

JOHANNESBURG-LEWISTON AREA SCHOOLS  
BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
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## INDEPENDENT AUDITOR'S REPORT

September 28, 2007

Board of Education  
Johannesburg-Lewiston Area Schools  
Johannesburg, Michigan 49751

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Johannesburg-Lewiston Area Schools as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Johannesburg-Lewiston Area Schools' management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, based on my audit, 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 the Johannesburg-Lewiston Area Schools, 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, I have also issued my report dated September 28, 2007 on my consideration of Johannesburg-Lewiston Area Schools' internal control over financial reporting and on my 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 my 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 my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and pages 23 through 26 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Johannesburg-Lewiston Area Schools' basic financial statements. The introductory section, and combining non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied by me in the audit of the basic financial statements and, in my opinion, based on my audit are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



THOMAS R. ZICK CPA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

# JOHANNESBURG-LEWISTON AREA SCHOOLS

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management discussion and analysis, a requirement of GASB 34, is intended to be the Johannesburg-Lewiston Area Schools District ("the District") Management's discussion and analysis of the financial results for the year ended June 30, 2007. The intent of this discussion and analysis is to provide a look at the district's performance and current position. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the district's financial performance.

### FINANCIAL HIGHLIGHTS

The overall financial condition of the district remains strong. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available.

The assets of the Johannesburg-Lewiston Area Schools District exceeded its liabilities at the close of the most recent fiscal year by \$4,383,418 (net assets).

The district's total net assets increased by \$585,883 in the 2006/07 school year.

At the end of the current fiscal year, the fund balance for the District's General Fund is \$658,943.

### USING THE ANNUAL REPORT

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

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements.

### Reporting the District as a Whole – The Statement of Net Assets and Statement of Activities

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

The two statements report the District's net assets and any changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions on a State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

### Reporting the District's Most Significant Funds

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the district as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Governmental Funds

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental funds is reconciled in the basic financial statements.

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the District's net assets as of June 30, 2007 and June 30, 2006.

TABLE 1 Governmental Activities

<u>Assets</u>	<u>06/30/07</u>	<u>06/30/06</u>
Current Assets	\$ 866,350	\$ 944,249
Noncurrent Assets	<u>10,017,878</u>	<u>10,397,486</u>
Total Assets	<u>10,884,228</u>	<u>11,341,735</u>
 <u>Liabilities</u>		
Current Liabilities	117,221	154,288
Noncurrent Liabilities	<u>6,383,589</u>	<u>7,389,912</u>
Total Liabilities	<u>6,500,810</u>	<u>7,544,200</u>
 <u>Net Assets</u>		
Invested in Capital Assets - Net of Debt	3,882,878	3,347,486
Restricted	121,920	147,344
Unrestricted	<u>378,620</u>	<u>302,705</u>
Total Net Assets	<u>\$ 4,383,418</u>	<u>\$ 3,797,535</u>

The District currently reports positive balances in each category of net assets.

The results of this year's operations for the District as a whole are represented in a statement of activities (Table 2), which shows the changes in net assets for the fiscal year 2007 and fiscal year 2006.

TABLE 2 Governmental Activities

	<u>06/30/07</u>	<u>06/30/06</u>
<u>Program Revenues</u>		
Charges for services	\$ 136,584	\$ 142,228
Operating grants and contributions	<u>861,385</u>	<u>915,168</u>
 <u>General Revenues</u>		
Property taxes	5,947,578	5,505,155
State School Aid	1,831,186	2,168,088
Other	<u>163,078</u>	<u>147,717</u>
Total Revenues	<u>8,939,811</u>	<u>8,878,356</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>06/30/07</u>	<u>06/30/06</u>
Functions/Program Expenses		
Instruction	4,553,746	4,794,892
Supporting services	3,045,781	3,072,740
Athletics & food services	517,482	505,093
Transfers and other	<u>236,919</u>	<u>262,668</u>
Total Expenses	<u>8,353,928</u>	<u>8,635,393</u>
Change in Net Assets	<u>\$ 585,883</u>	<u>\$ 242,963</u>

As reported in the statement of activities the cost of all governmental activities for the year was \$8,353,928. While \$5,947,578 in revenue was generated directly from local taxpayers, another \$136,584 was generated through "charges for actual services" to local districts, or individuals that benefited directly from our services. State, federal, other regional grants and programs brought \$861,385 to the district. The district received \$1,831,186 in state education funding and just over \$163,078 in other miscellaneous sources, inclusive of investment earnings. Net assets for the year ending June 30, 2007 increased by \$585,883.

### **MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The District's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. During the fiscal year of 2006/07 the District amended the budgets of these major governmental funds twice. This has been the normal business practice of the district. Due to the timing of grant awards and pupil counts, the general fund budget could change significantly from the beginning to the end of the year.

#### General Fund

The General Fund revenues were lower than expenditures in the past year of operations by \$1,420. The district has evaluated expenditures in all operational areas in order to make budgetary cuts if necessary.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### Capital Assets

The District's assets have accumulated \$7,722,308 of depreciation. Our capitalized assets include our buildings, land, equipment and transportation fleet. This year saw a \$379,608 decrease in Net Capital Assets. A categorized listing of the assets is below.

TABLE 3      Governmental Activities

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital assets not being depreciated:				
Land	\$ 6,253	\$ -	\$ -	\$ 6,253
Capital assets being depreciated:				
Land improvements	778,237	-	-	778,237
Building and building improvements	14,361,657	-	-	14,361,657
Buses and other vehicles	824,154	62,846	130,000	757,000
Furniture and equipment	<u>1,968,800</u>	<u>18,517</u>	<u>150,278</u>	<u>1,837,039</u>
Subtotal	<u>17,932,848</u>	<u>81,363</u>	<u>280,278</u>	<u>17,733,933</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Accumulated depreciation:

Land improvements	318,830	34,512	-	353,342
Building and building improvements	4,976,177	304,870	-	5,281,047
Buses and other vehicles	598,821	52,974	130,000	521,795
Furniture and equipment	<u>1,647,787</u>	<u>68,615</u>	<u>150,278</u>	<u>1,566,124</u>
Subtotal	<u>7,541,615</u>	<u>460,971</u>	<u>280,278</u>	<u>7,722,308</u>
Net capital assets being depreciated	<u>10,391,233</u>	<u>(379,608)</u>	<u>-</u>	<u>10,011,625</u>
Net governmental capital assets	<u>\$ 10,397,486</u>	<u>\$ (379,608)</u>	<u>\$ -</u>	<u>\$ 10,017,878</u>

### Long Term Debt

The District owes \$6,224,291 on debt that will be paid over the next ten years. This is a decrease in outstanding debt of \$877,320 or 12.8%. In addition, the 2002 Bonded Debt was paid in full leaving only the 2004 Refunding Bond and the Durant Debt outstanding. More detail is shown on pages 20-21 in the Notes to the Financial Statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the State of Michigan has dramatically slowed and forecasts project shortages in both the State's General Fund and the School Aid Fund for the upcoming year. The exact implications the shortages will have on the District are unknown. Our budgets were prepared with these factors in mind. We also are dependent on student counts which vary from year to year, for our foundation allowance.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Johannesburg-Lewiston Area Schools District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Superintendent, Johannesburg-Lewiston Area Schools, 10854 M-32, Johannesburg, MI 49751 –  
Phone 989-732-1773

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Governmental Activities
<b>ASSETS</b>	
Cash demand and time deposits	\$ 454,866
Receivables	
Other governments	355,620
Taxes	37,506
Accounts	14,942
Inventory	3,416
Capital assets	
Land	6,253
Other capital assets, net of depreciation	10,011,625
 TOTAL ASSETS	 10,884,228
 <b>LIABILITIES</b>	
Account payable	23,617
Accrued liabilities	85,811
Deferred revenue	7,793
Noncurrent liabilities:	
Due within one year	665,000
Due in more than one year	5,718,589
 TOTAL LIABILITIES	 6,500,810
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,882,878
Restricted for:	
Debt Service	121,920
Unrestricted	378,620
 TOTAL NET ASSETS	 \$ 4,383,418

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Instruction	\$ 4,553,746	\$ -	\$ 390,912	\$ (4,162,834)
Support Services	3,045,781	-	239,123	(2,806,658)
Athletics	171,949	37,444	-	(134,505)
Food Service	345,533	99,140	231,350	(15,043)
Interest on Debt	<u>236,919</u>	<u>-</u>	<u>-</u>	<u>(236,919)</u>
Total Governmental Activities	<u>\$ 8,353,928</u>	<u>\$ 136,584</u>	<u>\$ 861,385</u>	<u>(7,355,959)</u>
 <b>General revenues:</b>				
Taxes:				
Property taxes levied for general purposes				4,655,841
Property taxes, levied for debt services				1,120,568
Property taxes, levied for special education through ESD				171,169
State aid not restricted to specific purposes				1,831,186
Interest, investment, and royalty earnings				98,704
Other				<u>64,374</u>
Total general revenues, contributions and transfers				<u>7,941,842</u>
Change in net assets				585,883
Net assets, beginning of year				<u>3,797,535</u>
<b>Net assets, end of year</b>				<u><b>\$ 4,383,418</b></u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	GENERAL FUND	2004 REFUNDING BONDS	OTHER FUNDS	TOTAL
<b>ASSETS</b>				
Cash	\$ 333,547	\$ 117,598	\$ 3,721	\$ 454,866
Receivables				
Taxes	33,184	4,322	-	37,506
Accounts	12,197	-	2,745	14,942
Inventory	-	-	3,416	3,416
Due From Other Funds	5,950	-	-	5,950
Due From Other Governmental Units	<u>355,620</u>	<u>-</u>	<u>-</u>	<u>355,620</u>
 TOTAL ASSETS	 <u>\$ 740,498</u>	 <u>\$ 121,920</u>	 <u>\$ 9,882</u>	 <u>\$ 872,300</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 23,617	\$ -	\$ -	\$ 23,617
Accrued Liabilities	50,145	-	-	50,145
Due to Other Funds	-	-	5,950	5,950
Deferred Revenue	<u>7,793</u>	<u>-</u>	<u>-</u>	<u>7,793</u>
 TOTAL LIABILITIES	 <u>81,555</u>	 <u>-</u>	 <u>5,950</u>	 <u>87,505</u>
 <b>FUND BALANCES</b>				
Reserved	-	121,920	-	121,920
Unreserved	<u>658,943</u>	<u>-</u>	<u>3,932</u>	<u>662,875</u>
 TOTAL FUND BALANCES	 <u>658,943</u>	 <u>121,920</u>	 <u>3,932</u>	 <u>784,795</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 740,498</u>	 <u>\$ 121,920</u>	 <u>\$ 9,882</u>	 <u>\$ 872,300</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**JUNE 30, 2007**

Fund Balances - Total Governmental Funds	\$ 784,795
<p>Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Capital Assets - at Cost	17,740,186
Accumulated Depreciation	(7,722,308)
<p>Certain liabilities such as bonds and notes payable are not due and payable in the current period and therefore are not reported in the governmental funds</p>	
Bonds payable	(6,224,291)
Retirement incentive payable	(120,000)
Compensated absences payable	(39,298)
Accrued interest payable is not included as a liability in governmental funds	(35,666)
Net Assets of Governmental Activities	\$ 4,383,418

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	2004			TOTAL
	GENERAL FUND	REFUNDING BONDS	OTHER FUNDS	
<b>REVENUES</b>				
Local Sources	\$ 4,827,010	\$ 873,684	\$ 383,468	\$ 6,084,162
State Sources	2,154,657	-	15,750	2,170,407
Federal Sources	306,564	-	215,600	522,164
Interest Income	87,439	8,372	2,893	98,704
Other Revenue	64,374	-	-	64,374
<b>TOTAL REVENUES</b>	<u>7,440,044</u>	<u>882,056</u>	<u>617,711</u>	<u>8,939,811</u>
<b>EXPENDITURES</b>				
Current				
Instruction	4,445,714	-	-	4,445,714
Supporting Services	2,784,165	-	-	2,784,165
Athletic Events	-	-	171,949	171,949
Food Services	-	-	345,533	345,533
Capital Outlay	81,363	-	-	81,363
Debt Service:				
Principal	-	540,000	375,000	915,000
Interest and Other Charges	-	227,982	13,375	241,357
<b>TOTAL EXPENDITURES</b>	<u>7,311,242</u>	<u>767,982</u>	<u>905,857</u>	<u>8,985,081</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>128,802</u>	<u>114,074</u>	<u>(288,146)</u>	<u>(45,270)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	252,713	252,713
Transfers (Out)	(130,222)	(122,491)	-	(252,713)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(130,222)</u>	<u>(122,491)</u>	<u>252,713</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(1,420)	(8,417)	(35,433)	(45,270)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>660,363</u>	<u>130,337</u>	<u>39,365</u>	<u>830,065</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 658,943</u>	<u>\$ 121,920</u>	<u>\$ 3,932</u>	<u>\$ 784,795</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ (45,270)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - Capital Outlay	81,363
Deduct - Depreciation Expense	(460,971)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - Principal Payments on Long-term Liabilities	915,000
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Accrued interest, compensated absences, and retirement incentive payable do not require the use of current financial resources and therefore are not reported as expenditures in the fund statements

Add - Decrease in retirement incentive payable	90,000
Add - Decrease in accrued interest payable on bonds	4,438
Add - Decrease in compensated absences	<u>1,323</u>

Change in Net Assets of Governmental Activities	<u>\$ 585,883</u>
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See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
STATEMENT OF FIDUCIARY FUND NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2007**

ASSETS

Cash \$ 108,624

TOTAL ASSETS \$ 108,624

LIABILITIES

Due to Student Groups \$ 108,624

TOTAL LIABILITIES \$ 108,624

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

The accounting policies of Johannesburg-Lewiston Area Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District.

**REPORTING ENTITY**

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

**DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

**District-Wide Financial Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Financial Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

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

2004 Refunding Bonds Debt Retirement Fund – The 2004 Refunding Bonds Debt Retirement Fund is used to record tax, interest, and other revenue for the payment of general long-term debt principal, interest, and related costs.

Additionally, the District reports the following non-major governmental types:

Special Revenue Funds - Special Revenue Funds are governmental funds used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District's Special Revenue Funds include the Food Service and Athletics Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

The 2002 Debt Fund and Durant Debt Fund are also non-major funds operated by the school district.

Fiduciary Funds – The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Cash and Investments** – Cash and investments include cash on hand, demand deposits, and savings accounts.

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds."

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 of the following year. These taxes are due on September 14 with the final collection date of February 28 of the following year before they are added to the county delinquent tax rolls. The County operates a delinquent tax revolving fund and normally pays to the District all current taxes annually prior to June 30.

**Restricted Assets** – The fund balance in the debt service fund is shown as a restricted fund balance. This balance can only be used to service the debt.

**Capital Assets** – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings, building additions, and land improvements	10-50 years
Buses and other vehicles	7-15 years
Furniture and other equipment	2-15 years

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

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Accounting Change** – Effective July 1, 2003, the School district implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) along with all related statements and interpretations.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general and special revenue funds. All annual appropriations lapse at the fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Excess Expenditures Over Appropriations in Budgeted Funds** - The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Transfers Out			
Athletics	\$ 100 000	\$ 127,692	\$ (27,692)
Special Revenue Fund:			
Athletics	\$ 164,019	\$ 171,949	\$ (7,930)

The Food Service budget was not approved until September 11, 2006 and the Athletic Fund budget was not approved until October 9, 2006. Both should have been approved prior to expending funds and violates Public Act 621.

**NOTE 3 - CASH AND INVESTMENTS**

The captions on the combined balance sheet related to cash and investments are as follows:

	<u>Imprest Cash</u>	<u>Cash/checking and Savings</u>	<u>Total</u>
Governmental Activities	\$ 210	\$ 454,656	\$ 454,866
Agency Funds	-	108,624	108,624
	<u>\$ 210</u>	<u>\$ 563,280</u>	<u>\$ 563,490</u>

**Deposits** - At year-end, the carrying amount of the District's deposits was \$563,280 and the balance was classified as to risk as follows.

Insured	\$ 338,545
Uninsured – Uncollateralized	<u>224,735</u>
	<u>\$ 563,280</u>

**Investments** – Act 217, PA 1982, authorized the School District to deposit and invest in the following:

- a. Bonds, bills, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit and other savings instruments issued by a federally insured bank, savings and loan or credit union maintaining an office in Michigan.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Mutual Funds comprised of investments which are legal for direct investment by local units of government in Michigan.
- e. U.S. Government or federal agency obligation repurchase agreements.

The Board of Education is authorized to designate depositories for District funds, and the funds are invested in accordance with State of Michigan statutory authority

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). There were no investments at June 30, 2007.

Interest Rate Risk

The School District has not adopted a policy that indicates how the School 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 limiting the weighted average maturity of its investment portfolio to less than a given period of time. There were no investments at June 30, 2007.

Concentration of Credit Risk

The School District has not adopted a policy that indicates how 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. There were no investments at June 30, 2007.

Custodial Credit Risk

The School District has not adopted a policy that indicates how the District will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments of collateral securities that are in possession of an outside party. There were no investments at June 30, 2007.

**NOTE 4 – RECEIVABLES**

Receivables as of year-end for the School District's individual major funds and the other nonmajor governmental funds are as follows:

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Receivables			
Taxes	\$ 33,184	\$ -0-	\$ 33,184
Accounts	12,197	2,745	14,942
State of Michigan	<u>355,620</u>	<u>-0-</u>	<u>355,620</u>
Net Receivables	<u>\$ 401,001</u>	<u>2,745</u>	<u>\$ 403,746</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is 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, deferred revenue consists of grant and categorical aid payments received prior to meeting all eligibility requirements and other items totaling \$7,793.

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

Transfers In/Out	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Total</u>
General Fund	\$ -0-	\$ (130,222)	\$ (130,222)
Special Revenue:			
Food Service Fund	2,530	-0-	2,530
Athletics	127,692	-0-	127,692
Debt Service:			
2004 Debt Fund		(122,491)	(122,491)
2002 Debt Fund	<u>122,491</u>	<u>-0-</u>	<u>122,491</u>
 Total	 <u>\$ 252,713</u>	 <u>\$ (252,713)</u>	 <u>\$ -0-</u>

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity of the School District's governmental activities was as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital assets not being depreciated:				
Land	\$ 6,253	\$ -	\$ -	\$ 6,253
Capital assets being depreciated:				
Land improvements	778,237	-	-	778,237
Building and building improvements	14,361,657	-	-	14,361,657
Buses and other vehicles	824,154	62,846	130,000	757,000
Furniture and equipment	<u>1,968,800</u>	<u>18,517</u>	<u>150,278</u>	<u>1,837,039</u>
 Subtotal	 <u>17,932,848</u>	 <u>81,363</u>	 <u>280,278</u>	 <u>17,733,933</u>
Accumulated depreciation:				
Land improvements	318,830	34,512	-	353,342
Building and building improvements	4,976,177	304,870	-	5,281,047
Buses and other vehicles	598,821	52,974	130,000	521,795
Furniture and equipment	<u>1,647,787</u>	<u>68,615</u>	<u>150,278</u>	<u>1,566,124</u>
 Subtotal	 <u>7,541,615</u>	 <u>460,971</u>	 <u>280,278</u>	 <u>7,722,308</u>
 Net capital assets being depreciated	 <u>10,391,233</u>	 <u>(379,608)</u>	 <u>-</u>	 <u>10,011,625</u>
 Net governmental capital assets	 <u>\$ 10,397,486</u>	 <u>\$ (379,608)</u>	 <u>\$ -</u>	 <u>\$ 10,017,878</u>

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

Governmental activities:

Instruction	\$ 199,355
Support services	<u>261,616</u>
Total	<u>\$ 460,971</u>

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 7 - LONG-TERM DEBT**

The following is a summary of debt transactions of the School District for the Year ended June 30, 2007:

	<u>2002 Bond</u>	<u>Durant Debt</u>	<u>2004 Refunding Bond</u>	<u>Compensated Absences and Retirement Incentive</u>	<u>Total</u>
Payable at July 1, 2006	\$ 375,000	\$ 89,291	\$ 6,675,000	\$ 250,621	\$ 7,389,912
Additions	-0-	-0-	-0-	-0-	-0-
Reductions	<u>(375,000)</u>	<u>-0-</u>	<u>(540,000)</u>	<u>(91,323)</u>	<u>(1,006,323)</u>
Payable at June 30, 2007	<u>\$ -0-</u>	<u>\$ 89,291</u>	<u>\$ 6,135,000</u>	<u>\$ 159,298</u>	<u>\$ 6,383,589</u>

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 6/30/07</u>		<u>Total</u>
			<u>Principal</u>	<u>Interest</u>	
2002 Bond	2.50-3.50%	2007	\$ -0-	\$ -0-	\$ -0-
Durant Debt	5.20%	2005	89,291	24,534	113,825
2004 Refunding Bonds	2.00-4.00%	2016	<u>6,135,000</u>	<u>1,195,075</u>	<u>7,330,075</u>
Total			<u>\$6,224,291</u>	<u>\$1,219,609</u>	<u>\$ 7,443,900</u>

**2002 GENERAL OBLIGATION BONDS** - Original issue - \$1,700,000 – Building improvements serial bonds due in annual installments as scheduled below. Interest rates vary from 2.50% to 3.50% throughout the life of the bond issue. The final payment was made May 1, 2007.

**DURANT DEBT** - During a previous fiscal year the district received proceeds in the amount of \$151,222 as partial resolution of litigation. The District will receive State Aid equal to the debt service cost annually. If the legislature fails to appropriate the funds, the District is under no obligation to make the payment.

Original issue - \$151,222 – School Improvement Bond, Series 1998 due in annual installments as scheduled below. The annual interest rate is 4.761343%. The final payment is due May 15, 2013.

During the 2006/07 school year the Michigan Municipal bond Authority determined that certain payments of principal and interest (those payments due May of 2007, and 2008) shall be deferred until a later date which increases the amounts due in the later years of the contract but does not increase the total number of years outstanding.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	-0-	-0-	-0-	2011	9,236	1,383	10,619
2009	8,416	2,203	10,619	2012	9,676	943	10,619
2010	51,827	19,522	71,349	2013	<u>10,136</u>	<u>483</u>	<u>10,619</u>
				Total	<u>\$ 89,291</u>	<u>\$ 24,534</u>	<u>\$ 113,825</u>

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

2004 REFUNDING GENERAL OBLIGATION BONDS - Original issue - \$7,195,000 – Building improvements serial bonds due in annual installments as scheduled below. Interest rates vary from 2.00% to 4.00% throughout the life of the bond issue. The final payment is due May 1, 2016.

	<u>May 1 Principal</u>	<u>Interest Rate</u>	<u>May 1 Interest</u>	<u>Nov 1 Interest</u>	<u>Total</u>
2007		2.500		107,000	107,000
2008	590,000	2.5-3.0	107,000	99,625	796,625
2009	610,000	3.000	99,625	90,475	800,100
2010	630,000	3.0-3.5	90,475	81,025	801,500
2011	655,000	3.500	81,025	69,562	805,587
2012	675,000	3.500	69,563	57,750	802,313
2013	700,000	3.5-4.0	57,750	45,500	803,250
2014	730,000	4.000	45,500	30,900	806,400
2015	760,000	4.000	30,900	15,700	806,600
2016	785,000	4.000	15,700	-0-	800,700
	<u>\$ 6,135,000</u>		<u>\$ 597,538</u>	<u>\$ 597,537</u>	<u>\$ 7,330,075</u>

Five Year Annual Debt Service for all debt, other than retirement incentive and compensated absences, combined is as follows:

Annual Debt Service Requirements:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007/08	\$ 590,000	\$ 214,000	\$ 804,000
2008/09	618,416	201,453	819,869
2009/10	681,827	200,472	882,299
2010/11	664,236	163,433	827,669
2011/12	684,676	140,068	824,744
2012-2016	2,985,136	300,183	3,285,319
Total	<u>\$ 6,224,291</u>	<u>\$ 1,219,609</u>	<u>\$ 7,443,900</u>

\$121,920 is available in the Debt Retirement Funds to service the general obligation bonds.

**NOTE 8 - DEFINED BENEFIT PENSION PLAN**

All District full-time employees participate in the Michigan Public School Employees' Retirement System, ("System"), a cost-sharing multiple-employer public employee retirement system. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN – (CONTINUED)**

All full-time employees of the District are required by law to participate in the System. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service or at age 60 with 5 years of service. Both basic and MIP plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. Benefits are paid monthly over the member's or survivor's lifetime and are equal to 1.5% of the member's final average compensation times the member's years of credited service. The final average compensation period for basic members is 60 consecutive months and for MIP members is 36 consecutive months. The system also provides health, dental and vision insurance coverage for retirees.

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at various rates depending on school fiscal year compensation. Basic plan members make no contributions. The District was required to contribute 17.74% of participant's salary to the System for the fiscal year ended 6/30/07, and the State of Michigan is responsible for any further contributions necessary to keep the fund actuarially sound. The School District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 were \$670,299, \$661,192, and \$609,865.

**Post-Employment Benefits**

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. In prior years the State pre-funded these benefits using the entry age actuarial cost method. Retirees having this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. These contributions are deducted from the retirees monthly pension. No additional contributions are required from the District on these post-employment benefits. The 17.74% noted above includes these costs.

**NOTE 9 - RISK MANAGEMENT**

The School District participates in the MASB-SEG Property and Casualty Pool and Workers Compensation Pool.

The MASB-SEG Property/Casualty Pool, Inc. was created on May 23, 1985 and organized under Public Act 138 of 1982 as amended, as a governmental group property and casualty self-insurance pool. Approximately 375 educational institutions within the State of Michigan participate in the Pool.

The Pool limits the maximum net loss that may arise from large risks or in concentrated areas of exposure by reinsuring certain levels of risks with other insurers or reinsurers. The Pool purchases excess liability coverage from one or more insurers or reinsurers to provide 100 percent coverage at each insured level.

**NOTE 10 – SUBSEQUENT EVENT**

On May 14, 2007 the Board of Education approved the annual borrowing resolution in an amount not to exceed \$500,000. The School District had not borrowed those funds as of the opinion date. The need to borrow did not exist this year, because the District has switched to a summer tax collection.

**REQUIRED SUPPLEMENTARY INFORMATION**

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, OTHER SOURCES (USES)  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Local Sources	\$ 4,941,170	\$ 4,986,196	\$ 4,978,823	\$ (7,373)
State Sources	2,256,703	2,200,651	2,154,657	(45,994)
Federal Sources	<u>274,000</u>	<u>283,085</u>	<u>306,564</u>	<u>23,479</u>
 TOTAL REVENUES	 <u>7,471,873</u>	 <u>7,469,932</u>	 <u>7,440,044</u>	 <u>(29,888)</u>
EXPENDITURES				
Instruction:				
Basic programs	3,442,720	3,474,687	3,497,111	(22,424)
Added Needs	1,013,717	1,004,322	948,603	55,719
Support Services:				
Student Services	259,705	284,352	283,999	353
General Administration	252,538	256,712	248,099	8,613
Office of Principal	600,000	605,461	630,222	(24,761)
Business Office	85,000	132,092	139,134	(7,042)
Technology	120,000	90,000	89,323	677
Plant Operation and Maintenance	851,419	846,674	756,253	90,421
Transportation	641,298	624,569	631,123	(6,554)
Other Services	-	8,500	6,012	2,488
Capital Outlay	<u>77,000</u>	<u>81,000</u>	<u>81,363</u>	<u>(363)</u>
 TOTAL EXPENDITURES	 <u>7,343,397</u>	 <u>7,408,369</u>	 <u>7,311,242</u>	 <u>97,127</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>128,476</u>	<u>61,563</u>	<u>128,802</u>	<u>67,239</u>
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	<u>(111,830)</u>	<u>(111,830)</u>	<u>(130,222)</u>	<u>(18,392)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(111,830)</u>	 <u>(111,830)</u>	 <u>(130,222)</u>	 <u>(18,392)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	16,646	(50,267)	(1,420)	48,847
FUND BALANCES, BEGINNING OF YEAR	<u>620,000</u>	<u>660,363</u>	<u>660,363</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 636,646</u>	<u>\$ 610,096</u>	<u>\$ 658,943</u>	<u>\$ 48,847</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER SOURCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNT</u>			VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>OVER (UNDER)</u>
<b>LOCAL SOURCES</b>				
Taxes and Penalties	\$ 4,675,000	\$ 4,675,445	\$ 4,655,841	\$ (19,604)
Interest & Royalties	25,000	82,464	87,439	4,975
Miscellaneous Income	73,170	57,119	64,374	7,255
Incoming Transfers ISD	<u>168,000</u>	<u>171,168</u>	<u>171,169</u>	<u>1</u>
<b>TOTAL LOCAL SOURCES</b>	<u>4,941,170</u>	<u>4,986,196</u>	<u>4,978,823</u>	<u>(7,373)</u>
<b>STATE SOURCES</b>				
Categorical State Aid	2,256,703	2,200,651	2,152,258	(48,393)
Incoming Transfers ISD	<u>-</u>	<u>-</u>	<u>2,399</u>	<u>2,399</u>
<b>TOTAL STATE SOURCES</b>	<u>2,256,703</u>	<u>2,200,651</u>	<u>2,154,657</u>	<u>(45,994)</u>
<b>FEDERAL SOURCES</b>				
Title I	205,000	205,295	205,295	-
Title II A	53,000	52,797	52,797	-
Title II D Tech Literacy	-	2,107	2,107	-
Title V	-	3,089	3,089	-
Comprehensive School Reform	-	-	19,323	19,323
Incoming Transfers ISD & Other	<u>16,000</u>	<u>19,797</u>	<u>23,953</u>	<u>4,156</u>
<b>TOTAL FEDERAL SOURCES</b>	<u>274,000</u>	<u>283,085</u>	<u>306,564</u>	<u>23,479</u>
<b>TOTAL REVENUE &amp; OTHER FINANCING SOURCES</b>	<u>\$ 7,471,873</u>	<u>\$ 7,469,932</u>	<u>\$ 7,440,044</u>	<u>\$ (29,888)</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES, AND OTHER USES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNT</u>			VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	OVER (UNDER)
<b>EXPENDITURES</b>				
<b>INSTRUCTION</b>				
Basic Programs:				
Elementary	\$ 1,311,906	\$ 1,295,078	\$ 1,346,404	\$ (51,326)
Middle School	962,721	981,600	973,496	8,104
High School	1,138,393	1,168,309	1,147,514	20,795
Early Childhood	<u>29,700</u>	<u>29,700</u>	<u>29,697</u>	<u>3</u>
Total Basic Programs	<u>3,442,720</u>	<u>3,474,687</u>	<u>3,497,111</u>	<u>(22,424)</u>
Added Needs:				
Special Education	393,795	393,795	387,136	6,659
Title I	246,355	246,355	202,738	43,617
At Risk	325,445	292,048	287,208	4,840
Vocational Education	<u>48,122</u>	<u>72,124</u>	<u>71,521</u>	<u>603</u>
Total Added Needs	<u>1,013,717</u>	<u>1,004,322</u>	<u>948,603</u>	<u>55,719</u>
<b>TOTAL INSTRUCTION</b>	<u>4,456,437</u>	<u>4,479,009</u>	<u>4,445,714</u>	<u>33,295</u>
<b>SUPPORTING SERVICES</b>				
Student Services:				
Guidance Services	44,073	77,470	76,930	540
Comprehensive School Reform	3,750	-	19,323	(19,323)
Other Services	5,250	5,250	5,137	113
Library	198,632	193,632	178,304	15,328
Drug Free	3,000	3,000	1,529	1,471
Computers & Technology	<u>5,000</u>	<u>5,000</u>	<u>2,776</u>	<u>2,224</u>
Total Student Services	<u>259,705</u>	<u>284,352</u>	<u>283,999</u>	<u>353</u>
General Administration:				
Board of Education	67,350	67,350	60,289	7,061
Executive Administration	<u>185,188</u>	<u>189,362</u>	<u>187,810</u>	<u>1,552</u>
Total General Administration	<u>252,538</u>	<u>256,712</u>	<u>248,099</u>	<u>8,613</u>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES, AND OTHER USES  
BUDGET AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNT</u>			VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>OVER (UNDER)</u>
INSTRUCTION (CONTINUED)				
School Administration				
Office of Principal	\$ 600,000	\$ 605,461	\$ 630,222	\$ (24,761)
Business Office	<u>85,000</u>	<u>132,092</u>	<u>139,134</u>	<u>(7,042)</u>
Total School Administration	<u>685,000</u>	<u>737,553</u>	<u>769,356</u>	<u>(31,803)</u>
Technology	120,000	90,000	89,323	677
Plant Operation and Maintenance	851,419	846,674	756,253	90,421
Pupil Transportation	641,298	624,569	631,123	(6,554)
Other Services	-	8,500	6,012	2,488
Capital Outlay	<u>77,000</u>	<u>81,000</u>	<u>81,363</u>	<u>(363)</u>
TOTAL SUPPORTING SERVICES	<u>2,886,960</u>	<u>2,929,360</u>	<u>2,865,528</u>	<u>63,832</u>
OUTGOING TRANSFERS				
Food Service Fund	11,830	11,830	2,530	9,300
Athletics Fund	<u>100,000</u>	<u>100,000</u>	<u>127,692</u>	<u>(27,692)</u>
TOTAL OUTGOING TRANSFERS	<u>111,830</u>	<u>111,830</u>	<u>130,222</u>	<u>(18,392)</u>
TOTAL EXPENDITURES AND TRANSFERS OUT	<u>\$ 7,455,227</u>	<u>\$ 7,520,199</u>	<u>\$ 7,441,464</u>	<u>\$ 78,735</u>

See Notes to Financial Statements

## **OTHER SUPPLEMENTARY INFORMATION**

**JOHANNESBURG-LEWISTON AREA SCHOOLS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007**

SPECIAL REVENUE FUNDS

	ATHLETIC FUND	FOOD SERVICE FUND	2002 DEBT FUND	DURANT DEBT FUND	TOTAL
<b>ASSETS</b>					
Cash	\$ 866	\$ 2,855	\$ -	\$ -	\$ 3,721
Receivables					
Taxes	-	-	-	-	-
Accounts	-	2,745	-	-	2,745
Inventory	-	3,416	-	-	3,416
	<u>866</u>	<u>9,016</u>	<u>-</u>	<u>-</u>	<u>9,882</u>
<b>TOTAL ASSETS</b>	<b>\$ 866</b>	<b>\$ 9,016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,882</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	5,950	-	-	5,950
	<u>-</u>	<u>5,950</u>	<u>-</u>	<u>-</u>	<u>5,950</u>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>5,950</b>	<b>-</b>	<b>-</b>	<b>5,950</b>
<b>FUND BALANCE</b>					
Reserved	-	-	-	-	-
Unreserved	866	3,066	-	-	3,932
	<u>866</u>	<u>3,066</u>	<u>-</u>	<u>-</u>	<u>3,932</u>
<b>TOTAL FUND BALANCES</b>	<b>866</b>	<b>3,066</b>	<b>-</b>	<b>-</b>	<b>3,932</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 866</b>	<b>\$ 9,016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,882</b>

See Notes to Financial Statements

**JOHANNESBURG-LEWISTON AREA SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>SPECIAL REVENUE FUNDS</u>				
	<u>ATHLETIC FUND</u>	<u>FOOD SERVICE FUND</u>	<u>2002 DEBT FUND</u>	<u>DURANT DEBT FUND</u>	<u>TOTAL</u>
REVENUES					
Local Sources	\$ 37,444	\$ 99,140	\$ 246,884	\$ -	\$ 383,468
Interest	900	-	1,993	-	2,893
State Sources	-	15,750	-	-	15,750
Federal Sources	-	<u>215,600</u>	-	-	<u>215,600</u>
 TOTAL REVENUES	 <u>38,344</u>	 <u>330,490</u>	 <u>248,877</u>	 <u>-</u>	 <u>617,711</u>
EXPENDITURES					
Athletics	171,949	-	-	-	171,949
Food Service	-	345,533	-	-	345,533
Debt Service					
Principal	-	-	375,000	-	375,000
Interest	-	-	<u>13,375</u>	-	<u>13,375</u>
 TOTAL EXPENDITURES	 <u>171,949</u>	 <u>345,533</u>	 <u>388,375</u>	 <u>-</u>	 <u>905,857</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(133,605)</u>	<u>(15,043)</u>	<u>(139,498)</u>	<u>-</u>	<u>(288,146)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	<u>127,692</u>	<u>2,530</u>	<u>122,491</u>	<u>-</u>	<u>252,713</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>127,692</u>	 <u>2,530</u>	 <u>122,491</u>	 <u>-</u>	 <u>252,713</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,913)	(12,513)	(17,007)	-	(35,433)
FUND BALANCES, BEGINNING OF YEAR	<u>6,779</u>	<u>15,579</u>	<u>17,007</u>	<u>-</u>	<u>39,365</u>
FUND BALANCES, END OF YEAR	<u>\$ 866</u>	<u>\$ 3,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,932</u>

See Notes to Financial Statements



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

September 28, 2007

Board of Education  
Johannesburg-Lewiston Area Schools  
Johannesburg, Michigan 49751

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Johannesburg-Lewiston Area Schools as of and for the year ended June 30, 2007, which collectively comprise the Johannesburg-Lewiston Area Schools' basic financial statements and have issued my report thereon dated September 28, 2007. I conducted my 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 my audit, I considered Johannesburg-Lewiston Area Schools' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Johannesburg-Lewiston Area Schools' internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johannesburg-Lewiston Area Schools' financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

I noted certain immaterial instances of noncompliance that I reported to management of Johannesburg-Lewiston Area Schools in a separate letter dated September 28, 2007.

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



THOMAS R. ZICK CPA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT



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## FINANCIAL AUDIT COMMENTS

September 28, 2007

Board of Education  
Johannesburg-Lewiston Area Schools  
Johannesburg, Michigan 49751

I have audited the basic financial statements of Johannesburg-Lewiston Area Schools, Johannesburg, Michigan, for the year ended June 30, 2007, and have issued my report thereon dated September 28, 2007. My report is unqualified.

I have conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of Johannesburg-Lewiston Area Schools, Johannesburg, Michigan is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the basic financial statements of Johannesburg-Lewiston Area Schools, Johannesburg, Michigan, for the year ended June 30, 2007, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain immaterial matters involving the internal control structure and other matters that I detail for your attention below.

**BUDGETS**

The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Transfers Out			
Athletics	\$ 100,000	\$ 127,692	\$ (27,692)
Special Revenue Fund:			
Athletics	\$ 164,019	\$ 171,949	\$ (7,930)

The Food Service budget was not approved until September 11, 2006 and the Athletic Fund budget was not approved until October 9, 2006. Both should have been approved prior to expending funds and violates Public Act 621.

**FEDERAL PROGRAMS**

COMPREHENSIVE SCHOOL REFORM GRANT

The grant period ended September 30, 2006 and approximately \$19,000 was unspent. Several attempts were made to return these funds to the Michigan Department of Education, but as of June 30, 2007 the amount has been reclassified to an account payable and has not been repaid.

The Michigan Department of Education increased the district's CSR grant by \$6,100 based upon a directive dated June of 2006 even though the district had not spent all of the original grant. These additional funds contributed to the overpayment noted in the paragraph above.

**STUDENT ACTIVITY / FIDUCIARY ACCOUNTS**

Expenses are still being paid out of a student activity account which should be expenditures of the district general fund. All disbursements from this fund should be for activity items only and not expenditures which should be classified in one of the district's funds. During the year a small federal grant from the ESD was deposited and spent in the activity funds.

**PROPERTY TAX REVENUE / STATE AID**

The present system for assuring that each school district gets its entire foundation allowance (which is a combination of property taxes and State Aid) is, in my opinion, flawed. With all of the Tax Tribunal adjustments, Board of Review adjustments and homestead/non-homestead adjustments it is very important that each district reconcile taxable values, as reported on the Michigan Department of Education website, monthly.

Changes that occur on the web site are postings made by the county treasurers. These changes are then posted to your State Aid Status Report which directly affects the State Aid funds received each month. Reconciling those changes monthly is important.

The best approach is to print the MDE taxable value data each month and then agree any changes in these reports to page two of your monthly status report.

For the fiscal year ended June 30, 2007 substantial amounts were deducted from your tax collections but the offsetting entries were not timely posted to the MDE website by the Counties.

**ATHLETIC FUND EXPENDITURES**

Coaching salaries and other fees paid to staff employees must be processed through the district payroll system and included as income in their W-2.

All contractual employees funded through the athletic department must be given 1099 forms if annual compensation exceeds \$600.

This report is intended solely for the information and use of the Johannesburg-Lewiston Area Schools management, Board of Education, the Michigan Departments of Treasury and Education, 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.



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