT

On September 25, 2000, the qualified electors of the School District approved a proposal authorizing the School District to issue bonds in the sum of not to exceed Two Million Eight Hundred Ninety Thousand ($2,890,000) for the purpose of erecting, furnishing, and equipping additions to and partially remodeling, refurnishing, and re-equipping the Sand Creek High School; and developing and improving the site. Significant improvements were made to the Jr/Sr High School Building with these funds. A new media center, open computer lab, and computer classrooms were just a few of the improvements. This was a 20 year bond issue with interest paid semiannually on May 1 and November 1, and principal payments due annually on May 1.

The District's debt fund levy, which is used to pay the principal and interest on the bond obligations for the 2000 Voted Bond for the High School Addition and Renovation, is based on the taxable valuation of all properties: homestead and non-homestead. The School District levied 2.9 mills on a taxable value of almost $75 million in the 2000 tax roll. Between 2001 and 2006, the rate was reduced to 2.4 mills because of a sufficient increase in the taxable value of the school district. In 2007, this millage rate was reduced again to 2.1 mills due to the additional increase in the district's taxable value. During the fiscal year ended 2008, this 2.1 mills levied on a taxable valuation of $113,549,494 generated revenue of $240,879. The district hopes to be able to reduce this rate again next year.

BOARD RESOLUTION BOND

On February 12, 2001, by School District's Board of Education voted by board resolution to issue bonds in the sum of Eight Hundred Thousand ($800,000) for the purpose of erecting, furnishing, and equipping additions to and partially remodeling, refurnishing, and re-equipping the Ruth McGregor Elementary School; and developing and improving the site. Four new classrooms, a music room, and an art room were added to the school with these funds. This was a 10 year bond issue with interest paid semiannually on May 1 and November 1, and principal payments due annually on May 1. The interest and principal payments are both paid out of the School District's General Fund. Total principal payments made as of the end of the fiscal year 2008 was $515,000, leaving the total principal balance due over the next 3 years at $285,000. The final principal payment of $100,000 will be paid on May 1, 2011.

BUILDING AND SITE BONDS

On May 8, 2007, the qualified electors of the School District approved a proposal authorizing the School District to levy a building and site millage of 1.35 mills over a 5 year period, beginning with the 2007 tax roll, for the purpose of renovating existing school facilities, including the replacement of exterior football field bleachers. At a special board meeting on May 22, 2006, the district's board of education adopted a resolution authorizing the sale and issuance of the 2006 School Building and Site Bonds in the principal amount of not to exceed $600,000. The payments of the bonds will be made over a 5 year period with monies collected from the 1.35 mill tax levy. This allowed the district to make much needed improvements to facilities immediately. Total principal payments made as of the end of the fiscal year 2008 was $225,000, leaving a balance due over the next 3 years of $375,000. Excess building and site revenue collected from this millage (after the bond payments are met) will be used for additional renovation and repairs of school facilities.

LONG TERM NOTE – COPIERS

The district entered into an Installment Purchase Agreement with Blissfield State Bank on July 10, 2006 for the purchase of two copiers. The purchase agreement was for $51,792 at an interest rate of 5% and will be paid back over a 5 year period. Total principal payments made as of the end of the fiscal year 2008 was $19,512, leaving a balance due over the next 3 years of $32,280.

Net Investment in Capital Assets

At the end of fiscal year 2008, the School District had $10,353,340 invested in land and buildings, furniture and equipment, and vehicles and buses. Of this amount, $3,877,301 in depreciation and amortization has been taken over the years. Our capital assets currently have a net book value of $6,476,039.

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2007
Capital assets	$9,761,451	$673,415	($ 81,526)	$10,353,340
Less: Accumulated depreciation and amortization	(3,625,210)	(252,091)	-0-	(3,877,301)
Net investment capital outlay	$ 6,136,241	$421,324	($81,526)	$6,476,039

The two main factors affecting the School District's revenue picture during the 2007-2008 fiscal year, and any fiscal year, were the State Per Student Foundation Allowance and Student Enrollment. Another important revenue factor is the Property Tax levied for General Operations on the District's non-homestead property value. These three revenue areas, and the effect they had on the District's fiscal year ended 2008, are explained in more detail below.

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 levy

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Sand Creek Community School's foundation allowance was $7,326 for the 2007-08 school year, an increase of $116. Part of this increase, $93 or 1.29%, was a foundation allowance increase. The balance, $23, was the categorical equity payment from 2006/2007 that became part of the district's foundation allowance.

Student Enrollment:

The District's student enrollment for the fall count of 2007-08 was 920 students. The school district is experiencing a declining enrollment. In September 2005 the enrollment was 975 and in September 2007 it had fallen to 920. In February of 2008, the student count was down another 4 students to 916. The following summarizes fall student enrollments in the past eight years:

	Student FTE	FTE Change from Prior Year
2007-08	920	(1.52%)
2006-07	934	(4.39%)
2005-06	975	2.96%
2004-05	947	(2.87%)
2003-04	975	(.51%)
2002-03	980	0%
2001-02	980	(.31%)
2000-01	983	

A preliminary enrollment figure of 906 for the 2008-2009 school year shows a loss in students of 14. At the close of the 2007/2008 school year, the district graduated 81 seniors and enrolled a kindergarten class of 69. A small kindergarten class has been the trend for the last few years which is a concern of the district. As we graduate our larger classes in the high school and bring in a small kindergarten class, it has a major impact on the budget picture. We also lose children due to family moves. Families that are moving out of state to find jobs is a frequent reason given by students leaving our school district.

In the 2007-2008 school year, 244 guest students from 7 other school districts were accepted for enrollment at Sand Creek Schools. This amounts to 26.5% of the district's total enrollment in 2007-2008. In the past 12 years since "Schools of Choice" started at the school district, the number of choice students has continued to grow. However, the number of resident students has decreased. It is still the Board of Education's desire to maintain its small class sizes and insure that it has space available for its own resident students.

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 increase in property value 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 successfully passed a non-homestead Millage renewal and addition on May 3, 2005. The current Millage rate of 16.1957 mills was renewed, along with an additional approved Millage of 2.0 mills. Total authorized Millage was 18.1957, although the District only levied the 18.0 mills allowable by law.

The Headlee Millage Reduction Fraction for the 2007 Taxes was .9893. This headlee reduction was applied to the 18.0301 headlee reduced mills (the 18.1957 authorized mills was reduced by a .9909 headlee reduction in 2006). This fraction reduces the allowable millage to be levied in December of 2007 to only 17.837 mills. This millage expires with the 2007 Winter tax levy.

The District successfully passed another non-homestead millage renewal and addition on May 6, 2008. The current millage rate of 17.837 mills was renewed, along with an additional approved millage of .5 mills, for 6 years.

The District's non-homestead property revenue for the 2007-08 fiscal year was $216,594.

Original vs. Final Budget:

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

As a matter of practice, Sand Creek Community Schools amends its budget periodically during the school year. The June 23, 2008 budget amendment was the final budget for the fiscal year.

Change from Original to Final Budget

General Fund Revenues:

Total Revenues - Original Budget	$ 6,817,420
Total Revenues - Final Budget	7,293,839
Increase in Budgeted Revenues	$ 476,419

The District's final, actual general fund revenue was 7,347,711; more than the final budget by $53,872, an increase of 0.7 % percent from final budget. Most of this variance ($34,400) was from additional special education revenue received from our Lenawee Intermediate School District than was originally anticipated.

The final revenue budget was more than originally projected by $476,419. This increase is due to several changes. Increases in the State Aid revenue from the original budget were due to not knowing the student enrollment or per-student foundation allowance at the time the original budget was due. The original budget was for 890 students at a $7,210 student foundation allowance (a projected freeze). The actual audited student blended count for fiscal year 2007/2008 was 922 (an increase of 32 students) and the actual student foundation allowance was $7,326 (a $93 increase plus the $23 per student equity from 2006/2007). These two changes together made a revenue budget increase of $320,178. Other differences in the final revenue budget were an additional $14,500 in at-risk revenue, $78,000 in special education funding from the Lenawee Intermediate School District and $11,000 additional Title 1 grant money. Prior period state aid adjustments of $10,800 also increased the budgeted revenue for 2007/2008.

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	$ 6,997,402
Total Expenditures Final Budget	7,312,993
Increase in Budgeted Expenditures	$ 315,591

The final expenditure budget was more than originally projected by $315,591. This increase was due to many factors. The expenditure budget was increased for a bus purchase of $70,000 made during the fiscal year. Terminal and sick leave pay was increased by $64,000 due to 3 retirees at the end of the 2007/2008 school year. At the time the budget was approved, teaching and staff salaries were at a freeze until state aid and enrollment was known. An agreement was reached with the Sand Creek Education Association for salary steps and 2% raises in January 2008. All

other staff received 2% raises as well. These increases were retroactive to the beginning of the year. The total cost of this budgeted increase was $160,195. Other various decreases and savings combined to make up the total increased expenditure budget of $315,591.

The School District's final, actual expenditures came in less than final budget by $74,899, or 1%. Most of this savings was spread out over all areas of the budget, with no one area making up most of the savings. With the decreasing enrollment and uncertain state aid revenue, the district has been very conservative with its spending. The district will continue this careful watch of spending through the upcoming fiscal year. A final budget revision was done in June. The philosophy of the district is to be conservative with the budgeting while being as accurate as possible, but also allowing room in the budget for the unknowns. We spent 99% of our budget at the end of June, bringing us 1% under budget.

The district will continue to revise budgets in June in order to budget as close to actual as possible. By doing budget revisions in June, the fiscal year will be closer to completion and there will be fewer unknowns to plan for.

The General Fund had total revenues of $7,347,711and total expenditures of $7,238,094 with an ending fund balance of $869,165.

NEXT YEAR'S BUDGETS

The School District will continue to face financial challenges in the coming year. Student enrollment is once again down for 2008/2009. Initial enrollment numbers put us down by 14 students compared to the September 2007 count. The school district will receive a $109, or 1.49% per-student state aid increase for 2008/2009. There are some positive notes concerning the district's budgeted expenses. Health insurance costs increased by only 1.2% and the employer paid retirement rate was decreased by .18 percentage points. Four teachers retired at the end of the fiscal year 2007-2008. All four of these positions were filled with beginning full-time teachers. The School District continues to save money by having the Elementary Principal also handle the responsibilities of being a Superintendent, with some help from current staff.

The salary and benefit portion of the Master Agreement with the Sand Creek Education Association (SCEA) has not yet been settled for the 2008/2009 school year. Teachers, along with all staff, are currently making the same amount as last year. An agreement reached with the SCEA representatives was to wait until fall when our student count is known. The budget will then be looked at and the SCEA and the district's administration will begin negotiations. The teachers currently contribute $66.75/pay towards their health benefits.

The School District is currently budgeting to end the 2008/2009 school year with a $134,747 decrease to fund balance. This would bring the fund balance back down to $734,418. This does not include salary increases yet. The district will be anxiously waiting the official fall count day (September 24). This information will affect, possibly drastically, the financial picture for 2008/2009.

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 Superintendent's Office at Sand Creek Community Schools:

Mr. John Hackett
Superintendent
Sand Creek Community Schools
6850 Sand Creek Hwy
Sand Creek, MI 49279
Phone (517) 436-3108, Fax (517) 436-3143

ROBERTSON
EATON
&
OWEN
P.C.

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Sand Creek Community Schools
Sand Creek, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Sand Creek Community Schools, as of and for the year ended June 30, 2008, which collectively comprise Sand Creek Community Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sand Creek 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 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, the major fund, and the aggregate remaining fund information of Sand Creek Community Schools, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2008 on our consideration of the Sand Creek Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

121 North Main Street, Adrian, Michigan 49221 (517)265-6154 FAX:(517)265-2572
Members: A.I.C.P.A. and M.A.C.P.A.

To the Board of Education
Sand Creek Community Schools
Sand Creek, Michigan

The management's discussion and analysis and budgetary comparison information on pages i through xii and page 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the 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.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
August 21, 2008

SAND CREEK COMMUNITY SCHOOLS

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007

	Governmental Activities	
	2008	2007
ASSETS:		
Cash and cash equivalents	$ 719,873	$ 1,284,439
Investments	975,000	700,000
Taxes receivable	1,754	30,431
Accounts receivable	4,359	12,642
Due from other governmental units	1,301,807	1,170,941
Interest receivable	19,969	16,953
Inventory	3,110	3,051
Deposits	2,750	
Prepaid expenses	8,094	25,046
CAPITAL ASSETS:		
Capital assets	10,353,340	9,761,451
Less: Accumulated depreciation	(3,877,301)	(3,625,210)
TOTAL ASSETS	$ 9,512,755	$ 9,379,744
LIABILITIES:		
Accounts payable	$ 104,573	$ 46,097
State aid loan payable	1,100,000	1,100,000
Interest payable	59,026	60,963
Salaries payable	432,537	424,035
Accrued expenses	173,016	180,797
Unearned revenue	1,772	2,184
Current portion of long term obligations	355,260	334,752
Current portion of compensated absences	40,716	45,951
NONCURRENT LIABILITIES:		
Noncurrent portion of long term obligations	2,585,281	2,940,541
Less: Discount on bonds	(26,010)	(28,177)
Compensated absences	84,679	82,360
TOTAL LIABILITIES	4,910,850	5,189,503
NET ASSETS:		
Invested in capital assets, net of related debt	3,535,498	2,860,948
Restricted for:		
Debt Service	119,649	125,815
Capital Projects	133,909	483,153
Unrestricted	812,849	720,325
TOTAL NET ASSETS	$ 4,601,905	$ 4,190,241

See notes to financial statements.

SAND CREEK COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Totals Governmental Activities: Net (Expense) Revenue and Changes in Net Assets 2008	Totals Governmental Activities: Net (Expense) Revenue and Changes in Net Assets 2007
GOVERNMENTAL ACTIVITIES:						
Instruction	$ 4,596,007	$ 23,824	$ 463,818	$	$ (4,108,365)	$ (4,044,484)
Support services	2,273,675				(2,273,675)	(2,223,970)
Food services	352,816	214,783	143,380		5,347	22,455
Athletics	253,573	48,429		103,900	(101,244)	(132,388)
Interest expense	(81)				81	461
Interest on long term debt including amortization of discount	156,052				(156,052)	(169,717)
Unallocated depreciation	252,091				(252,091)	(237,349)
TOTAL GOVERNMENTAL ACTIVITIES	$ 7,884,133	$ 287,036	$ 607,198	$ 103,900	$ (6,885,999)	$ (6,784,992)
GENERAL REVENUES:						
Property taxes, levied for general purposes					197,011	210,309
Property taxes, levied for debt service					394,572	404,490
Property taxes, levied for capital projects					57,373	51,767
Investment earnings					46,608	62,155
State sources					5,552,679	6,611,613
Gain (loss) on disposal of assets						(17,853)
Other					49,420	41,634
TOTAL GENERAL REVENUES					7,297,663	7,364,115
CHANGE IN NET ASSETS					411,664	579,123
Net assets, beginning of year					4,190,241	3,611,118
Net assets, end of year					$ 4,601,905	$ 4,190,241

See notes to financial statements

SAND CREEK COMMUNITY SCHOOLS

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008
With Comparative Totals for June 30, 2007

	General Fund	Other Nonmajor Governmental Funds	Totals Governmental Funds 2008	2007
ASSETS:				
Cash and cash equivalents	$ 434,624	$ 285,249	$ 719,873	$ 1,284,439
Investments	975,000		975,000	700,000
Accounts receivable	4,160	199	4,359	12,642
Due from other funds	833	2,158	2,991	4,550
Due from other governmental units	1,268,518	6,477	1,274,995	1,149,101
Interest receivable	19,969		19,969	16,953
Inventory		3,110	3,110	3,051
Deposits	2,750		2,750	
Prepaid expenditures	7,740	354	8,094	25,046
TOTAL ASSETS	$ 2,713,594	$ 297,547	$ 3,011,141	$ 3,195,782
LIABILITIES:				
Accounts payable	104,032	541	104,573	46,097
State aid loan payable	1,100,000		1,100,000	1,100,000
Due to other funds	2,158	833	2,991	4,550
Interest payable	34,745		34,745	35,006
Salaries payable	430,652	1,885	432,537	424,035
Accrued expenditures	172,557	459	173,016	180,797
Unearned revenue	285	1,487	1,772	2,184
TOTAL LIABILITIES	1,844,429	5,205	1,849,634	1,792,669
FUND BALANCES:				
Reserved for:				
Inventory		3,110	3,110	3,051
Prepaid expenditures	7,740		7,740	25,046
School lunch program		35,016	35,016	28,414
Community service		492	492	776
Debt Service		119,649	119,649	125,815
Capital Projects		133,909	133,909	483,153
Unreserved, reported in:				
General Fund	861,425		861,425	734,501
Special Revenue Funds		166	166	2,357
TOTAL FUND BALANCES	869,165	292,342	1,161,507	1,403,113
TOTAL LIABILITIES AND FUND BALANCES	$ 2,713,594	$ 297,547	$ 3,011,141	$ 3,195,782

See notes to financial statements.

SAND CREEK COMMUNITY SCHOOLS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2008 and 2007

	2008	2007
TOTAL GOVERNMENTAL FUND BALANCES	$ 1,161,507	$ 1,403,113
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in the governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital asset is	10,353,340	9,761,451
The accumulated depreciation is	(3,877,301)	(3,625,210)
	6,476,039	6,136,241
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	28,566	52,271
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable	(2,940,541)	(3,275,293)
Discount amortized over the life of the bonds	26,010	28,177
Interest payable on long-term debt	(24,281)	(25,957)
Capital lease obligation		
Compensated absences	(125,395)	(128,311)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 4,601,905	$ 4,190,241

See notes to financial statements.

SAND CREEK COMMUNITY SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

	General Fund	Other Nonmajor Governmental Funds	Totals Governmental Funds 2008	2007
REVENUES:				
Local sources:				
Property taxes	$ 225,688	$ 451,945	$ 677,633	$ 666,566
Investment earnings	40,758	5,850	46,608	62,155
Food sales and athletic admissions		266,615	266,615	279,766
Other	58,759	104,001	162,760	95,757
TOTAL LOCAL SOURCES	325,205	828,411	1,153,616	1,104,244
State sources	6,686,999	10,526	6,697,525	6,763,178
Federal sources	125,136	132,854	257,990	257,685
Intermediate sources	199,390		199,390	117,566
TOTAL REVENUES	7,336,730	971,791	8,308,521	8,242,673
EXPENDITURES:				
Current:				
Instruction	4,597,047		4,597,047	4,460,809
Support services	2,255,371		2,255,371	2,184,792
Food service activities		351,909	351,909	340,425
Athletic activities		253,573	253,573	251,785
Other expenditures		21,087	21,087	39,404
Capital outlay	70,000	521,889	591,889	351,857
Debt service:				
Interest		155,480	155,480	165,134
TOTAL EXPENDITURES	6,922,418	1,303,938	8,226,356	7,794,206
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	414,312	(332,147)	82,165	448,467
OTHER FINANCING SOURCES (USES):				
Prior period revenue	10,981		10,981	28,778
Sale of school property				6,893
Proceeds from loan and bond issuance				651,792
Redemption of principal	(9,752)	(335,000)	(334,752)	(355,426)
Transfers in		331,423	331,423	289,359
Transfers out	(305,923)	(25,500)	(331,423)	(289,359)
TOTAL OTHER FINANCING SOURCES (USES)	(304,694)	(19,077)	(323,771)	332,037
CHANGE IN FUND BALANCES	109,618	(351,224)	(241,606)	780,504
FUND BALANCES:				
Beginning of year	759,547	643,566	1,403,113	622,609
End of year	$ 869,165	$ 292,342	$ 1,161,507	$ 1,403,113

See notes to financial statements.

SAND CREEK COMMUNITY SCHOOLS

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

For the Years Ended June 30, 2008 and 2007

	2008	2007
CHANGE IN FUND BALANCES TOTAL GOVERNMENTAL FUNDS	$ (241,606)	$ 780,504
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances. These costs are allocated over their estimated useful lives as depreciation in the Statement of Activities:		
Depreciation expense	(252,091)	(237,349)
Amortization expense on leased property		
Capital outlay	591,889	351,857
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net assets.		
Loss on disposal of assets		(24,746)
Trade-in of copiers under capital lease		1,398
Accrued interest on bonds and other long-term obligations is recorded in the Statement of Activities when incurred; it is not recorded in the governmental funds until it is paid:		
Accrued interest payable – beginning of year	25,957	24,003
Accrued interest payable – end of year	(24,281)	(25,957)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental funds.		
Special Education revenue from the Lenawee Intermediate School – end of year	26,812	21,840
Special Education revenue from the Lenawee Intermediate School – beginning of year	(21,840)	(12,162)
Amount due from the Band Boosters– end of year		
Amount due from the Band Boosters– beginning of year		(345)
Amount due for personal property taxes-end of year	1,754	30,431
Amount due for personal property taxes-beginning of year	(30,431)	(30,431)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment on long-term debt and related items.	332,585	(298,534)
Compensated absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in governmental funds:		
Accrued compensated absences – beginning of year	128,311	126,925
Accrued compensated absences – end of year	(125,395)	(128,311)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 411,664	$ 579,123

See notes to financial statements.

SAND CREEK COMMUNITY SCHOOLS

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2008
With Comparative Totals for June 30, 2007

	Private Purpose Trust Funds	Agency Fund	Totals 2008	Totals 2007
ASSETS:				
Cash and cash equivalents	$ 10,885	$ 82,465	$ 93,350	$ 108,451
Investments	1,460		1,460	266,221
TOTAL ASSETS	$ 12,345	$ 82,465	$ 94,810	$ 374,672
LIABILITIES AND NET ASSETS:				
LIABILITIES:				
Due to student groups	$	$ 81,893	$ 81,893	$ 92,159
Due to other funds		572	572	
TOTAL LIABILITIES	-	82,465	82,465	92,159
NET ASSETS:				
Reserved for:				
Scholarships – expendable	12,345		12,345	12,086
Scholarships – nonexpendable				270,427
TOTAL NET ASSETS	$ 12,345	$ -	$ 12,345	$ 282,513

See notes to financial statements.

SAND CREEK COMMUNITY SCHOOLS

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the Years Ended June 30, 2008 and 2007

	Private Purpose Trust Funds	
	2008	2007
ADDITIONS:		
Contributions	$ 7,120	$ 31,100
Investment earnings	64	17,329
TOTAL ADDITIONS	7,184	48,429
DEDUCTIONS:		
Scholarships awarded	6,925	14,175
Due to student groups	270,427	
TOTAL DEDUCTIONS	277,352	14,175
CHANGE IN NET ASSETS	(270,168)	34,254
NET ASSETS:		
Beginning of year	282,513	248,259
End of year	$ 12,345	$ 282,513

See notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is governed by the Board of Education (the "Board") of Sand Creek Community Schools, which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. 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.

Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the Statement of Net Assets. Amounts reported in the funds as receivable from or payable to Fiduciary Funds are included in the Statement of Net Assets as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide And Fund Financial Statements (Continued)

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) 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.

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

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

The District does not allocate indirect costs.

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

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

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

The District reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the receipt of monies from bond and loan proceeds and the General Fund to purchase assets or to complete construction of major capital projects. All capital expenditures are in accordance with Section 380.1351(a)(2).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide And Fund Financial Statements (Continued)

Other Non-major Funds

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trust or major capital projects). The District accounts for its food service and athletic activities in the Special Revenue Funds.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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

Expendable Trust and Agency Fund

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. It is used to account for assets that the District holds for others in an agency capacity, primarily student activities.

The *Expendable Trust Fund* is used to account for assets held by the District in a trustee capacity for scholarships. The principal and earnings may be spent.

Nonexpendable Trust Fund

The *Nonexpendable Trust Fund* is used to account for assets held by the District in a trustee capacity for scholarships. Only the earnings may be spent.

C. Measurement Focus, Basis Of Accounting And Basis Of Presentation

Accrual Method

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis Of Accounting And Basis Of Presentation (Continued)

Modified Accrual Method

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

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

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

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

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of August 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per $1,000 of assessed valuation.

Fund		Mills
General Fund	(Non-homestead)	17.837
Capital Projects	(Homestead & Non-homestead)	1.3454
Capital Projects	(Homestead & Non-homestead)	.5
Debt Fund	(Homestead & Non-homestead)	2.1

3. Accounts Receivable

Accounts receivable at June 30, 2008 have been determined to be collectible in full.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

4. Inventories and Prepaid Expenditures

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

5. Capital Assets

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

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

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

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	5 – 7 years

The District's capitalization policy is to capitalize individual amounts exceeding $3,500.

6. Fund Balances

Fund balances on the Governmental Fund Balance Sheet are classified as either reserved or unreserved. The term reserved indicates that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use. The reserve for inventory is the portion of fund balance represented by inventory not available for appropriation and expenditure at June 30, 2008. The reserve for prepaid expenditures represents the amount spent this fiscal year for the benefit of the subsequent year. The reserve for community service represents the fund balance segregated for expenditure within the community service fund. The reserve for the school lunch program represents the portion of fund balance that is legally segregated for expenditure within the School Lunch Fund. The reserve for debt service and reserve for capital projects are legally segregated for expenditure within the Debt Service Fund and Capital Projects Funds, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Use of Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General, Special Revenue, and Debt Service Funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

No functions in the General Fund had actual expenditures exceeding budget and expenditures did not exceed appropriations.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.

4. The Superintendent and Business Manager are authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.

6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

7. As shown in the Required Supplementary Information, the appropriation was less than the expenditure for functional areas. However, the expenditures were not greater than the total appropriation.

NOTE 3. DEPOSITS AND INVESTMENTS – CREDIT RISK

Deposits

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2008, $1,846,433 of the District's bank balance of $2,046,433 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,846,433

Investments

The District's investments are certificates of deposit with the Bank of Lenawee.

Interest Rate Risk: The District will minimize interest rate risk, which is the risk that the market value of securities invested will fall due to changes in market interest rates, by; structuring the investments so that they mature to meet cash requirements for ongoing operations and thus avoiding the need to sell in the open market; and by investing in shorter-term securities. The weighted average maturity of the governmental funds certificates of deposits is 38.82 days. The weighted average maturity of the fiduciary funds certificates of deposits is 168 days.

NOTE 4. CAPITAL ASSETS

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

	PRIMARY GOVERNMENT			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Assets not being depreciated:				
Land	$ 50,000	$ -	$ -	$ 50,000
Construction in progress	81,526	7,611	81,526	7,611
Total assets not being depreciated	131,526	7,611	81,526	57,611
Land improvements	54,221	124,785		179,006
Buildings and improvements	8,000,678	441,249		8,441,927
Machinery and equipment	709,825	29,770		739,595
Transportation equipment	865,201	70,000		935,201
Depreciable capital assets	9,629,925	665,804		10,295,729
Less accumulated depreciation for:				
Land improvements	9,089	8,922		18,011
Buildings and improvements	2,538,653	177,605		2,716,258
Machinery and equipment	256,935	39,174		350,670
Transportation equipment	765,972	26,390		792,362
Total accumulated depreciation	3,625,210	252,091		3,877,301
Less accumulated amortization for:				
Leased property under capital leases	-	-	-	-
Governmental activities capital assets, net	$ 6,136,241	$ 421,324	$ 81,526	$ 6,476,039

Depreciation is computed by the straight line method for all classes of assets. Depreciation for the fiscal year ended June 30, 2008 and 2007 amounted to $243,488 and $235,057, respectively. The District determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions.

NOTE 5. LONG-TERM DEBT

The Durant Bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid Payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond. Due to economic conditions in the State of Michigan, payments of State Aid were eliminated and those payments due in years 2003 through 2005 are scheduled to be paid in year 2011.

A schedule of the Durant Bonds is as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 5,020	$ 1,314	$ 6,334
2010	5,259	1,075	6,334
2011	31,165	11,394	42,559
2012	5,771	563	6,334
2013	6,046	288	6,334
	$ 53,261	$ 14,634	$ 67,895

The School District has issued a general obligation bond issue, in compliance with Section 380.1212 of the Revised School Code, Act 451 of 1976, dated October 30, 2000, for the purpose of erecting, furnishing and equipping additions to and partially remodeling Sand Creek High School. The bond issue for $2,890,000 has an interest rate of 5.125%.

A schedule of the 2000 bond issue is as follows:

Year Ended June 30	Interest Rate	Principal Due May 1	Interest Due May 1	Interest Due November 1	Total
2009	5.125%	$ 130,000	$ 56,247	$ 56,247	$ 242,494
2010	5.125%	140,000	52,916	52,916	245,832
2011	5.125%	145,000	49,328	49,328	243,656
2012	5.125%	155,000	45,613	45,613	246,226
2013	5.125%	165,000	41,640	41,640	248,280
2014	5.125%	175,000	37,413	37,413	249,826
2015	5.125%	185,000	32,928	32,928	250,856
2016	5.125%	195,000	28,188	28,188	251,376
2017	5.125%	210,000	23,191	23,191	256,382
2018	5.125%	220,000	17,809	17,809	255,618
2019	5.125%	230,000	12,172	12,172	254,344
2020	5.125%	245,000	6,278	6,278	257,556
		$ 2,195,000	$ 403,723	$ 403,723	$ 3,002,446

NOTE 5. LONG-TERM DEBT (Continued)

The School District has issued a general obligation bond issue, in compliance with Section 380.1212 of the Revised School Code, Act 451 of 1976, dated November 1, 2001, for the purpose of erecting, furnishing and equipping additions to and partially remodeling Ruth McGregor Elementary School. The bond issue for $800,000 has an interest rate of 4.50%.

A schedule of the 2001 bond issue is as follows:

Year Ended June 30,	Interest Rate	Principal Due May 1	Interest Due May 1	Total
2009	4.50%	$ 90,000	$ 12,825	$ 102,825
2010	4.50%	95,000	8,775	103,775
2011	4.50%	100,000	4,500	104,500
		$ 285,000	$ 26,100	$ 311,100

The School District has issued a general obligation bond issue dated July 1, 2006, for the purpose of renovating existing school facilities, including replacement of exterior football field bleachers. The bond issue for $600,000 has an interest rate of 5.0%.

Year Ended June 30,	Interest Rate	Principal Due May 1	Interest Due May 1	Interest Due November 1	Total
2009	5.00%	$ 120,000	$ 9,375	$ 9,375	$ 138,750
2010	5.00%	125,000	6,375	6,375	137,750
2011	5.00%	130,000	3,250	3,250	136,500
		$ 375,000	$ 19,000	$ 19,000	$ 413,000

The School District has a loan outstanding with Blissfield State Bank for the purpose of purchasing copiers for $51,792. The loan principal is due over five years, with interest due semi-annually. The loan has an interest rate of 5.0%.

Year Ended June 30,	Interest Rate	Principal Due May 1	Interest Due May 1	Interest Due November 1	Total
2009	5.00%	$ 10,240	$ 807	$ 807	$ 11,854
2010	5.00%	10,751	551	551	11,853
2011	5.00%	11,289	282	282	11,853
		$ 32,280	$ 1,640	$ 1,640	$ 35,560

NOTE 5. LONG-TERM DEBT (Continued)

The following is a schedule of the governmental long term obligations for the District for the year ended June 30, 2008:

	Bonds	Long-Term Loan	Compensated Absences	Total
Balance July 1, 2007	$3,233,261	$ 42,032	$ 128,311	$ 3,403,604
Additions			11,371	11,371
Deductions	(325,000)	(9,752)	(14,287)	(349,039)
Balance June 30, 2008	2,908,261	32,280	125,395	3,065,936
Less: Current portion	345,020	10,240	40,716	395,976
Total due after one year	$2,563,241	$ 22,040	$ 84,679	$ 2,669,960

The debt service requirements of governmental activities at June 30, 2008 are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 355,260	$ 146,997	$ 502,257
2010	376,010	129,534	505,544
2011	417,454	121,614	539,068
2012	160,771	91,789	252,560
2013	171,046	83,568	254,614
2014-2018	985,000	279,058	1,264,058
2019-2020	475,000	36,900	511,900
	$ 2,940,541	$ 889,460	$ 3,830,001

NOTE 6. SHORT TERM DEBT

State school aid anticipation notes are issued under the provisions of Section 1225 of Act 451, Public Acts of Michigan, and Act 34 of Michigan for the purpose of providing money for school operations. The District has pledged its State aid as collateral. In the event of unavailability or insufficiency of State school aid, the note is payable from taxes levied by the District. The interest rate is 3.68% and the maturity date is August 2008. The interest expenses related to this note at June 30, 2008 is $34,745.

The District will issue a state aid anticipation note in the 2008-09 fiscal year in the amount of $900,000 at an interest rate of 1.7% and a maturity date of August 2009.

Short-term debt activity for the fiscal year ended June 30, 2008 is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
State aid anticipation note	$ 1,100,000	$ 1,100,000	$1,100,000	$ 1,100,000

NOTE 7. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Plan Description The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental, and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

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

Members enrolled in MIP on or after July 1, 2008, will contribute 3% of compensation up to $5,000; 3.6% of compensation $5,001 through $15,000; 6.4% of compensation over $15, 000.

NOTE 7. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN (Continued)

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 17.74% of payroll through September 30, 2007, and 16.72% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to the MPSERS for the years ended June 30, 2008, 2007, and 2006, were $721,169, $657,368, and $709,560, respectively, and were equal to the required contribution for those years.

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

Other Post-employment Benefits Under the MPSERS Act, all retirees have the option of continuing health, dental, and vision coverage.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are accrued based on the ultimate cost of the experience to date of participating members. The District cannot estimate any losses from reported and unreported claims at June 30, 2008. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

NOTE 9. COMMITMENTS

The District was obligated by construction commitments of $94,626 at June 30, 2008.

NOTE 10. FEDERAL PROGRAMS

During the year, the School District received Federal funds that are restricted to the purpose that they are intended. The following is a breakdown of those programs for the year ended June 30, 2008:

Program Number	Program Name	Amount of Grant	Amount Spent
84.010	Title I	$ 86,105	$ 86,105
84.298	Title V Part A Innovative	190	190
84.318	Title II Part D Technology Literacy	653	653
84.367	Title II Part A Improving Teacher Quality	16,612	16,612
	Total	$ 103,560	$ 103,560

NOTE 11. AT RISK

During the year, the School District received State categorical aid for at risk students, which amounted to $117,783.

NOTE 12. INTERFUND BALANCES

Interfund 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 system, and (3) payments between funds are made. All balances are expected to be repaid within one year.

A schedule of interfund balances follows:

Fund	Due From	Fund	Due To
General	$ 833	Nonmajor	$ 833
Nonmajor	2,158	General	2,158
	$ 2,991		$ 2,991

NOTE 13. INTERFUND TRANSFERS

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

A schedule of interfund transfers follows:

Fund	Transfers In	Fund	Transfers Out
Nonmajor	$ 331,423	General	$ 305,923
		Nonmajor	25,500
TOTALS	$ 331,423		$ 331,423

NOTE 14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

Net Assets

The government-wide statement of net assets reports $253,558 of restricted net assets at June 30, 2008, all of which is restricted by enabling legislation.

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INDEPENDENT AUDITORS' REPORT ON REQUIRED SUPPLEMENTARY INFORMATION

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. 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.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
August 21, 2008

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SAND CREEK COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources	$ 292,900	$ 317,500	$ 325,205	$ 7,705
State sources	6,325,400	6,676,211	6,686,999	10,788
Federal sources	96,120	121,328	125,136	3,808
Intermediate sources	103,000	168,000	199,390	31,390
TOTAL REVENUES	6,817,420	7,283,039	7,336,730	53,691
EXPENDITURES:				
Instruction:				
Basic programs	3,781,771	3,836,873	3,819,504	17,369
Added needs	713,082	792,662	777,543	15,119
TOTAL INSTRUCTION	4,494,853	4,629,535	4,597,047	32,488
Support services:				
Pupil	201,136	207,064	203,292	3,772
Instructional staff	139,083	141,518	138,174	3,344
General administration	232,203	250,176	248,762	1,414
School administration	401,101	391,275	384,175	7,100
Business	154,491	160,011	159,459	552
Operation & maintenance	670,204	678,954	662,179	16,775
Transportation	373,931	451,060	445,778	5,282
Other	20,000	84,000	83,552	448
TOTAL SUPPORT SERVICES	2,192,149	2,364,058	2,325,371	38,687
TOTAL EXPENDITURES	6,687,002	6,993,593	6,922,418	71,175
EXCESS OF REVENUES OVER EXPENDITURES	130,418	289,446	414,312	124,866
OTHER FINANCING USES:				
Prior period revenue		10,800	10,981	181
Redemption of principal	(9,800)	(9,800)	(9,752)	48
Transfers out	(300,600)	(309,600)	(305,923)	3,677
TOTAL OTHER FINANCING USES	(310,400)	(308,600)	(304,694)	3,906
NET CHANGE IN FUND BALANCE	(179,982)	(19,154)	109,618	128,772
FUND BALANCE:				
Beginning of year			759,547	
End of year			$ 869,165	

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Sand Creek Community Schools taken as a whole. The accompanying information identified in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
August 21, 2008

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

To the Board of Education
Sand Creek Community Schools
Sand Creek, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Sand Creek Community Schools (District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 21, 2008. 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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 District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is

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more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described as 2008-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as 2008-1, is not a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated August 21, 2008.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, Departments of the State of Michigan, 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.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
August 21, 2008

SAND CREEK COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2008

Finding 2008-1

Finding considered a significant deficiency

Criteria:

Effective for the year ended June 30, 2008, Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2007), requires us to communicate in writing to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

Currently there is little segregation of conflicting duties of initiating transactions, and the recording of those transactions.

Cause

The District has a limited number of personnel.

Effect

Segregation of duties would provide another measure of internal control to provide the ability of the District to determine, in a reasonable amount of time, whether all transactions initiated are recorded and reported timely and accurately.

Recommendation

The District should consider adding additional personnel in order to segregate duties.

Client Response

We are aware of this deficiency and cannot afford to hire additional personnel at this time.