

**MCBAIN RURAL AGRICULTURAL SCHOOLS**

**MCBAIN, MICHIGAN**

**JUNE 30, 2007**

*Baird, Cotter and Bishop, P. C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2007

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MCBAIN, MICHIGAN

ANNUAL FINANCIAL REPORT  
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# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

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July 26, 2007

### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
McBain Rural Agricultural Schools  
McBain, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of McBain Rural Agricultural Schools, McBain, Michigan, 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 McBain Rural Agricultural 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, each major fund, and the aggregate remaining fund information of McBain Rural Agricultural Schools, McBain, Michigan, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2007, on our consideration of McBain Rural Agricultural Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

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

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

**A. Fund Financial Statements**

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

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

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years’ debt service are not recorded in the fund financial statements.

**B. Government-wide Financial Statements**

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

**C. Summary of Net Assets**

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

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

<b>Assets</b>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 5,353,607	\$ 5,367,609
Non Current Assets		
Capital Assets	\$ 14,827,879	\$14,697,188
Less Accumulated Depreciation	<u>(4,877,408)</u>	<u>(4,571,346)</u>
 Total Non Current Assets	 <u>\$ 9,950,471</u>	 <u>\$10,125,842</u>
 Total Assets	 <u><u>\$ 15,304,078</u></u>	 <u><u>\$15,493,451</u></u>
 <b>Liabilities</b>		
Current Liabilities	\$ 1,138,649	\$ 1,219,710
Non Current Liabilities	<u>1,997,521</u>	<u>2,384,180</u>
 Total Liabilities	 <u>\$ 3,136,170</u>	 <u>\$ 3,603,890</u>
 <b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	\$ 7,562,950	\$ 7,128,321
Restricted for Debt Service	197,434	271,104
Unrestricted	<u>4,407,524</u>	<u>4,490,136</u>
 Total Net Assets	 <u>\$ 12,167,908</u>	 <u>\$11,889,561</u>
 Total Liabilities and Net Assets	 <u><u>\$ 15,304,078</u></u>	 <u><u>\$15,493,451</u></u>

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2007, the District's net assets increased by \$278,347. A few of the more significant factors affecting net assets during the year are discussed below:

**1. Depreciation Expense**

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2007, \$519,583 was recorded for depreciation expense.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2007, \$346,586 of expenditures were capitalized and recorded assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to net capital assets in the amount of \$175,371 for the fiscal year ended June 30, 2007.

**E. Results of Operations**

For the fiscal year ended June 30, 2007 and 2006, the results of operations, on a District-wide basis, were:

	<u>2007</u>		<u>2006</u>	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$1,639,452	17.52%	\$ 1,683,249	17.45%
Investment Earnings	164,013	1.75%	126,514	1.31%
State Sources	6,279,742	67.11%	6,321,197	65.53%
Other	38,513	0.41%	60,348	0.62%
Total General Revenues	<u>\$8,121,720</u>	<u>86.79%</u>	<u>\$ 8,191,308</u>	<u>84.91%</u>
<b>Program Revenues</b>				
Charges for Services	\$ 179,773	1.92%	\$ 183,130	1.90%
Operating Grants	1,055,887	11.29%	1,272,137	13.19%
Total Program Revenues	<u>\$1,235,660</u>	<u>13.21%</u>	<u>\$ 1,455,267</u>	<u>15.09%</u>
Total Revenues	<u>\$9,357,380</u>	<u>100.00%</u>	<u>\$ 9,646,575</u>	<u>100.00%</u>
<b>Expenses</b>				
Instruction	\$5,051,269	55.64%	\$ 5,003,365	55.87%
Supporting Services	2,746,908	30.26%	2,621,467	29.27%
Food Service	299,191	3.29%	304,669	3.40%
Athletic Activities	296,332	3.26%	313,379	3.50%
Library Activities	26,804	0.30%	33,416	0.37%
Interest on Long-Term Debt	138,902	1.53%	167,181	1.87%
Community Activities	44	0.00%	157	0.00%
Unallocated Depreciation	519,583	5.72%	510,918	5.72%
Total Expenses	<u>\$9,079,033</u>	<u>100.00%</u>	<u>\$ 8,954,552</u>	<u>100.00%</u>
Change in Net Assets	<u>\$ 278,347</u>		<u>\$ 692,023</u>	

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

**F. Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18.00 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year’s Consumer’s Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property’s market value.

For the 2006-2007 fiscal year, the District levied \$975,241 in non-homestead property taxes. This represented an increase of 6.90% from the prior year. The amount of unpaid property taxes at June 30, 2007, was \$6,163.

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

Fiscal Year	Non-Homestead Tax Levy
2006-2007	975,241
2005-2006	912,312
2004-2005	869,903
2003-2004	834,694
2002-2003	811,334

**2. State Sources**

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

**3. Student Enrollment**

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

Fiscal Year	Blended Student FTE
2006-2007	1,039
2005-2006	1,055
2004-2005	1,055
2003-2004	1,097
2002-2003	1,104

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2007, federal, state, and other grants accounted for \$1,055,887.

**G. General Fund Budgetary Highlights**

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

For the 2006-2007 fiscal year, the District amended the general fund budget in February and June 2007. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$8,316,580	\$8,483,915	\$8,272,198
<u>EXPENDITURES</u>			
Instruction	\$5,253,340	\$5,176,450	\$5,072,266
Supporting Services	2,673,210	2,773,280	2,707,987
Community Services	200	200	44
Total Expenditures	\$7,926,750	\$7,949,930	\$7,780,297

**H. Capital Asset and Debt Administration**

**1. Capital Assets**

At June 30, 2007, the District has \$14,827,879 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$130,691 over the prior fiscal year. Depreciation expense for the year amounted to \$519,583 bringing the accumulated depreciation to \$4,877,408 as of June 30, 2007.

**2. Long-Term Debt**

At June 30, 2007, the District had \$2,387,521 in bonded debt outstanding. This represents a reduction of \$610,000 from the amount outstanding at the close of the prior fiscal year.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

**I. Factors Bearing on the District's Future**

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

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2007-2008 fiscal year.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly health insurance and retirement.
- McBain Rural Agricultural Schools has contracts with two groups. The contracts with the McBain Education Association and the McBain Educational Support Personnel Association expire at the end of the 2007-2008 school year.

**J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, please contact McBain Rural Agricultural Schools, 107 E. Maple Street, McBain, Michigan 49657.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 648,745
Taxes Receivable	11,920
Accounts Receivable	5,284
Interest Receivable	3,042
Inventories	3,367
Due from Other Governments	1,148,616
Prepaid Expense	78,248
Investments	3,454,385
	<hr/>
Total Current Assets	\$ 5,353,607

NON CURRENT ASSETS

Capital Assets	\$ 14,827,879
Less Accumulated Depreciation	(4,877,408)
	<hr/>
Total Non Current Assets	\$ 9,950,471

TOTAL ASSETS

\$ 15,304,078

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 25,805
Accrued Expenses	245,981
Accrued Interest Payable	19,378
Salaries Payable	443,990
Deferred Revenue	13,495
Current Portion of Non Current Liabilities	390,000
	<hr/>
Total Current Liabilities	\$ 1,138,649

NON CURRENT LIABILITIES

Bonds Payable	\$ 2,387,521
Less Current Portion of Non Current Liabilities	(390,000)
	<hr/>

Total Non Current Liabilities

\$ 1,997,521

Total Liabilities

\$ 3,136,170

NET ASSETS

Invested in Capital Assets Net of Related Debt	\$ 7,562,950
Restricted for Debt Service	197,434
Unrestricted	4,407,524
	<hr/>

Total Net Assets

\$ 12,167,908

TOTAL LIABILITIES AND NET ASSETS

\$ 15,304,078

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

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES
				NET (EXPENSES)
				REVENUES AND
				CHANGE IN
				NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 4,299,331	\$ 27,978	\$ 283,513	\$ (3,987,840)
Added Needs	751,938	0	544,353	(207,585)
Supporting Services				
Pupil	173,097	0	40,702	(132,395)
Instructional Staff	93,572	0	9,565	(84,007)
General Administration	258,542	0	0	(258,542)
School Administration	452,808	0	0	(452,808)
Business	200,936	0	0	(200,936)
Operation and Maintenance of Plant	952,598	0	0	(952,598)
Pupil Transportation Services	587,906	0	0	(587,906)
Information Services	27,449	0	0	(27,449)
Community Services	44			(44)
Food Service	299,191	119,836	177,754	(1,601)
Athletic Activities	296,332	30,736	0	(265,596)
School Operated Public Library	26,804	1,223	0	(25,581)
Interest on Long Term Debt	138,902	0	0	(138,902)
Unallocated Depreciation	519,583	0	0	(519,583)
Total Governmental Activities	<u>\$ 9,079,033</u>	<u>\$ 179,773</u>	<u>\$ 1,055,887</u>	<u>\$ (7,843,373)</u>
<u>GENERAL REVENUES</u>				
Property Taxes -General Purposes				\$ 975,241
Property Taxes -Debt Service				664,211
Investment Earnings				164,013
State Sources				6,279,742
Gain on Sale of Assets				1,926
Other				36,587
Total General Revenues				<u>\$ 8,121,720</u>
Change in Net Assets				\$ 278,347
NET ASSETS - Beginning of Year				<u>11,889,561</u>
NET ASSETS - End of Year				<u>\$ 12,167,908</u>

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

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2007

	GENERAL FUND	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 199,890	\$ 0	\$ 448,855	\$ 648,745
Taxes Receivable	6,163	0	5,757	11,920
Accounts Receivable	5,284	0	0	5,284
Interest Receivable	1,601	1,441	0	3,042
Due from Other Funds	145,592	100,000	4,869	250,461
Inventories	0	0	3,367	3,367
Due from Other Governments	1,148,616	0	0	1,148,616
Prepaid Expenditures	78,248	0	0	78,248
Investments	2,426,722	963,004	64,659	3,454,385
<b>TOTAL ASSETS</b>	<b>\$4,012,116</b>	<b>\$1,064,445</b>	<b>\$ 527,507</b>	<b>\$ 5,604,068</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 24,788	\$ 0	\$ 1,017	\$ 25,805
Accrued Expenses	245,981	0	0	245,981
Salaries Payable	443,990	0	0	443,990
Due to Other Funds	104,869	0	145,592	250,461
Deferred Revenue	17,683	0	4,742	22,425
<b>Total Liabilities</b>	<b>\$ 837,311</b>	<b>\$ 0</b>	<b>\$ 151,351</b>	<b>\$ 988,662</b>
<u>FUND BALANCES</u>				
Reserved for Inventory	\$ 0	\$ 0	\$ 3,367	\$ 3,367
Reserved for Prepaid Expenditures	78,248	0	0	78,248
Reserved for Endowments	0	0	50,000	50,000
Reserved for Debt Service	0	0	212,070	212,070
Unreserved, Designated for, Reported In:				
Special Revenue Funds	0	0	110,719	110,719
Capital Project Fund	0	1,064,445	0	1,064,445
Unreserved, Undesignated	3,096,557	0	0	3,096,557
<b>Total Fund Balances</b>	<b>\$3,174,805</b>	<b>\$1,064,445</b>	<b>\$ 376,156</b>	<b>\$ 4,615,406</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$4,012,116</b>	<b>\$1,064,445</b>	<b>\$ 527,507</b>	<b>\$ 5,604,068</b>

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

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2007

Total Governmental Fund Balances		\$ 4,615,406
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	\$ 14,827,879	
Accumulated depreciation is	<u>(4,877,408)</u>	9,950,471
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(2,387,521)
Balance of taxes receivable at June 30, 2007, expected to be collected after September 1, 2007		8,930
Accrued interest is not included as a liability in government funds; it is recorded when paid		<u>(19,378)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 12,167,908</u></u>

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

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	GENERAL FUND	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>REVENUES</u></b>				
Local Sources	\$ 1,136,450	\$ 53,172	\$ 830,203	\$ 2,019,825
Intermediate Sources	0	0	24,305	24,305
State Sources	6,600,616	0	18,616	6,619,232
Federal Sources	341,452	0	161,260	502,712
Other Transactions	193,680	0	0	193,680
Total Revenues	<u>\$ 8,272,198</u>	<u>\$ 53,172</u>	<u>\$ 1,034,384</u>	<u>\$ 9,359,754</u>
<b><u>EXPENDITURES</u></b>				
Instruction				
Basic Programs	\$ 4,320,328	\$ 0	\$ 0	\$ 4,320,328
Added Needs	751,938	0	0	751,938
Supporting Services				
Pupil	173,097	0	0	173,097
Instructional Staff	111,253	0	0	111,253
General Administration	258,542	0	0	258,542
School Administration	452,808	0	0	452,808
Business	201,607	0	0	201,607
Operation and Maintenance of Plant	895,325	0	0	895,325
Pupil Transportation Services	587,906	0	0	587,906
Central Information Services	27,449	0	0	27,449
Community Services	44	0	0	44
Food Service Activities	0	0	299,191	299,191
Athletic Activities	0	0	296,332	296,332
School Operated Public Library	0	0	26,804	26,804
Capital Outlay	0	365,181	0	365,181
Debt Service				
Principal	0	0	610,000	610,000
Interest	0	0	143,024	143,024
Total Expenditures	<u>\$ 7,780,297</u>	<u>\$ 365,181</u>	<u>\$ 1,375,351</u>	<u>\$ 9,520,829</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 491,901</u>	<u>\$ (312,009)</u>	<u>\$ (340,967)</u>	<u>\$ (161,075)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	\$ 0	\$ 200,000	\$ 279,720	\$ 479,720
Transfers Out	(479,720)	0	0	(479,720)
Total Other Financing Sources (Uses)	<u>\$ (479,720)</u>	<u>\$ 200,000</u>	<u>\$ 279,720</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 12,181	\$ (112,009)	\$ (61,247)	\$ (161,075)
<b><u>FUND BALANCE - Beginning of Year</u></b>	<u>3,162,624</u>	<u>1,176,454</u>	<u>437,403</u>	<u>4,776,481</u>
<b><u>FUND BALANCE - End of Year</u></b>	<u>\$ 3,174,805</u>	<u>\$ 1,064,445</u>	<u>\$ 376,156</u>	<u>\$ 4,615,406</u>

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

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

YEAR ENDED JUNE 30, 2007

Net change in Fund Balances Total Governmental Funds	\$ (161,075)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(519,583)
Capital Outlay	346,586
Adjustment to Gain or Loss on Sale of Assets	(2,374)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued Interest Payable - Beginning of Year	23,500
Accrued Interest Payable - End of Year	(19,378)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	610,000
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds, it is recorded on the modified accrual method and not considered available:	
Deferred Revenue - Beginning of Year	(8,259)
Deferred Revenue - End of Year	8,930
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 278,347</u>

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

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STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2007

	<u>ASSETS</u>	<u>AGENCY FUNDS</u>
Cash		<u>\$ 53,527</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Groups and Organizations		\$ 53,527
<u>NET ASSETS</u>		<u>0</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 53,527</u>

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

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

McBain Rural Agricultural Schools (the "District") is located in Clare, Missaukee, Osceola and Wexford Counties with its administrative offices located in McBain, Michigan. The District is governed by the McBain Rural Agricultural Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 1,039 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and public library. 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 the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-wide and Fund Financial Statements**

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

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

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

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, 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 project fund* accounts for the acquisition of fixed assets or construction of major capital projects.

**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, athletic, and public library 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.

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

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

**Accrual Method**

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

**Modified Accrual Method**

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

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

**State Revenue**

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is

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NOTES TO FINANCIAL STATEMENTS  
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funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as 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 deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

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

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

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

2. Short-Term Interfund Receivables/Payables

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

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and are billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

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

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

4. Inventories and Prepaid Expenditures

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

5. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related 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 other equipment	5-15 years

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

6. Compensated Absences

Noncurrent accumulated unpaid compensated absences are not accrued in governmental funds (using the modified accrual basis of accounting). The District did not have any accumulated unpaid sick pay liability at June 30, 2007 or 2006.

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7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2003.

8. Fund Balance

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

9. Use of Estimates

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

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

- A. 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 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 governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not

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constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the 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 financial 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 is charged with general supervision of the budgets and shall hold the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year, the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 8, 2006, or as amended by the School Board of Education on February 8 and June 14, 2007.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds:

General Fund – Operation and Maintenance expenditures of \$895,325 exceeded appropriations of \$889,305 by \$6,020; Pupil Transportation expenditures of \$587,906 exceeded appropriations of \$578,675 by \$9,231; Outgoing Transfer expenditures of \$479,720 exceeded appropriations of \$476,565 by \$3,155. School Service Fund – Food Service expenditures of \$299,191 exceeded appropriations of \$267,705 by \$31,486. These over expenditures were funded by available fund balance.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments - Credit Risk**

The District's deposits and investments are on deposit with Chemical Bank and Michigan School District Liquid Asset Fund Plus.

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

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

*Credit risk.* The District 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 listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

*Concentration of credit risk.* The District 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.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, \$477,306 of the government's bank balance of \$865,421 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

Investments not subject to categorization:

Investment Trust Funds	\$ <u><u>3,454,385</u></u>
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The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.

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Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 648,745	\$ 0	\$ 53,527	\$ 702,272
Investments	0	3,454,385		3,454,385
	<u>\$ 648,745</u>	<u>\$ 3,454,385</u>	<u>\$ 53,527</u>	<u>\$ 4,156,657</u>

**B. Receivables**

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

	General	Capital Project	Nonmajor and Other Funds	Total
Receivables				
Taxes	\$ 6,163	\$ 0	\$ 5,757	\$ 11,920
Accounts	5,284	0	0	5,284
Interest	1,601	1,441	0	3,042
Due from Other Governments	1,148,616	0	0	1,148,616
	<u>\$1,161,664</u>	<u>\$ 1,441</u>	<u>\$ 5,757</u>	<u>\$1,168,862</u>

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

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

	Unavailable	Unearned
Delinquent Property Taxes Receivable (General Fund)	\$ 4,188	\$ 0
Delinquent Property Taxes Receivable (Debt Service Fund)	4,742	0
Grants Receipts Received, But Not Yet Utilized	0	13,495
	<u>\$ 8,930</u>	<u>\$ 13,495</u>

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**C. Capital Assets**

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

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated - Land	\$ 271,423	\$ 54,953	\$ 0	\$ 326,376
Capital assets being depreciated				
Land improvements	\$ 86,216	\$ 86,450	\$ 0	\$ 172,666
Buildings and additions	10,397,127	12,905	0	10,410,032
Machinery and equipment	2,975,609	192,278	203,145	2,964,742
Transportation equipment	966,813	0	12,750	954,063
Subtotal	<u>\$14,425,765</u>	<u>\$ 291,633</u>	<u>\$215,895</u>	<u>\$14,501,503</u>
Less accumulated depreciation for:				
Land improvements	\$ 31,143	\$ 4,350	\$ 0	\$ 35,493
Buildings and additions	2,477,552	201,557	0	2,679,109
Machinery and equipment	1,663,160	223,825	203,145	1,683,840
Transportation equipment	399,491	89,851	10,376	478,966
Accumulated depreciation	<u>\$ 4,571,346</u>	<u>\$ 519,583</u>	<u>\$213,521</u>	<u>\$ 4,877,408</u>
Net capital assets being depreciated	<u>\$ 9,854,419</u>	<u>\$(227,950)</u>	<u>\$ 2,374</u>	<u>\$ 9,624,095</u>
Net Capital assets	<u>\$10,125,842</u>	<u>\$(172,997)</u>	<u>\$ 2,374</u>	<u>\$ 9,950,471</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$519,583. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Long-Term Debt**

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

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The following is a summary of the long-term debt transactions for the School District for the year ended June 30, 2007:

	GENERAL OBLIGATION BONDS			TOTAL
	1997	1998	2002	
Long-Term Debt				
at June 30, 2006	\$2,730,000	\$ 47,521	\$220,000	\$2,997,521
Bonds Retired	(390,000)	0	(220,000)	(610,000)
LONG-TERM				
AT JUNE 30, 2007	\$2,340,000	\$ 47,521	\$ 0	\$2,387,521

At June 30, 2007, the School's General Long-Term Debt consisted of the following:

GENERAL OBLIGATION SERIAL BONDS – 1997

McBain Rural Agricultural Schools Building and Site Bonds, Dated November 1, 1997, are Due in Annual Installments of \$390,000 through May 1, 2013, Interest is Paid Semi-Annually and is Computed at Rates Varying from 4.65% to 5.00% Per Annum \$ 2,340,000

SELF-LIQUIDATING BONDS - 1998 (DURANT)

1998 School Improvement Bond Due in Annual Installments of \$5,223 to \$35,096, through May 15, 2013. 47,521

\$ 2,387,521

The annual requirements to amortize all debt outstanding as of June 30, 2007, including interest of \$415,244 are as follows:

YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2008	\$ 390,000	\$ 114,856	\$ 504,856
2009	418,896	102,726	521,622
2010	394,337	78,692	473,029
2011	394,543	59,377	453,920
2012	394,759	39,660	434,419
2013	394,986	19,933	414,919
	\$ 2,387,521	\$ 415,244	\$2,802,765

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**E. Interfund Receivables, Payables, and Transfers**

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

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 145,592	\$ 104,869
School Service Fund - Food Service	0	124,806
School Service Fund - Public Library Fund	0	20,786
Debt Retirement Fund - 1997 Debt Fund	4,869	0
Capital Project Fund	100,000	0
	\$ 250,461	\$ 250,461

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

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

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 479,720
School Service Fund - Athletic Activities	279,720	0
Capital Project Fund	200,000	0
	\$ 479,720	\$ 479,720

Transfers are used to move unrestricted general fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

**F. Leases**

The rental expense for the year ended June 30, 2007, totaled \$7,750.

The rental expense consists of lease agreements on copiers and uniforms. The future minimum lease payments for these leases are as follows:

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<u>YEAR ENDING</u>	<u>PAYABLES</u>
2008	\$ 3,609
2009	1,805
	\$ 5,414

**NOTE 4 - OTHER INFORMATION**

**A. Employee Retirement System**

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

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

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS 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, 2007, were 16.34% of payroll through September 30, 2006, and 17.74% effective October 1, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2007, 2006 and 2005 were \$814,627, \$731,237 and \$635,813 respectively, and were equal to the required contribution for those years.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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

Other Post Employment Benefits Funding Policy

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

**B. Risk Management**

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

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

The District maintains a self-insurance program to provide dental and vision benefits to its employees and their families. The program is administered by an independent company, which furnishes claims review and processing. The dental benefit is limited to \$1,000 for each eligible individual. The vision benefit is limited by maximum payments by type and frequency of service. The District also maintains a HRA program for non-union employees with a maximum health benefit of \$2,500.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Changes in balances of claims liabilities are as follows:

	<u>VISION</u>	<u>HEALTH</u>	<u>DENTAL</u>
Claims Liability Beginning of Year	\$ 2,833	\$ 0	\$ 6,651
Claims Incurred During the Year	20,330	84,160	95,574
Payment of Claims During the Year	<u>(20,980)</u>	<u>(80,000)</u>	<u>(94,187)</u>
Claims Liability End of Year	<u>\$ 2,183</u>	<u>\$ 4,160</u>	<u>\$ 8,038</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,026,675	\$ 1,115,310	\$ 1,136,450
State Sources	6,686,825	6,778,025	6,600,616
Federal Sources	383,480	375,980	341,452
Other Transactions	219,600	214,600	193,680
Total Revenues	\$ 8,316,580	\$ 8,483,915	\$ 8,272,198
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	\$ 4,448,265	\$ 4,382,120	\$ 4,320,328
Added Needs	805,075	794,330	751,938
Supporting Services			
Pupil	188,450	184,740	173,097
Instructional Staff	146,775	135,935	111,253
General Administration	248,730	266,195	258,542
School Administration	479,470	472,870	452,808
Business	145,060	216,635	201,607
Operation and Maintenance of Plant	864,805	889,305	895,325
Pupil Transportation Services	570,170	578,675	587,906
Central Information Services	29,750	28,925	27,449
Community Services	200	200	44
Total Expenditures	\$ 7,926,750	\$ 7,949,930	\$ 7,780,297
Excess (Deficiency) of Revenues Over Expenditures	\$ 389,830	\$ 533,985	\$ 491,901
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	(389,830)	(476,565)	(479,720)
Net Change in Fund Balance	\$ 0	\$ 57,420	\$ 12,181
<u>FUND BALANCE</u> - Beginning of Year	2,879,091	2,879,091	2,879,091
<u>FUND BALANCE</u> - End of Year	\$ 2,879,091	\$ 2,936,511	\$ 2,891,272

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

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2007

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT RETIREMENT FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 242,669	\$ 206,186	\$ 448,855
Taxes Receivable	0	5,757	5,757
Due from Other Funds	0	4,869	4,869
Inventory	3,367	0	3,367
Investments	64,659	0	64,659
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 310,695</u>	<u>\$ 216,812</u>	<u>\$ 527,507</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,017	\$ 0	\$ 1,017
Due to Other Funds	145,592	0	145,592
Deferred Revenue	0	4,742	4,742
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 146,609</u>	<u>\$ 4,742</u>	<u>\$ 151,351</u>
<u>FUND BALANCE</u>			
Reserved	\$ 53,367	\$ 212,070	\$ 265,437
Unreserved			
Designated	110,719	0	110,719
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>\$ 164,086</u>	<u>\$ 212,070</u>	<u>\$ 376,156</u>
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 310,695</u>	<u>\$ 216,812</u>	<u>\$ 527,507</u>

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

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2007

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT RETIREMENT FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>			
Local Sources	\$ 159,713	\$ 670,490	\$ 830,203
Intermediate Sources	24,305	0	24,305
State Sources	18,616	0	18,616
Federal Sources	161,260	0	161,260
	\$ 363,894	\$ 670,490	\$ 1,034,384
 <u>EXPENDITURES</u>			
Food Service	\$ 299,191	\$ 0	\$ 299,191
Athletic Activities	296,332	0	296,332
School Operated Public Library	26,804	0	26,804
Debt Service			
Principal	0	610,000	610,000
Interest and Other	0	143,024	143,024
	\$ 622,327	\$ 753,024	\$ 1,375,351
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	\$ (258,433)	\$ (82,534)	\$ (340,967)
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	279,720	0	279,720
	\$ 21,287	\$ (82,534)	\$ (61,247)
Net Change in Fund Balance			
<u>FUND BALANCE</u> - Beginning of Year	142,799	294,604	437,403
<u>FUND BALANCE</u> - End of Year	\$ 164,086	\$ 212,070	\$ 376,156

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

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 199,890	\$ 202,499
Taxes Receivable	6,163	8,058
Accounts Receivable	5,284	3,285
Interest Receivable	1,601	7,437
Due from Other Funds	145,592	157,182
Due from Other Governmental Units	1,148,616	1,721,018
Prepaid Expenditures	78,248	7,185
Investments	2,426,722	1,698,224
	<hr/>	<hr/>
TOTAL ASSETS	\$ 4,012,116	\$ 3,804,888
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 24,662	\$ 25,109
Due to Other Funds	104,869	55,477
Payroll Deductions and Withholdings	126	55
Accrued Expenses	245,981	215,509
Salaries Payable	443,990	341,702
Deferred Revenue	17,683	4,412
	<hr/>	<hr/>
Total Liabilities	\$ 837,311	\$ 642,264
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved		
Prepaid Expenditures	\$ 78,248	\$ 7,185
Unreserved		
Undesignated	3,096,557	3,155,439
	<hr/>	<hr/>
Total Fund Balance	\$ 3,174,805	\$ 3,162,624
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,012,116	\$ 3,804,888
	<hr/>	<hr/>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2007	2006
<u>REVENUES</u>		
Local Sources	\$ 1,136,450	\$ 1,060,954
State Sources	6,600,616	6,625,078
Federal Sources	341,452	382,752
Other Transactions	193,680	392,297
	\$ 8,272,198	\$ 8,461,081
 <u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	\$ 2,040,634	\$ 1,933,920
Middle School	915,286	858,496
High School	1,270,324	1,247,120
Pre-School	94,084	96,524
Added Needs		
Special Education	526,245	629,287
Compensatory Education	225,693	270,514
Supporting Services		
Pupil		
Guidance Services	82,968	80,368
Health Services	1,189	4,640
Social Work Services	85,339	94,713
Other Pupil Services	3,601	3,585
Instructional Staff		
Improvement of Instruction	18,854	19,730
Library	61,588	66,277
Educational Television	20,611	13,790
Computer Assisted Instruction	10,200	28,557
General Administration		
Board of Education	45,801	38,345
Executive Administration	212,741	199,921

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2007	2006
School Administration		
Office of the Principal		
Elementary	171,879	184,232
Middle School	155,250	139,284
High School	125,679	123,718
Business		
Fiscal Services	69,224	78,475
Other Business Services	132,383	65,650
Operation and Maintenance of Plant	895,325	860,927
Pupil Transportation Services	587,906	737,508
Central Information Services	27,449	26,751
Community Services		
Civic Activities	44	157
Total Expenditures	\$ 7,780,297	\$ 7,802,489
Excess (Deficiency) of Revenues Over Expenditures	\$ 491,901	\$ 658,592
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers (Out)	(479,720)	(375,059)
Net Change in Fund Balance	\$ 12,181	\$ 283,533
<u>FUND BALANCE</u> - Beginning of Year	3,162,624	2,879,091
<u>FUND BALANCE</u> - End of Year	\$ 3,174,805	\$ 3,162,624

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>LOCAL SOURCES</u>		
Property Tax Levy	\$ 975,241	\$ 912,312
Penalties and Interest on Delinquent Taxes	606	424
Tuition and Drivers Education Fees	26,860	20,550
Earnings on Investments and Deposits	100,786	71,585
Other Local Revenues		
Rentals	1,118	375
Oil and Gas Rent and Royalties	5,821	4,251
Miscellaneous	26,018	51,457
	<hr/>	<hr/>
Total Local Sources	\$ 1,136,450	\$ 1,060,954
 <u>STATE SOURCES</u>		
Grants-In-Aid		
Received through the State		
State School Aid	\$ 6,600,616	\$ 6,625,078
	<hr/>	<hr/>
 <u>FEDERAL SOURCES</u>		
Grant-In-Aid Restricted		
Received through the State		
Title I	\$ 228,538	\$ 268,867
Title II Part A	68,942	71,882
Title II Part D	2,346	5,016
Title V	3,017	6,303
Drug Free Schools	6,548	8,000
Family Independence Agency	22,405	15,607
Homeland Security	0	2,621
Service Provider Self Review	4,000	0
Received through Other Districts		
Medicaid Outreach	5,656	4,456
	<hr/>	<hr/>
Total Federal Sources	\$ 341,452	\$ 382,752

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>OTHER TRANSACTIONS</u>		
Transfers from Other Governmental Units		
Wexford-Missaukee Intermediate School District		
Medicaid Caseload Coordination	\$ 12,641	\$ 2,356
Special Education	82,639	330,001
Interpreters	32,532	31,662
Curriculum	59,600	0
Leader Program	1,968	0
Transition	0	24,566
Sale of Fixed Assets	4,300	3,712
	<hr/>	<hr/>
Total Other Transactions	\$ 193,680	\$ 392,297
	<hr/>	<hr/>
TOTAL REVENUES	\$ 8,272,198	\$ 8,461,081
	<hr/> <hr/>	<hr/> <hr/>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

<u>INSTRUCTION</u>	2007	2006
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries		
Teachers	\$ 1,222,782	\$ 1,176,918
Aides	83,303	75,664
Substitute Teachers	33,499	26,532
Substitute Aides	4,095	5,401
Employee Benefits		
Life and Long-Term Disability Insurance	5,093	4,893
Health Insurance	263,602	227,652
Dental Insurance	22,969	22,651
Vision Insurance	6,025	6,465
Retirement	232,724	199,126
Employer Social Security	102,003	94,489
Worker's Compensation	1,386	288
Unemployment	0	616
Purchased Service		
Contracted Services	388	671
Travel and Conferences	9	27
Printing and Binding	0	230
Repair of Equipment	1,494	1,753
Supplies and Materials		
Teaching Supplies	46,007	31,773
Textbooks	6,683	55,390
Other Supplies and Materials	4,687	3,027
Capital Outlay		
Equipment and Furniture	3,108	0
Other Expense		
Miscellaneous	777	354
Total Elementary	\$ 2,040,634	\$ 1,933,920
<u>Middle School</u>		
Salaries		
Teachers	\$ 594,993	\$ 566,729
Substitute Teachers	19,466	18,739

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Employee Benefits		
Life and Long-Term Disability Insurance	2,576	2,570
Health Insurance	109,534	101,161
Dental Insurance	5,606	9,866
Vision Insurance	1,184	3,439
Retirement	106,563	93,159
Employer Social Security	46,566	44,339
Worker's Compensation	1,849	131
Purchased Services		
Contracted Services	1,228	218
Travel and Conferences	0	44
Printing and Binding	2,159	1,732
Repair of Equipment	1,021	583
Supplies and Materials		
Teaching Supplies	12,831	10,537
Textbooks	7,678	1,591
Other Supplies and Materials	951	1,515
Capital Outlay		
Equipment and Furniture	0	1,370
Other Expense		
Dues and Fees	1,081	705
Miscellaneous	0	68
Total Middle School	<u>\$ 915,286</u>	<u>\$ 858,496</u>
 <u>High School</u>		
Salaries		
Teachers	\$ 732,920	\$ 705,494
Aides	14,727	13,886
Substitute Teachers	18,481	17,237
Substitute Aides	1,434	0
Employee Benefits		
Life and Long-Term Disability Insurance	2,774	2,705
Health Insurance	151,264	123,550
Dental Insurance	10,340	10,032
Vision Insurance	1,962	2,238
Retirement	132,303	113,851
Employer Social Security	58,152	55,807

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Worker's Compensation	624	165
Unemployment	0	438
Purchased Services		
Contracted Services	70,344	68,722
College Tuition	15,475	10,461
Travel and Conferences	1,173	1,544
Printing and Binding	2,061	1,756
Repair of Equipment	1,890	4,602
Supplies and Materials		
Teaching Supplies	37,013	50,794
Textbooks	6,636	54,709
Other Supplies and Materials	4,525	4,211
Other Expense		
Dues and Fees	6,063	4,834
Miscellaneous	163	84
Total High School	<u>\$ 1,270,324</u>	<u>\$ 1,247,120</u>
<u>Pre-School</u>		
Salaries		
Teachers	\$ 52,774	\$ 51,398
Aides	14,707	15,341
Substitute Teachers	11	54
Employee Benefits		
Life and Long-Term Disability Insurance	336	309
Health Insurance	4,733	4,328
Dental Insurance	1,103	509
Vision Insurance	247	407
Retirement	11,847	10,768
Employer Social Security	5,088	5,035
Worker's Compensation	55	15
Purchased Services		
Home Visit Mileage	226	225
Travel and Conferences	885	687
Repair of Equipment	9	0
Supplies and Materials		
Teaching Supplies	1,828	6,602

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2007	2006
Other Expense		
Dues and Fees	235	0
Miscellaneous	0	846
Total Pre-School	\$ 94,084	\$ 96,524

Added Needs

Special Education

Salaries		
Teachers	\$ 236,421	\$ 294,018
Aides	103,273	121,506
Substitute Teachers	19,544	7,095
Substitute Aides	2,904	0
Employee Benefits		
Life and Long-Term Disability Insurance	1,513	1,851
Health Insurance	56,572	78,799
Dental Insurance	4,637	11,179
Vision Insurance	2,677	3,290
Retirement	61,657	67,356
Employer Social Security	26,799	31,725
Worker's Compensation	294	94
Purchased Services		
Contracted Services	6,375	9,626
Travel and Conferences	79	115
Supplies and Materials		
Teaching Supplies	3,394	2,202
Textbooks	0	431
Other Expense		
Miscellaneous	106	0
Total Special Education	\$ 526,245	\$ 629,287

Compensatory Education

Salaries		
Teachers	\$ 108,586	\$ 165,356
Aides	28,363	23,270
Substitute Teachers	3,519	1,283

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2007	2006
Employee Benefits		
Life and Long-Term Disability Insurance	593	871
Health Insurance	40,175	25,449
Dental Insurance	2,950	3,104
Vision Insurance	778	1,190
Retirement	20,492	30,111
Employer Social Security	10,421	14,208
Worker's Compensation	115	42
Supplies and Materials		
Teaching Supplies	9,701	5,630
Total Compensatory Education	\$ 225,693	\$ 270,514

SUPPORTING SERVICES

Pupil Services

Guidance Services

Salaries		
Counseling	\$ 61,890	\$ 60,690
Employee Benefits		
Life and Long-Term Disability Insurance	165	198
Health Insurance	3,789	4,328
Dental Insurance	866	170
Vision Insurance	15	13
Retirement	10,851	9,779
Employer Social Security	4,683	4,591
Worker's Compensation	51	14
Purchased Services		
Travel and Conferences	276	0
Supplies and Materials		
Teaching Supplies	382	585
Total Guidance Services	\$ 82,968	\$ 80,368

Health Services

Salaries	\$ 0	\$ 783
Employee Benefits		
Retirement	0	125
Employer Social Security	0	60

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2007	2006
Purchased Services		
Contracted Services	510	0
Supplies and Materials	679	3,672
Total Health Services	\$ 1,189	\$ 4,640
 <u>Social Work Services</u>		
Salaries		
Social Work	\$ 50,600	\$ 48,924
Employee Benefits		
Life and Long-Term Disability Insurance	396	396
Health Insurance	17,789	25,348
Dental Insurance	2,195	2,377
Vision Insurance	340	340
Retirement	8,786	7,803
Employer Social Security	3,767	3,639
Worker's Compensation	42	11
Unemployment	0	4,920
Purchased Services		
Travel and Conferences	943	608
Supplies and Materials		
Teaching Supplies	481	347
Total Social Work Services	\$ 85,339	\$ 94,713
 <u>Other Pupil Services</u>		
Salaries		
Class Sponsors and Advisors	\$ 1,350	\$ 1,350
Employee Benefits		
Retirement	240	221
Employer Social Security	102	102
Purchased Services		
Graduation	1,909	1,912
Total Other Pupil Services	\$ 3,601	\$ 3,585
 <u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Purchased Services		
Continuing Education	\$ 6,744	\$ 6,417
Travel and Conferences	0	314

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2007	2006
Supplies and Materials		
Other Supplies and Materials	12,110	12,999
Total Improvement of Instruction	\$ 18,854	\$ 19,730
 <u>Library</u>		
Salaries		
Librarians	\$ 15,771	\$ 16,192
Aides	9,628	8,680
Employee Benefits		
Life and Long-Term Disability Insurance	198	0
Dental Insurance	252	0
Vision Insurance	18	0
Retirement	4,138	3,712
Employer Social Security	1,943	1,903
Worker's Compensation	20	5
Purchased Services		
Professional and Technical	760	5,270
Travel and Conferences	143	457
Postage	100	300
Repair of Equipment	1,793	460
Supplies and Materials		
Library Books	17,681	19,535
Periodicals	1,635	2,183
Other Supplies and Materials	4,134	4,884
Capital Outlay		
Equipment and Furniture	3,321	2,571
Other Expense		
Dues and Fees	0	125
Miscellaneous	53	0
Total Library	\$ 61,588	\$ 66,277
 <u>Educational Television</u>		
Salaries		
Director	\$ 10,616	\$ 10,127
Substitute Director	89	52
Employee Benefits		
Life and Long-Term Disability Insurance	138	138
Dental Insurance	1,209	1,151

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Vision Insurance	159	67
Retirement	1,632	1,422
Employer Social Security	819	779
Worker's Compensation	7	2
Supplies and Materials		
Teaching Supplies	251	52
Other Expense		
Dues and Fees	5,691	0
Total Educational Television	<u>\$ 20,611</u>	<u>\$ 13,790</u>
<u>Computer Assisted Instruction</u>		
Purchased Services		
Contracted Services	\$ 3,866	\$ 13,410
Travel and Conferences	146	829
Repair of Equipment	404	3,751
Supplies and Materials		
Other Supplies and Materials	5,784	10,567
Total Computer Assisted Instruction	<u>\$ 10,200</u>	<u>\$ 28,557</u>
<u>General Administrative Services</u>		
<u>Board of Education</u>		
Salaries		
Board Members	\$ 3,150	\$ 3,150
Purchased Services		
Contracted Services	13,331	3,560
Legal, Audit and Professional Services	12,193	16,217
Travel and Conferences	792	265
Advertising	282	234
Printing and Binding	3,546	1,279
Elections	1,908	1,536
Supplies and Materials		
Office Supplies	725	415
Other Expense		
Dues and Fees	8,209	8,347
Miscellaneous	1,665	3,342
Total Board of Education	<u>\$ 45,801</u>	<u>\$ 38,345</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2007	2006
<u>Executive Administration</u>		
Salaries		
Superintendent	\$ 114,800	\$ 99,953
Secretarial	38,685	37,142
Employee Benefits		
Life and Long-Term Disability Insurance	473	473
Health Insurance	17,273	24,250
Dental Insurance	1,952	1,792
Vision Insurance	448	489
Retirement	24,131	21,581
Employer Social Security	10,277	9,869
Worker's Compensation	151	40
Purchased Services		
Travel and Conferences	1,257	774
Communications	1,401	1,825
Repair of Equipment	148	309
Supplies and Materials		
Office Supplies	1,247	1,067
Other Expense		
Dues and Fees	40	0
Miscellaneous	458	357
Total Executive Administration	\$ 212,741	\$ 199,921

School Administrative Services

Office of the Principal - Elementary

Salaries		
School Direction and Management	\$ 80,654	\$ 80,982
Secretarial	35,666	42,319
Employee Benefits		
Life and Long-Term Disability Insurance	473	473
Health Insurance	15,342	23,810
Dental Insurance	2,566	822
Vision Insurance	546	33
Retirement	20,193	19,519
Employer Social Security	8,674	9,175
Worker's Compensation	128	38

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Purchased Services		
Travel and Conferences	1,025	644
Communications	2,087	1,782
Repair of Equipment	161	25
Office Supplies	3,821	2,975
Capital Outlay		
Equipment and Furniture	0	881
Other Expense		
Dues and Fees	535	515
Miscellaneous	8	239
Total Office of the Principal - Elementary	<u>\$ 171,879</u>	<u>\$ 184,232</u>
 <u>Office of the Principal - Middle School</u>		
Salaries		
School Direction and Management	\$ 80,574	\$ 74,249
Secretarial	23,237	22,546
Substitute Secretary	271	137
Employee Benefits		
Life and Long-Term Disability Insurance	473	450
Health Insurance	15,645	12,238
Dental Insurance	2,044	1,370
Vision Insurance	409	1,168
Retirement	17,893	15,176
Employer Social Security	7,793	7,300
Worker's Compensation	106	27
Purchased Services		
Travel and Conferences	531	644
Communication	1,507	1,996
Supplies and Materials		
Office Supplies	1,437	992
Capital Outlay		
Equipment and Furniture	2,795	0
Other Expense		
Dues and Fees	535	595
Miscellaneous	0	396
Total Office of the Principal - Middle School	<u>\$ 155,250</u>	<u>\$ 139,284</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2007	2006
<u>Office of the Principal - High School</u>		
Salaries		
Secretarial	\$ 23,985	\$ 22,204
Substitute Secretary	104	50
Employee Benefits		
Life and Long-Term Disability Insurance	198	198
Health Insurance	7,643	11,685
Dental Insurance	924	1,398
Vision Insurance	333	289
Retirement	4,219	3,587
Employer Social Security	1,733	1,560
Worker's Compensation	43	11
Purchased Services		
Contracted Services	79,716	78,928
Travel and Conferences	275	275
Communication	2,096	2,701
Repair of Equipment	73	0
Supplies and Materials		
Office Supplies	1,240	707
Capital Outlay		
Equipment and Furniture	2,595	0
Other Expense		
Dues and Fees	406	0
Miscellaneous	96	125
Total Office of the Principal - High School	\$ 125,679	\$ 123,718

Business Services

Fiscal Services

Salaries		
Accounting	\$ 46,638	\$ 44,809
Employee Benefits		
Life and Long-Term Disability Insurance	198	198
Health Insurance	7,699	10,900
Dental Insurance	1,030	1,128
Vision Insurance	274	18
Retirement	8,098	7,144
Employer Social Security	3,568	3,428
Worker's Compensation	83	22

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Purchased Services		
Data Processing	810	10,306
Supplies and Materials		
Office Supplies	826	522
Total Fiscal Services	<u>\$ 69,224</u>	<u>\$ 78,475</u>
<u>Other Business Services</u>		
Employee Benefits		
Other Employee Benefits	\$ 128,368	\$ 57,867
Purchased Services		
Insurance and Bond Premiums	4,015	5,388
Other Expense		
Taxes Abated and Written-Off	0	2,395
Total Other Business Services	<u>\$ 132,383</u>	<u>\$ 65,650</u>
<u>Operation and Maintenance of Plant</u>		
Salaries		
Custodians	\$ 307,849	\$ 298,092
Employee Benefits		
Life and Long-Term Disability Insurance	1,663	1,593
Health Insurance	83,074	82,004
Dental Insurance	3,904	7,524
Vision Insurance	1,696	1,624
Retirement	52,352	45,967
Employer Social Security	23,500	22,756
Worker's Compensation	3,841	1,038
Unemployment	0	572
Purchased Services		
Insurance and Bond Premiums	30,529	31,978
Travel and Conferences	131	211
Communication - Telephone	20,570	24,777
Utility Services		
Electricity	108,423	93,283
Heating Fuel	101,183	83,297
Water and Disposal	16,218	18,616
Repair and Maintenance Services		
Building and Grounds	13,209	10,534

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Parking/Athletic Complex	5,479	4,465
Equipment	31,102	21,050
Other Purchased Services	475	500
Rentals - Uniforms	3,595	2,794
Supplies and Materials		
Custodial Supplies	40,162	38,325
Repair Supplies for Equipment	11,721	12,656
Repair Supplies for Land and Buildings	31,115	49,709
Capital Outlay		
Equipment and Furniture	2,550	6,814
Other Expense		
Miscellaneous	984	748
Total Operation and Maintenance of Plant	<u>\$ 895,325</u>	<u>\$ 860,927</u>
<u>Pupil Transportation Services</u>		
Salaries	\$ 245,376	\$ 225,976
Employee Benefits		
Life and Long-Term Disability Insurance	2,261	2,082
Health Insurance	122,060	118,505
Dental Insurance	12,882	10,207
Vision Insurance	3,037	4,131
Retirement	42,071	35,755
Employer Social Security	15,872	14,111
Worker's Compensation	2,590	620
Purchased Services		
Travel and Conferences	201	605
Pupil Transportation	1,623	1,559
Communication	1,229	829
Insurance	14,629	15,486
Repairs and Maintenance	2,711	2,952
Rentals - Uniforms	499	546
Supplies and Materials		
Gasoline, Oil and Grease	68,443	73,995
Tires, Tubes and Batteries	4,341	3,908
Vehicle Repair Parts	34,655	36,157
Garage Supplies	8,472	7,884

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Capital Outlay		
Equipment	0	505
New Buses	0	176,689
Other Expense		
Miscellaneous	4,954	5,006
Total Pupil Transportation Services	<u>\$ 587,906</u>	<u>\$ 737,508</u>
<u>Central Information Services</u>		
Purchased Services		
Mailing and Postage	\$ 925	\$ 530
Rental	3,655	3,911
Equipment Maintenance	6,796	4,670
Supplies and Materials		
Copier Supplies	13,904	17,640
Capital Outlay		
Equipment	2,169	0
Total Central Information Services	<u>\$ 27,449</u>	<u>\$ 26,751</u>
 <u>COMMUNITY SERVICES</u>		
<u>Civic Activities</u>		
Supplies and Materials	\$ 44	\$ 157
 Total Expenditures	 <u>\$ 7,780,297</u>	 <u>\$ 7,802,489</u>
 <u>OTHER FINANCING USES</u>		
Transfers Out		
School Service Fund - Food Service	\$ 0	\$ 16,000
School Service Fund - Athletics Activities	279,720	259,059
Capital Project Fund	200,000	100,000
 Total Other Financing Uses	 <u>\$ 479,720</u>	 <u>\$ 375,059</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u><u>\$ 8,260,017</u></u>	 <u><u>\$ 8,177,548</u></u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	SCHOOL OPERATED PUBLIC LIBRARY FUND
<u>ASSETS</u>			
Cash	\$ 123,275	\$ 35,088	\$ 84,306
Inventory	3,367	0	0
Investments	0	0	64,659
TOTAL ASSETS	<u>\$ 126,642</u>	<u>\$ 35,088</u>	<u>\$ 148,965</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 0	\$ 1,017
Due to Other Funds	124,806	0	20,786
Total Liabilities	<u>\$ 124,806</u>	<u>\$ 0</u>	<u>\$ 21,803</u>
<u>FUND BALANCE</u>			
Reserved			
Inventory	\$ 3,367	\$ 0	\$ 0
Endowments	0	0	50,000
Unreserved			
Designated for:			
Food Service	(1,531)	0	0
Athletic Activities	0	35,088	0
School Operated Public Library	0	0	77,162
Total Fund Balance	<u>\$ 1,836</u>	<u>\$ 35,088</u>	<u>\$ 127,162</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 126,642</u>	<u>\$ 35,088</u>	<u>\$ 148,965</u>

TOTALS

2007	2006
\$ 242,669	\$ 237,189
3,367	1,790
64,659	61,496
\$ 310,695	\$ 300,475

\$ 1,017	\$ 494
145,592	157,182
\$ 146,609	\$ 157,676

\$ 3,367	\$ 1,790
50,000	50,000
(1,531)	1,223
35,088	20,883
77,162	68,903
\$ 164,086	\$ 142,799
\$ 310,695	\$ 300,475

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	SCHOOL OPERATED PUBLIC LIBRARY FUND
<u>REVENUES</u>			
Local Sources	\$ 120,260	\$ 30,817	\$ 8,636
Intermediate Sources	0	0	24,305
State Sources	16,494	0	2,122
Federal Sources	161,260	0	0
Total Revenues	<u>\$ 298,014</u>	<u>\$ 30,817</u>	<u>\$ 35,063</u>
<u>EXPENDITURES</u>			
Food Services	\$ 299,191	\$ 0	\$ 0
Athletic Activities	0	296,332	0
School Operated Public Library	0	0	26,804
Total Expenditures	<u>\$ 299,191</u>	<u>\$ 296,332</u>	<u>\$ 26,804</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,177)	\$ (265,515)	\$ 8,259
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	279,720	0
Net Change in Fund Balance	\$ (1,177)	\$ 14,205	\$ 8,259
<u>FUND BALANCE</u> - Beginning of Year	3,013	20,883	118,903
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,836</u>	<u>\$ 35,088</u>	<u>\$ 127,162</u>

TOTALS

2007	2006
\$ 159,713	\$ 165,326
24,305	23,934
18,616	18,808
161,260	148,954
<hr/>	
\$ 363,894	\$ 357,022
<hr/>	
\$ 299,191	\$ 298,297
296,332	313,379
26,804	33,416
<hr/>	
\$ 622,327	\$ 645,092
<hr/>	
\$ (258,433)	\$ (288,070)
<hr/>	
279,720	275,059
<hr/>	
\$ 21,287	\$ (13,011)
142,799	155,810
<hr/>	
\$ 164,086	\$ 142,799
<hr/> <hr/>	

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 123,275	\$ 131,965
Inventory	3,367	1,790
TOTAL ASSETS	<u>\$ 126,642</u>	<u>\$ 133,755</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
 <u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 494
Due to Other Funds	124,806	130,248
Total Liabilities	<u>\$ 124,806</u>	<u>\$ 130,742</u>
 <u>FUND BALANCE</u>		
Reserved for Inventory	\$ 3,367	\$ 1,790
Unreserved		
Designated for Food Service	(1,531)	1,223
Total Fund Balance	<u>\$ 1,836</u>	<u>\$ 3,013</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 126,642</u>	<u>\$ 133,755</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

FOOD SERVICE FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2007	2006
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 424	\$ 421
Food Sales	115,838	111,665
Miscellaneous	3,998	4,854
State Sources		
State Aid - Regular	16,494	17,588
Federal Sources		
Federal Aid	139,931	130,728
U.S.D.A. Donated Commodities	21,329	18,226
	<u>\$ 298,014</u>	<u>\$ 283,482</u>
 <u>EXPENDITURES</u>		
Salaries		
Cooks and Assistants	\$ 84,680	\$ 86,527
Student Salaries	2,797	2,822
Employee Benefits		
Life and Long-Term Disability Insurance	552	552
Health, Dental and Vision Insurance	32,396	37,486
Retirement	14,907	13,973
Employer Social Security	5,846	5,750
Worker's Compensation	1,059	302
Purchased Services		
Travel and Expense	96	788
Professional and Technical	900	875
Repairs and Maintenance	1,769	1,071

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

FOOD SERVICE FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2007	2006
Supplies and Materials		
Food Purchases	125,007	119,955
U.S.D.A. Donated Commodities	21,329	18,226
Other Supplies	7,377	9,044
Other Expenses	476	926
	\$ 299,191	\$ 298,297
Total Expenditures		
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,177)	\$ (14,815)
 <u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In - General Fund	0	16,000
Net Change in Fund Balance	\$ (1,177)	\$ 1,185
<u>FUND BALANCE</u> - Beginning of Year	3,013	1,828
<u>FUND BALANCE</u> - End of Year	\$ 1,836	\$ 3,013



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ATHLETIC ACTIVITIES FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2007	2006
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 81	\$ 82
Admissions	30,736	25,072
Tournaments	0	20,155
	\$ 30,817	\$ 45,309
 <u>EXPENDITURES</u>		
Salaries	\$ 179,903	\$ 178,568
Employee Benefits		
Life and Long-Term Disability Insurance	271	457
Health, Dental and Vision Insurance	13,495	16,469
Retirement	31,724	28,034
Employer Social Security	13,680	13,636
Annuities	1,500	1,500
Worker's Compensation	148	40
Purchased Services		
Travel and Expense	415	1,390
Officials and Game Workers	20,735	21,124
Printing and Binding	464	642
Equipment Repairs	3,400	0
Supplies and Materials		
Athletic Supplies	12,131	13,110
Uniforms	6,459	6,737
Awards and Trophies	1,252	3,158
Capital Outlay		
Equipment	913	1,779
Other Expenses		
Dues and Fees	6,376	4,835
Sports Tournaments	1,048	19,676
Sports Camps	1,764	1,409
Miscellaneous	654	815
	\$ 296,332	\$ 313,379

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ATHLETIC ACTIVITIES FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (265,515)	\$ (268,070)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In - General Fund	<u>279,720</u>	<u>259,059</u>
Net Change in Fund Balance	\$ 14,205	\$ (9,011)
<u>FUND BALANCE</u> - Beginning of Year	<u>20,883</u>	<u>29,894</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 35,088</u>	<u>\$ 20,883</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHOOL OPERATED PUBLIC LIBRARY FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 84,306	\$ 84,341
Investments	64,659	61,496
	<hr/>	<hr/>
TOTAL ASSETS	\$ 148,965	\$ 145,837
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,017	\$ 0
Due to Other Funds	20,786	26,934
	<hr/>	<hr/>
Total Liabilities	\$ 21,803	\$ 26,934
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Endowments	\$ 50,000	\$ 50,000
Unreserved		
Designated for School Operated Public Library	77,162	68,903
	<hr/>	<hr/>
Total Fund Balance	\$ 127,162	\$ 118,903
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 148,965	\$ 145,837
	<hr/> <hr/>	<hr/> <hr/>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHOOL OPERATED PUBLIC LIBRARY FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2007	2006
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 3,453	\$ 2,618
Donations	3,960	0
Copies and Book Fines	1,223	459
Intermediate Sources		
Penal Fines	24,305	23,934
State Sources		
Library State Aid	2,122	1,220
	\$ 35,063	\$ 28,231
<u>EXPENDITURES</u>		
Salaries	\$ 16,993	\$ 22,100
Employee Benefits		
Retirement	2,507	3,069
Employer Social Security	1,272	1,663
Worker's Compensation	14	5
Purchased Services		
Professional and Technical	3,471	729
Repairs and Maintenance	400	479
Travel and Conferences	0	287
Supplies and Materials		
Library Books	0	2,705
Periodicals	486	190
Other Supplies	1,661	1,378
Other Expenses		
Miscellaneous	0	1
Capital Outlay	0	550
Dues and Fees	0	260
	\$ 26,804	\$ 33,416
Excess (Deficiency) of Revenues Over Expenditures	\$ 8,259	\$ (5,185)
<u>FUND BALANCE</u> - Beginning of Year	118,903	124,088
<u>FUND BALANCE</u> - End of Year	\$ 127,162	\$ 118,903

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET

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

	<u>1997</u>	<u>1998</u>	<u>2002</u>
<u>ASSETS</u>			
Cash	\$ 206,186	\$ 0	\$ 0
Taxes Receivable	5,757	0	0
Due from Other Funds	4,869	0	0
	<hr/>		
Total Assets	\$ 216,812	\$ 0	\$ 0
	<hr/> <hr/>		
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Deferred Revenue	\$ 4,742	\$ 0	\$ 0
<u>FUND BALANCE</u>			
Reserved for Debt Service	212,070	0	0
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	\$ 216,812	\$ 0	\$ 0
	<hr/> <hr/>		

TOTALS

<u>2007</u>	<u>2006</u>
\$ 206,186	\$ 286,845
5,757	6,129
<u>4,869</u>	<u>5,477</u>
<u>\$ 216,812</u>	<u>\$ 298,451</u>

\$ 4,742      \$ 3,847

212,070      294,604

\$ 216,812      \$ 298,451

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	<u>1997</u>	<u>1998</u>	<u>2002</u>
<u>REVENUES</u>			
Local Sources			
Property Tax Levy	\$ 499,252	\$ 0	\$ 164,959
Penalties and Interest on Delinquent Taxes	152	0	30
Earnings on Investments and Deposits	4,931	0	1,166
State Sources			
State Aid	0	0	0
 Total Revenues	 \$ 504,335	 \$ 0	 \$ 166,155
<u>EXPENDITURES</u>			
Redemption on Serial Bonds	\$ 390,000	\$ 0	\$ 220,000
Interest on Building and Site Bonds	132,990	0	6,600
Dues and Fees	600	0	550
Taxes Abated and Written Off	1,867	0	417
 Total Expenditures	 \$ 525,457	 \$ 0	 \$ 227,567
 Excess (Deficiency) of Revenues Over Expenditures	 \$ (21,122)	 \$ 0	 \$ (61,412)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	\$ 17,898	\$ 0	\$ 0
Transfers Out	0	0	(17,898)
 Net Other Financing Sources (Uses)	 \$ 17,898	 \$ 0	 \$ (17,898)
 Net Change in Fund Balance	 \$ (3,224)	 \$ 0	 \$ (79,310)
 <u>FUND BALANCE</u> - Beginning of Year	 215,294	 0	 79,310
 <u>FUND BALANCE</u> - End of Year	 \$ 212,070	 \$ 0	 \$ 0

TOTALS

2007	2006
\$ 664,211	\$ 770,937
182	504
6,097	5,905
0	5,223
<u>\$ 670,490</u>	<u>\$ 782,569</u>
\$ 610,000	\$ 570,000
139,590	167,703
1,150	1,316
2,284	7,388
<u>\$ 753,024</u>	<u>\$ 746,407</u>
<u>\$ (82,534)</u>	<u>\$ 36,162</u>
\$ 17,898	\$ 0
(17,898)	0
<u>\$ 0</u>	<u>\$ 0</u>
\$ (82,534)	\$ 36,162
294,604	258,442
<u>\$ 212,070</u>	<u>\$ 294,604</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

CAPITAL PROJECT FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	2007	2006
<u>ASSETS</u>		
Due from Other Funds	\$ 100,000	\$ 50,000
Interest Receivable	1,441	8,948
Investments	963,004	1,117,506
	<u>\$ 1,064,445</u>	<u>\$ 1,176,454</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for Capital Projects	1,064,445	1,176,454
	<u>\$ 1,064,445</u>	<u>\$ 1,176,454</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,064,445</b>	<b>\$ 1,176,454</b>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

CAPITAL PROJECT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 53,172	\$ 45,903
<u>EXPENDITURES</u>		
Capital Outlay		
Buildings, Site Improvements, Furniture and Equipment	<u>365,181</u>	<u>221,829</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (312,009)	\$ (175,926)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In	<u>200,000</u>	<u>100,000</u>
Net Change in Fund Balance	\$ (112,009)	\$ (75,926)
<u>FUND BALANCE - Beginning of Year</u>	<u>1,176,454</u>	<u>1,252,380</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 1,064,445</u>	<u>\$ 1,176,454</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2007

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/01/06	(Including Transfers)		6/30/07
Athletic	\$ 11,760	\$ 34,117	\$ 38,205	\$ 7,672
Band Supplies	5,575	19,555	15,785	9,345
Choir	1,646	8,146	8,272	1,520
Chorale	288	11,194	10,181	1,301
Class of 2006	335	900	1,235	0
Class of 2007	(286)	35,275	34,286	703
Class of 2008	1,526	5,446	5,734	1,238
Class of 2009	1,424	5,356	3,381	3,399
Class of 2010	0	2,166	1,300	866
Debate Camp Fund	2,388	926	2,517	797
Drama Club	263	0	0	263
Elementary Account	3,306	10,787	9,322	4,771
Equestrian Team	2,554	0	2,554	0
Flower Fund	127	0	0	127
Fun Funds	863	1,035	1,560	338
Leadership Class	334	3,047	3,381	0
Library	782	0	67	715
Martinez/Hillard Auction	19	0	19	0
McBain Rural Foundation	986	14,734	15,328	392
Mexico Trip	47	0	62	(15)
Miscellaneous	2,157	2,112	2,935	1,334
Middle School	6,653	31,448	31,844	6,257
Missaukee Area Teen Center	3,244	0	201	3,043
National Honor Society	1,008	11,779	11,193	1,594
Photo Club	112	375	0	487
Project H.E.R.O.	2,423	1,004	2,973	454
Prom Nite	1,346	2,209	1,720	1,835
Resource Room	852	0	95	757
Student Council	3,896	1,973	2,043	3,826
Summer Basketball Camp	0	1,320	1,113	207
Technology	62	0	0	62
Yearbook	1,293	10,576	11,630	239
	<u>\$ 56,983</u>	<u>\$ 215,480</u>	<u>\$ 218,936</u>	<u>\$ 53,527</u>
Represented by				
Assets				
Cash	<u>\$ 56,983</u>			<u>\$ 53,527</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 56,983</u>			<u>\$ 53,527</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHEDULE OF 2006 TAX ROLL  
YEAR ENDED JUNE 30, 2007

	TAXABLE VALUE	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND (18.00 MILLS)</u>				
<u>MISSAUKEE COUNTY</u>				
Aetna Township	\$ 3,369,477	\$ 60,651	\$ 56,310	\$ 4,341
City of McBain	14,961,216	269,307	260,114	9,193
Clam Union Township	9,089,940	163,619	158,170	5,449
Holland Township	1,538,143	27,687	27,099	588
Lake Township	7,435,309	133,836	117,077	16,759
Reeder Township	3,233,787	58,208	54,603	3,605
Richland Township	6,849,734	123,295	114,103	9,192
Riverside Township	6,187,640	111,377	105,476	5,901
<u>CLARE COUNTY</u>				
Winterfield Township	44,816	807	807	0
<u>OSCEOLA COUNTY</u>				
Highland Township	1,385,520	24,939	24,691	248
Marion Township	55,300	995	995	0
<u>WEXFORD COUNTY</u>				
Clam Lake Township	28,927	520	520	0
	<u>\$ 54,179,809</u>	<u>\$ 975,241</u>	<u>\$ 919,965</u>	<u>\$ 55,276</u>
<u>DEBT RETIREMENT FUNDS ( 4.00 MILLS)</u>				
<u>MISSAUKEE COUNTY</u>				
Aetna Township	\$ 10,962,013	\$ 43,848	\$ 39,360	\$ 4,488
City of McBain				
Regular	20,086,338	80,346	77,173	3,173
Industrial Facilities Tax	1,128,000	5,640	4,727	913
Clam Union Township	26,891,513	107,566	100,494	7,072
Holland Township	3,912,123	15,648	14,122	1,526
Lake Township	11,648,703	46,595	43,630	2,965
Reeder Township	9,777,248	39,109	34,596	4,513
Richland Township	38,926,320	155,705	142,339	13,366
Riverside Township	28,797,433	115,190	107,361	7,829
<u>CLARE COUNTY</u>				
Winterfield Township	169,760	679	679	0
<u>OSCEOLA COUNTY</u>				
Highland Township	12,749,848	50,999	48,079	2,920
Marion Township	462,285	1,849	1,553	296
<u>WEXFORD COUNTY</u>				
Clam Lake Township	259,278	1,037	1,037	0
	<u>\$ 165,770,862</u>	<u>\$ 664,211</u>	<u>\$ 615,150</u>	<u>\$ 49,061</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

1997 SCHOOL BUILDING AND SITE REFUNDING BOND PAYMENT SCHEDULE  
JUNE 30, 2007

<u>TITLE OF ISSUE</u>	1997 School Building and Site Refunding Bonds	
<u>PURPOSE</u>	For erecting, furnishing and equipping additions to, and partially remodeling, refurbishing and equipping the McBain school building; refunding the outstanding 1987 School Building and Site Bonds	
<u>DATE OF ISSUE</u>	November 1, 1997	
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year	
<u>AMOUNT OF ISSUE</u>		\$ 5,610,000
<u>AMOUNT REDEEMED</u>		
Prior to Current Year	\$ 2,880,000	
During Current Year	390,000	3,270,000
<u>BALANCE OUTSTANDING - June 30, 2007</u>		\$ 2,340,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2007		\$ 57,428	\$ 57,428	
May 1, 2008	4.65%	447,428	57,428	\$ 390,000
November 1, 2008		48,263	48,263	
May 1, 2009	4.70%	438,263	48,263	390,000
November 1, 2009		38,903	38,903	
May 1, 2010	4.80%	428,903	38,903	390,000
November 1, 2010		29,348	29,348	
May 1, 2011	4.90%	419,348	29,348	390,000
November 1, 2011		19,598	19,598	
May 1, 2012	5.00%	409,598	19,598	390,000
November 1, 2012		9,848	9,848	
May 1, 2013	5.00%	399,848	9,848	390,000
		\$ 2,746,776	\$ 406,776	\$ 2,340,000

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

1997 SCHOOL BUILDING AND SITE REFUNDING BOND PAYMENT SCHEDULE  
JUNE 30, 2007

DENOMINATION

\$5,000 each, numbered 1 to 1,122, inclusive

REDEMPTION PRIOR TO MATURITY

Bonds of this issue maturing in the years 1999 to 2007, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the years 2008 to 2013, inclusive, shall be subject to redemption prior to maturity, at the option of the Issuer, in such order as the Issuer may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2007, at par plus accrued interest to the date fixed for redemption.



**MCBAIN RURAL AGRICULTURAL SCHOOLS**

**MCBAIN, MICHIGAN**

**SINGLE AUDIT**

**JUNE 30, 2007**

*Baird, Cotter and Bishop, P. C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SINGLE AUDIT  
YEAR ENDED JUNE 30, 2007

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# *Baird, Cotter and Bishop, P.C.*

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July 26, 2007

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

To the Board of Education  
McBain Rural Agricultural Schools  
McBain, Michigan

#### COMPLIANCE

We have audited the compliance of McBain Rural Agricultural Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. McBain Rural Agricultural Schools major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of McBain Rural Agricultural Schools' management. Our responsibility is to express an opinion on McBain Rural Agricultural Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McBain Rural Agricultural Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of McBain Rural Agricultural Schools' compliance with those requirements.

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

## INTERNAL CONTROL OVER COMPLIANCE

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

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of McBain Rural Agricultural Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated July 26, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise McBain Rural Agricultural Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

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

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
<b>U.S. Department of Education</b>								
Passed Through Michigan Department of Education (M.D.E.)								
ESEA Title I - Part A								
Project No. 061530-0506	84.010	\$ 268,867	\$ 268,867	\$ 268,867	\$ 0	\$ 268,867	\$ 0	\$ 0
Project No. 071530-0607	84.010	228,538	0	0	228,538	228,538	0	0
Total		\$ 497,405	\$ 268,867	\$ 268,867	\$ 228,538	\$ 497,405	\$ 0	\$ 0
Title V - Innovative Education Program								
Project No. 060250-0506	84.298	\$ 6,303	\$ 6,303	\$ 6,303	\$ 0	\$ 6,303	\$ 0	\$ 0
Project No. 070250-0607	84.298	3,017	0	0	3,017	3,017	0	0
Total		\$ 9,320	\$ 6,303	\$ 6,303	\$ 3,017	\$ 9,320	\$ 0	\$ 0
Title II - A Improving Teacher Quality								
Project No. 060520-0506	84.367	\$ 71,882	\$ 71,882	\$ 71,882	\$ 0	\$ 71,882	\$ 0	\$ 0
Project No. 070520-0607	84.367	68,942	0	0	68,942	68,942	0	0
Total		\$ 140,824	\$ 71,882	\$ 71,882	\$ 68,942	\$ 140,824	\$ 0	\$ 0
Title II D Technology Literacy								
Project No. 064290-0506	84.318	\$ 5,016	\$ 5,016	\$ 5,016	\$ 0	\$ 5,016	\$ 0	\$ 0
Project No. 074290-0607	84.318	2,346	0	0	2,346	2,346	0	0
Total		\$ 7,362	\$ 5,016	\$ 5,016	\$ 2,346	\$ 7,362	\$ 0	\$ 0
Drug Free Schools and Communities								
Project No. 072860-0506	84.186	\$ 8,000	\$ 8,000	\$ 8,000	\$ 0	\$ 8,000	\$ 0	\$ 0
Project No. 072860-0607	84.186	6,548	0	0	6,548	6,548	0	0
Total		\$ 14,548	\$ 8,000	\$ 8,000	\$ 6,548	\$ 14,548	\$ 0	\$ 0
Service Provider Self Review								
Project No. 070440-0607	84.027A	\$ 4,000	\$ 0	\$ 0	\$ 4,000	\$ 4,000	\$ 0	\$ 0
Total Passed Through M.D.E.		\$ 673,459	\$ 360,068	\$ 360,068	\$ 313,391	\$ 673,459	\$ 0	\$ 0
Total U.S. Department of Education		\$ 673,459	\$ 360,068	\$ 360,068	\$ 313,391	\$ 673,459	\$ 0	\$ 0
<b>U.S. Department of Health and Human Services</b>								
Passed Through Family Independence Agency (F.I.A.)								
Family Preservation and Support Service								
Contract No. SFSC-06-57001	93.556	\$ 21,500	\$ 3,285	\$ 15,607	\$ 5,893	\$ 9,178	\$ 0	\$ 0
Contract No. SFSC-06-57001	93.556	21,500	0	0	16,512	12,945	3,567	0
Total		\$ 43,000	\$ 3,285	\$ 15,607	\$ 22,405	\$ 22,123	\$ 3,567	\$ 0
Passed Through Wexford Missaukee Intermediate School District (I.S.D)								
Medicaid Outreach								
Project No. - None	93.778	\$ 5,656	\$ 0	\$ 4,456	\$ 5,656	\$ 5,656	\$ 0	\$ 0
Total U.S. Department of Health and Human Services		\$ 48,656	\$ 3,285	\$ 20,063	\$ 28,061	\$ 27,779	\$ 3,567	\$ 0

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
<b>U.S Department of Agriculture</b>								
Passed Through Michigan State Police								
Child Nutrition								
National School Lunch								
Section 4 - Total Servings - 071950 and 061950	10.555	\$ 26,496	\$ 0	\$ 24,293	\$ 26,496	\$ 26,496	\$ 0	\$ 0
Section 11 - Free and Reduced - 071960 and 061960	10.555	100,656	0	94,803	100,656	100,656	0	0
Total	10.555	\$ 127,152	\$ 0	\$ 119,096	\$ 127,152	\$ 127,152	\$ 0	\$ 0
National School Lunch - Breakfast 071970 and 061970	10.553	\$ 12,779	\$ 0	\$ 11,632	\$ 12,779	\$ 12,779	\$ 0	\$ 0
Total Child Nutrition Cluster		\$ 139,931	\$ 0	\$ 130,728	\$ 139,931	\$ 139,931	\$ 0	\$ 0
Food Distribution								
Entitlement Commodities	10.550	\$ 21,216	\$ 0	\$ 18,226	\$ 21,216	\$ 21,216	\$ 0	\$ 0
Bonus Commodities	10.550	113	0	0	113	113	0	0
Total	10.550	\$ 21,329	\$ 0	\$ 18,226	\$ 21,329	\$ 21,329	\$ 0	\$ 0
Total U.S. Department of Agriculture		\$ 161,260	\$ 0	\$ 148,954	\$ 161,260	\$ 161,260	\$ 0	\$ 0
Total Federal Financial Assistance		\$ 883,375	\$ 363,353	\$ 529,085	\$ 502,712	\$ 862,498	\$ 3,567	\$ 0
					(B)	(C)		

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

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

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

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2007 basic financial statements.

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

Federal Revenues from Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance	\$ <u>502,712</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ <u>502,712</u>

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

Management has utilized the CMS Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

Current Cash Payments per CMS Report Dated July 10, 2007	\$ 673,459
Add Items Not on CMS Report:	
Amounts Received Through State	
Child Nutrition Cluster	\$ 139,931
Amounts Received Thorough Intermediate School District	
Medicaid Outreach	5,656
Amounts Received Through Family Independence Agency	
FIA School Success Program	22,123
Amounts Received as Payments in Kind	
Food Distribution Program	
Entitlement Commodities	21,216
Bonus Commodities	113
	189,039
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards	\$ 862,498

# *Baird, Cotter and Bishop, P.C.*

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July 26, 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  
McBain Rural Agricultural Schools  
McBain, Michigan

We have audited the financial statements of McBain Rural Agricultural Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated July 26, 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 McBain Rural Agricultural Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McBain Rural Agricultural School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the McBain Rural Agricultural School'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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the 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 that none of the significant deficiencies described above is a material weakness.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether McBain Rural Agricultural School'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*.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit McBain Rural Agricultural School's response and, accordingly, we express no opinion on it.

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

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

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

Finding 2006-A (from the 2005/2006 fiscal year)

The District has a limited number of people involved in the accounting function due to financial constraints in allocating resources to this activity. This condition hampers the ability of the District to adequately segregate duties to enhance internal control.

The District is aware of this limitation and continues to explore cost effective measures to improve this internal control limitation.

This finding is repeated for the current fiscal year.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**A. Summary of Auditor's Results**

***Financial Statements***

Type of auditors' report issued: Unqualified

Material weakness(es) identified: \_\_\_\_\_ Yes        X   No

Significant deficiencies identified that are not considered to be material weaknesses?   X   Yes      \_\_\_\_\_ No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified: \_\_\_\_\_ Yes        X   No

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   No

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I - Improving Basic Programs
84.367	Title II - A Improving Teacher Quality

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes        X   No

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**B. Financial Statement Findings**

1) Lack of Adequate Internal Controls

Management is responsible for establishing and maintaining internal controls for the district.

At many small school districts, proper segregation of duties within the accounting department is a challenge for management. The District currently does not have effective segregation of duties within the accounting department.

This condition was caused by limited personnel involved in the accounting functions.

The District is aware of this limitation, and is in the process of evaluating and implementing new controls to correct or mitigate this situation in the future.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

**C. Federal Award Findings and Questioned Costs**

None

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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July 26, 2007

Board of Education  
McBain Rural Agricultural Schools  
McBain, Michigan

Dear Board Members:

During our audit of the financial statements of the McBain Rural Agricultural Schools for the year ended June 30, 2007, we noted the following items which we believe should be reviewed and/or considered for adoption into the management and accounting procedures of the School District:

Act 621

The School has excellent procedures and controls in place to prepare and monitor the budgets. However, we did note the following item that was not in compliance with Act 621 (Uniform Budgeting and Accounting Act).

The Food Service Fund expenditures exceeded the budgeted amounts.

New Budget Requirement

Section 18(2) of the State School Aid Act now requires local districts to post their annual operating budget and subsequent amendments on their website.

Condition of Accounting Records

The accounting records were again found to be in excellent condition. We would like to congratulate the accounting personnel for doing a good job and thank them for their efforts in accumulating the information needed for the audit.

We wish to take this opportunity to thank the Board for again awarding this firm the audit assignment of the District, and the administration and staff for their cooperative spirit and assistance in helping us fulfill this audit engagement. The friendly, cooperative and enthusiastic response to our requests for data, facts and figures is very much appreciated and enhances the efficiency of the audit process. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*