

FRANKENMUTH SCHOOL DISTRICT
Frankenmuth, Michigan

FINANCIAL STATEMENTS
June 30, 2007

FRANKENMUTH SCHOOL DISTRICT
FRANKENMUTH, MICHIGAN
JUNE 30, 2007

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**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

September 11, 2007

To the Board of Education
Frankenmuth School District
Frankenmuth, Michigan

We have audited the accompanying financial statements of the governmental activities of Frankenmuth School District, 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 Frankenmuth School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Frankenmuth School District as of June 30, 2007, and the respective changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Frankenmuth School District
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In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2007 on our consideration of Frankenmuth School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by 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.

Gardner, Provenzano, Schaumman & Thomas, P.C.

Certified Public Accountants

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the annual financial report presents management's discussion and analysis of Frankenmuth School District's performance during the fiscal year ending June 30, 2007. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the School District.

Annual Report

The annual report consists of our Management's Discussion and Analysis, a series of financial statements, notes to those statements, and supplemental information. The financial statements are divided into two sections. The District-Wide Financial Statements (Government-Wide Financial Statements) provide information about the activities of the School District as a whole. They present a year-end aggregate view and a longer-term view of the District's finances. All funds, capital assets and debt are combined. The Fund Financial Statements (Governmental Fund Statements) provide more detail showing the year's activity by fund. They also show the amount available to finance future programs. Fund Statements do not include long-term items such as capital assets or long-term debt.

District-Wide Financial Statements

The District-wide Financial Statements appear first in the financial statements. They present information on the School District as a whole. They show net assets and a statement of activities for the year. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Net assets, the difference between assets and liabilities, are one way of measuring the financial health of the School District. In the statement of activities, the revenues less the expenses result in an increase or decrease in the net assets. Increases or decreases in net assets, over time, affect the financial health of the District. However, the goal of the School District is to provide quality education and a safe environment, not to make a profit.

The statement of activities covers all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid, and State and Federal grants finance most of these activities.

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Fund Financial Statements

The Fund Financial Statements provide detailed information about the most significant funds instead of the School District as a whole. Some funds are required to be established by State law and by bond covenants. Many of the other funds are created to help control and manage money for a particular purpose or to meet legal responsibilities for certain taxes, grants, and other money. The governmental funds of the School District focus on showing how money flows into and out of funds and the balances left at year-end. They provide a detailed, short-term view of the operations and services of the School District. This helps determine whether more or fewer financial resources are available for future programs. An accounting method called modified accrual accounting is used in fund accounting. This method measures cash and all other financial assets that can readily be converted to cash.

The relationship between governmental activities (District-Wide Financial Statements) and governmental fund activities (Fund Financial Statements) will be reconciled later in the report.

Agency Accounts

The School District acts as an agent for various student activity funds. These net assets are reported in separate statements. We exclude these net assets from the School District's other financial statement because we cannot use these assets to finance our operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Summary of District-Wide Financial Statement

Table 1 provides a summary of our net assets as of June 30, 2007 and 2006. They represent the School District as a whole.

Assets	2007	2006
Current and other assets	\$ 7,815,217	\$ 7,724,933
Capital assets - Net of accumulated depreciation	17,233,437	17,627,585
Total Assets	<u>25,048,654</u>	<u>25,352,518</u>
Liabilities		
Current liabilities	1,812,635	1,719,998
Long-term liabilities	11,732,095	12,416,323
Total Liabilities	<u>13,544,730</u>	<u>14,136,321</u>
Net assets		
Invested in capital assets - Net of related debt	4,953,437	4,682,585
Restricted for debt service	328,475	318,895
Restricted for capital projects	447,994	324,189
Unrestricted	5,774,018	5,890,528
Total Net Assets	<u>\$ 11,503,924</u>	<u>\$ 11,216,197</u>

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Summary of District-Wide Financial Statement (continued)

The above table presents the net assets as of June 30, 2007 and 2006. The change in net assets for the 2006-2007 and 2005-2006 years is presented and discussed below in Table 2.

Current assets include cash and receivables that will be realized in cash or consumed within the upcoming school year. Capital assets-net of accumulated depreciation are computed by taking the original cost of the assets and subtracting the depreciation. Current liabilities include accounts and salaries payable whose liquidation is reasonably expected to require use of current assets. Long-term liabilities include general obligation bonds used to finance acquisition of capital assets and accrued compensated absences. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported to show legal constraints that limit use of some of the assets. Debt covenants and legislation limit the School District's ability to use those net assets for day-to-day operations.

The unrestricted net assets represent the accumulated results of all past years' activities. This amount will be affected by the year-to-year combined operations. The summary of this year's and the previous year's activities for the School District as a whole are reported below.

	<u>2007</u>	<u>2006</u>
Revenue		
Program revenue		
Charges for services	\$ 739,605	\$ 755,844
Grants and categoricals	676,651	671,565
General revenue		
Property taxes	3,816,865	3,645,272
State foundation allowance	7,293,380	7,293,380
Other	225,097	228,311
Transfers and special items	<u>56,862</u>	<u>4,112</u>
Total Revenue	<u>12,808,460</u>	<u>12,598,484</u>
Function/Program expenses		
Instruction	6,240,003	5,876,664
Support services	3,873,508	4,038,547
Community services	293,090	265,271
Food services	442,811	444,867
Athletics	458,583	436,073
Interest & misc. expense on long-term debt	599,855	728,133
Depreciation (unallocated)	<u>612,883</u>	<u>726,096</u>
Total Expenses	<u>12,520,733</u>	<u>12,515,651</u>
Increase (decrease) in Net Assets	<u>\$ 287,727</u>	<u>\$ 82,833</u>

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Summary of District-Wide Financial Statement (continued)

Net Assets increased \$287,727 for the year ended June 30, 2007 as opposed to an increase of \$82,833 in the previous year. Part of the reason for this change was a significant decrease in the amount of interest paid on the District's bonds. The District refunded part of the 2001 bond issue in 2005-2006, which resulted in a substantial savings.

Funding for the above activities comes from a variety of sources. Some activities are partially funded by those who benefit from the programs or by grants and categoricals from governments and organizations. The remaining activities are paid for from taxes, State Foundation Allowance, and other revenues, such as interest.

The change in net assets differs from the change in fund balance because of different accounting requirements. A reconciliation appears later in the financial statements.

Financial Position Analysis

The analysis of our final position and results of governmental activities indicate our year-end condition was much more positive than earlier projections. Most of these improvements relate to general fund activities even though the general fund expenditures slightly exceeded revenues.

General Operations Fund

Our General Fund balance decreased by \$99,541 however we anticipated a decrease of approximately \$460,000. The following is a list which attributed to this significant and positive outcome.

1. In local revenue, the District received approximately \$22,000 more than budgeted due to higher investment revenue, community education fees, and driver education fees than anticipated.
2. Board of Education and General administration expenditures were approximately \$30,000 less than anticipated.
3. Transportation costs were \$80,000 less due to overtime reductions, elimination of a bus run, fewer field trips, fewer bus repairs, and less fuel consumption.
4. Building Improvement expenditures were reduced by \$15,000.
5. Outgoing transfer funding for athletics was \$40,000 less than anticipated because of increased gate receipts and a reduction in expenditures for the program.

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Food Service

The Food Service fund balance was projected to decrease by \$27,000. This was not a concern because of a healthy fund balance in this program. However, the program actually ended with a \$1,200 decrease for the year. This was accomplished because of higher than anticipated revenues from a la carte sales, and higher than anticipated Federal revenue.

Debt Service

The millage rate for the 2001 Capital Projects bonds was reduced because of property value increased throughout the District. All principal and interest payments were made timely.

Capital Projects Fund

The Capital Projects expenditures were less than revenues as was anticipated. This was planned so we could build the year end balance in order to meet some future high cost projects. In the near future the District will need to address the remodeling of the High School Library ceiling and lighting configuration, new tennis courts, and some roof replacements.

Final Budget vs. Original Budget

When establishing the 2006-07 budget in June 2006 we could only estimate what our revenues would be because of anticipated student enrollment decline and the uncertain economic condition of our State treasury. We were given estimates that suggested our student foundation grant would increase to \$7,767 per student.

The budget adopted in June was increased to reflect the per student foundation increase and salary and benefit increases. In our opinion, it was difficult to establish an accurate budget based on the uncertainty of revenue projections at the state level and actual student enrollment figures. We felt comfortable with this budget because we knew we would not alter programs during the 2006-07 school year. Our fund reserves enable us to do so without compromising our financial condition.

Although some revenue and expenditure functions have variances, our intent was to establish a budget in order to meet the legal requirement of having a budget in place prior to July 1.

Final Budget vs. Original Budget (continued)

Revenue and Expenditure functions with significant fluctuations are as follows:

1. The amended budget for state revenue was less because of a decline in enrollment of approximately eight students and an increase in the non-homestead taxable value base.
2. The decrease in Basic programs expenditures was due to the resignation of a highly compensated employee after the school year began.
3. General administration expenditures saw a significant decrease because we were not sure if we would fill an administrative position when the original budget was established.
4. Custody and care of children became a stand alone program that was separated from the Community services program.
5. Tuition to other public schools in the past was budget function specific, however we did not know for sure where these expenditures would occur, so decided to make it a separate budget function. We plan to revert back to expenditure specific functions in the future.

Actual vs. Final Budget

Our elected officials and administration consider many factors when setting the District's final 2006-07 fiscal year budget. One of the most important factors affecting the budget is our student count. State revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Once the final student count is known in late September, the District amends the budget to reflect a more accurate projection of the original budget appropriated.

However, management has identified some significant variances as follows.

1. Basic programs were somewhat less than anticipated because expenditures for professional development and substitute teachers were supported by federal grant money rather than using basic program funds. Administrators were also asked to cut back during the year because of the uncertainty of state funding.
2. Pupil transportation services were reduced significantly because of several factors including, employee overtime cuts, the reduction of a bus run, fewer field trips, less fuel consumption than anticipated, and fewer bus repairs than in normal years.
3. Tuition to other public schools, is hard to determine in any given year how much of this line item will actually be spent.
4. Outgoing transfers, this relates mainly to athletic programs. This year our athletic receipts were higher than anticipated and expenditures were lower resulting in significantly fewer general fund dollars to support the program.

FRANKENMUTH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets

As of June 30, 2007, the School District had \$17,233,437 in capital assets less depreciation.

	<u>2007</u>	<u>2006</u>
Land	\$ 479,631	\$ 479,631
Construction in progress	13,428	-
Buildings and improvements	20,907,283	20,827,588
Site improvements	24,255	24,255
Buses and other vehicles	1,144,998	1,109,452
Furniture and equipment	<u>1,185,707</u>	<u>1,179,707</u>
 Total Capital Assets	 23,755,302	 23,620,633
 Less accumulated depreciation	 <u>6,521,865</u>	 <u>5,993,048</u>
 Net Capital Assets	 <u>\$ 17,233,437</u>	 <u>\$ 17,627,585</u>

Significant capital additions during the year were two buses, relighting in the gym and upgrades to the middle and high school doors and locks.

Debt

Governmental Activities	<u>2007</u>	<u>2006</u>
Bonds	\$ 2,805,000	\$ 3,415,000
Refunding bonds	9,475,000	9,530,000
Accrued compensated absences	<u>97,095</u>	<u>81,323</u>
Totals	<u>\$ 12,377,095</u>	<u>\$ 13,026,323</u>

As of June 30, 2007, the School District had \$12,280,000 in General Obligation Bonds outstanding versus \$12,945,000 in the previous year – a change of about five percent. At this time the District has no plans to issue any new debt.

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issued "qualified debt," such obligations are not subject to this debt limit. The School District has no unqualified general obligation debt. Other obligations included employee-compensated absences. The notes to the financial statements contain detailed information on long-term liabilities.

Economic Conditions Affecting Next Year's Budget

General Fund

The projections for the 2007-08 budget are to dip into reserves to meet expenditures. This is not a serious concern at this time because our reserves are sufficient to support these expenditures and still maintain a solid balance. However, looking down the road, if we do not see an increase in student population and reasonable increases in revenue, some difficult decisions will have to be made. The Board and Administration need to continue monitoring these issues in order to make sound decisions to protect the integrity of the District.

Food Service

It is anticipated the 2007-08 budget will be balanced. Because of increased supply and labor costs, the Board of Education increased the price of meals to all students and staff, which we feel will provide us with enough revenue to have a balanced budget. This is the first meal price increase in nine years.

Capital Projects Fund

The 2007-08 budget for capital improvement expenditures will be in excess of revenues. This is not a significant concern because we will still have a balance at the end of the year which will continue to be above our desired minimum balance. With property values continuing to rise, our Capital Projects Debt millage levy has been decreasing. I believe this trend will continue into the future.

Contacting the School District's Financial Management

If you have questions regarding this report, please contact the Superintendent's office, 941 E. Genesee St., Frankenmuth, Michigan 48734

FRANKENMUTH SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash	\$ 606,667
Investments	5,781,784
Due from other governmental units	1,238,532
Other receivables	82,463
Prepays	96,216
Inventories	9,555
Capital assets less accumulated depreciation	<u>17,233,437</u>
Total Assets	<u>25,048,654</u>
Liabilities	
Current liabilities	
Accounts payable	6,926
Salaries payable	1,146,397
Deferred revenue	14,312
Bonds payable, due within one year	645,000
Long-term liabilities	
Bonds payable, due in more than one year	11,635,000
Compensated absences, due in more than one year	<u>97,095</u>
Total Liabilities	<u>13,544,730</u>
Net Assets	
Invested in capital assets net of related debt	4,953,437
Restricted for debt service	328,475
Restricted for capital projects	447,994
Unrestricted	<u>5,774,018</u>
Total Net Assets	<u>\$ 11,503,924</u>

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 6,240,003	\$ 32,550	\$ 515,622	\$ (5,691,831)
Support services	3,873,508	25,281	40,518	(3,807,709)
Community services	293,090	287,648	-	(5,442)
Food services	442,811	340,815	98,715	(3,281)
Athletics	458,583	53,311	21,796	(383,476)
Interest & misc. expense on long-term debt	599,855	-	-	(599,855)
Depreciation (unallocated)	612,883	-	-	(612,883)
Totals	<u>\$ 12,520,733</u>	<u>\$ 739,605</u>	<u>\$ 676,651</u>	<u>(11,104,477)</u>
General revenues:				
Taxes:				
				2,349,806
				214,654
				1,252,405
				7,293,380
				213,271
				11,826
				<u>11,335,342</u>
				230,865
				52,062
				<u>4,800</u>
				<u>11,392,204</u>
				287,727
				<u>11,216,197</u>
				<u>\$ 11,503,924</u>

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT
 GOVERNMENTAL FUNDS BALANCE SHEET
 JUNE 30, 2007

	General	Food Service	Athletic	Debt Service	Capital Projects	Totals
<u>Assets</u>						
Cash	\$ 276,166	\$ 66,104	\$ -	\$ 50,785	\$ 213,612	\$ 606,667
Investments	5,275,934	-	-	275,000	230,850	5,781,784
Due from other governmental units	1,235,132	3,400	-	-	-	1,238,532
Prepays	96,216	-	-	-	-	96,216
Other receivables	76,051	190	-	2,690	3,532	82,463
Inventory	3,712	5,843	-	-	-	9,555
Total Assets	<u>\$ 6,963,211</u>	<u>\$ 75,537</u>	<u>\$ -</u>	<u>\$ 328,475</u>	<u>\$ 447,994</u>	<u>\$ 7,815,217</u>
<u>Liabilities and Fund Balance</u>						
Liabilities						
Accounts payable	\$ 6,354	\$ 572	\$ -	\$ -	\$ -	\$ 6,926
Salaries payable	1,146,397	-	-	-	-	1,146,397
Deferred revenue	14,312	-	-	-	-	14,312
Total Liabilities	<u>1,167,063</u>	<u>572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,167,635</u>
Fund Balance						
Reserved for debt retirement	-	-	-	328,475	-	328,475
Reserved for capital projects	-	-	-	-	447,994	447,994
Reserved for inventories	3,712	5,843	-	-	-	9,555
Undesignated & unreserved	5,792,436	69,122	-	-	-	5,861,558
Total Fund Balance	<u>5,796,148</u>	<u>74,965</u>	<u>-</u>	<u>328,475</u>	<u>447,994</u>	<u>6,647,582</u>
Total Liabilities and Fund Balance	<u>\$ 6,963,211</u>	<u>\$ 75,537</u>	<u>\$ -</u>	<u>\$ 328,475</u>	<u>\$ 447,994</u>	<u>\$ 7,815,217</u>

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO DISTRICT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total Fund Balances - Governmental Funds	\$ 6,647,582
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	23,755,302
Accumulated depreciation is	(6,521,865)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(12,280,000)
Compensated absences	<u>(97,095)</u>
Total Net Assets - Governmental Activities (District Wide)	<u>\$ 11,503,924</u>

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	General	Food Service	Athletic	Debt Service	Capital Projects	Totals
Revenue						
Local	\$ 2,973,199	\$ 342,899	\$ 75,107	\$ 1,275,024	\$ 228,441	\$ 4,894,670
State	7,448,211	17,728	-	-	-	7,465,939
Federal	310,002	80,987	-	-	-	390,989
Total Revenue	<u>10,731,412</u>	<u>441,614</u>	<u>75,107</u>	<u>1,275,024</u>	<u>228,441</u>	<u>12,751,598</u>
Expenditures						
Instruction						
Basic programs	5,657,008	-	-	-	-	5,657,008
Added needs	567,224	-	-	-	-	567,224
Support services						
Pupil	668,257	-	-	-	-	668,257
Instructional staff	345,614	-	-	-	-	345,614
General administration	264,185	-	-	-	-	264,185
School administration	732,758	-	-	-	-	732,758
Business	142,857	-	-	-	-	142,857
Operation and maintenance	1,124,893	-	-	-	-	1,124,893
Pupil transportation services	521,306	-	-	-	-	521,306
Central services	160,024	-	-	-	-	160,024
SEV judgements	12,955	-	-	589	92	13,636
Facilities acquisition	818	-	-	-	-	818
Community services	187,616	-	-	-	-	187,616
Custody and care of children	105,474	-	-	-	-	105,474
Tuition to other public schools	13,350	-	-	-	-	13,350
Capital outlay	-	-	-	-	104,544	104,544
Debt Service	-	-	-	1,264,855	-	1,264,855
Food services	-	442,811	-	-	-	442,811
Athletic	-	-	458,583	-	-	458,583
Total Expenditures	<u>10,504,339</u>	<u>442,811</u>	<u>458,583</u>	<u>1,265,444</u>	<u>104,636</u>	<u>12,775,813</u>
Excess (Deficiency) of Revenues over Expenditures						
	227,073	(1,197)	(383,476)	9,580	123,805	(24,215)
Other Financing Sources (Uses)						
Sources	52,062	-	383,476	-	-	435,538
Uses	(383,476)	-	-	-	-	(383,476)
Proceeds on sale of fixed assets	4,800	-	-	-	-	4,800
Total Other Financing Sources (Uses)	<u>(326,614)</u>	<u>-</u>	<u>383,476</u>	<u>-</u>	<u>-</u>	<u>56,862</u>
Net Change in Fund Balances	(99,541)	(1,197)	-	9,580	123,805	32,647
Fund Balances - Beginning of Year	<u>5,895,689</u>	<u>76,162</u>	<u>-</u>	<u>318,895</u>	<u>324,189</u>	<u>6,614,935</u>
Fund Balances - End of Year	<u>\$ 5,796,148</u>	<u>\$ 74,965</u>	<u>\$ -</u>	<u>\$ 328,475</u>	<u>\$ 447,994</u>	<u>\$ 6,647,582</u>

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
 DISTRICT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances - Governmental Funds	\$ 32,647
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; proceeds as income in the statement of activities, these costs are capitalized and depreciated over their estimated useful lives. Losses on the sale of capital assets are not recognized at the fund level.	
Depreciation expense	(612,883)
Capital outlay	218,735
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	
Repayment of bond principal	665,000
In the statement of activities, certain expenses (retirement incentives, compensated absences) are measured by the amounts earned during the year. The governmental funds measure the financial resources used (paid). This year, the amount of these items earned exceeded the amounts paid.	
Compensated absences	<u>(15,772)</u>
Change in Net Assets of Governmental Activities (District Wide)	<u>\$ 287,727</u>

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

Agency Funds

Assets

Cash, student organizations	<u>\$ 204,122</u>
Total Assets	<u><u>\$ 204,122</u></u>

Liabilities

Due to student organizations	<u>\$ 204,122</u>
Total Liabilities	<u><u>\$ 204,122</u></u>

The accompanying notes are an integral part of these financial statements.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The Frankenmuth School District (the "School District") operates under an elected Board of Education and provides educational services to approximately 1,244 students.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and 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.

B. District-Wide Statements

The District-Wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the primary government. The usual purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to students 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.

The District-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The District-Wide approach is focused more on the sustainability of the School District as an entity and the change in the School District's net assets from the current year's activities.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements

The accounts of the School District are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the School District:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the School District.

General Fund is the general operating fund of the School District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Food Service and Athletic funds are special revenue funds.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School District programs.

The emphasis in fund financial statements is on the major funds. The School District has opted to display information for all funds without regard to the criteria for determination of major funds. The School District's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used for activities or obligations of the government, these funds are not incorporated in the District-Wide statements.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting requires recording of revenue when earned and expenses 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.

Modified Accrual

The modified accrual basis recognizes revenues when they are 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, within 60 days of the end of the current fiscal year. Expenditures are still recognized when incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

E. Financial Statement Amounts

Cash

Cash includes cash on hand, demand deposits, and time deposits.

Investments

Investments include certificates of deposit and are stated at fair value.

Receivables

Due from other governmental units are payments earned but not received at year-end from other governments. Receivables consist of all revenues earned at year-end but not yet received from other customers.

Inventories

Inventories consist of expendable supplies held for the School District's use and are carried at cost using the first-in, first-out method.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Prepaid

Prepaid amounts consist of payments for which the School District will have a future benefit and will be used up at a date beyond the current year-end.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures; therefore, actual results could differ from those estimates.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed, as incurred. The School District does not possess infrastructure type assets. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Buildings and improvements	50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

Accounts Payable

Accounts payable consist of items from which the School District benefited during the current fiscal year but has not yet paid.

Salaries Payable

Salaries payable consist of amounts due on employee's contracts payable for the current fiscal year and the District's portion of payroll taxes and retirement contributions.

Long-Term Liabilities

Bonds payable are the result of long-term obligations issued for the purpose of making capital purchases and improvements or the refinancing of previously issued obligations. Compensated absences represent accumulated unpaid vacation and sick leave. The accumulated benefit is payable to the employee upon termination of employment. No portion of the compensated absence is believed to be current at year-end.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Inter-fund Activity

Inter-fund activity is reported as transfers. Transfers are eliminated upon consolidation.

Unemployment Compensation

As an employer, the School District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the School District must reimburse the Employment commission for all benefits charged against the School District. Unemployment expenditures for the year ended June 30, 2007 totaled \$372.

NOTE 2--Stewardship, Compliance, and Accountability

The School District is required to adopt an annual budget before the beginning of the fiscal year for the General Fund, Food Service Fund, and the Athletic Fund. The accounting basis of the budgets is the modified accrual method. Following are the procedures used in establishing the budgetary data reflected in the financial statements:

1. The School District's Superintendent submits to the Board of Education a proposed budget by June 30 of each year. The budget includes proposed expenditures and the means to finance them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The Superintendent is authorized to transfer budgeted amounts within functional expenditure lines as approved by the Board; however, any revisions that alter functional expenditure lines of any fund must be approved by the Board of Education.
4. Budgeted amounts shown in the supplemental information reflect amendments through June 30.

The budgetary comparison 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 June 30. Expenditures in excess of amounts budgeted are a violation of Michigan law.

State law permits districts to amend their budgets during the year. The School District budget variances are illustrated in the supplemental information.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments

The School District is authorized, by the State of Michigan, to deposit its fund in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The School District is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker's acceptance of U.S. banks,
- f. Mutual funds – investments which local unit can make directly.

All cash is held by federally insured financial institutions. The FDIC insures up to \$100,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as a separate deposit for the \$100,000 limitation.

A summary of bank cash balances is as follows:

	<u>Total</u>	<u>Insured</u>	<u>Collateralized</u>	<u>Uninsured Uncollateralized</u>
Cash				
General fund	\$ 361,861	\$ 100,000	\$ -	\$ 261,861
Special revenue	66,104	-	-	66,104
Agency	167,641	5	-	167,636
Debt service	50,785	-	-	50,785
Capital projects	213,611	-	-	213,611
Total	<u>\$ 860,002</u>	<u>\$ 100,005</u>	<u>\$ -</u>	<u>\$ 759,997</u>
Investments				
General fund	\$ 5,275,934	\$ 100,000	\$ -	\$ 5,175,934
Agency	40,367	40,367	-	-
Debt service	275,000	-	-	275,000
Capital projects	230,850	-	-	230,850
Total	<u>\$ 5,822,151</u>	<u>\$ 140,367</u>	<u>\$ -</u>	<u>\$ 5,681,784</u>

The policy of the Board is to invest surplus funds of the District.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

NOTE 4--Capital Assets and Accumulated Depreciation

Capital asset activity of the School District was as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Capital assets not subject to depreciation				
Land	\$ 479,631	\$ -	\$ -	\$ 479,631
Construction in progress	-	13,428	-	13,428
Subtotals	<u>479,631</u>	<u>13,428</u>	<u>-</u>	<u>493,059</u>
Capital assets subject to depreciation				
Site improvements	24,255	-	-	24,255
Buildings and improvements	20,827,588	79,695	-	20,907,283
Buses	1,003,830	119,612	84,066	1,039,376
Vehicles	105,622	-	-	105,622
Furniture and equipment	1,179,707	6,000	-	1,185,707
Subtotals	<u>23,141,002</u>	<u>205,307</u>	<u>84,066</u>	<u>23,262,243</u>
Total Capital Assets	<u>23,620,633</u>	<u>218,735</u>	<u>84,066</u>	<u>23,755,302</u>
Accumulated depreciation				
Site improvements	-	1,213	-	1,213
Buildings and improvements	4,590,541	429,729	-	5,020,270
Buses	632,865	108,307	84,066	657,106
Vehicles	69,335	9,595	-	78,930
Furniture and equipment	700,307	64,039	-	764,346
Total Accumulated Depreciation	<u>5,993,048</u>	<u>612,883</u>	<u>84,066</u>	<u>6,521,865</u>
Total Net Capital Assets	<u>\$ 17,627,585</u>	<u>\$ (394,148)</u>	<u>\$ -</u>	<u>\$ 17,233,437</u>

Depreciation expense was not charged to specific activities as the School District considers its capital assets to impact multiple activities and allocation is not practical.

NOTE 5--Inter-fund – Receivables, Payables, and Transfers

The makeup of inter-fund balances and transfers is as follows:

Outgoing Transfer		Incoming Transfer	
General Fund	<u>\$ 383,476</u>	Athletics	<u>\$ 383,476</u>
Total	<u>\$ 383,476</u>	Total	<u>\$ 383,476</u>

For the year ended June 30, 2007, transfers from the general fund to the athletic fund were to subsidize the athletic program.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

NOTE 6--Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term debts include compensated absences.

Long-term debt activity is summarized as follows:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Current Portion
Governmental Activities					
Bonds	\$ 3,415,000	\$ -	\$ 610,000	\$ 2,805,000	\$ 645,000
Accrued compensated absences	81,323	15,772	-	97,095	-
Refunding bonds	9,530,000	-	55,000	9,475,000	55,000
Totals	<u>\$ 13,026,323</u>	<u>\$ 15,772</u>	<u>\$ 665,000</u>	<u>\$ 12,377,095</u>	<u>\$ 700,000</u>

Annual debt service requirements to maturity for the above governmental bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
2008	\$ 700,000	\$ 564,254	\$ 1,264,254
2009	740,000	527,268	1,267,268
2010	780,000	488,218	1,268,218
2011	820,000	446,818	1,266,818
2012	860,000	403,068	1,263,068
2013-2017	4,880,000	1,449,034	6,329,034
2018-2020	3,500,000	286,814	3,786,814
Subtotals	<u>12,280,000</u>	<u>4,165,474</u>	<u>16,445,474</u>
Compensated Absences	97,095	-	97,095
Totals	<u>\$ 12,377,095</u>	<u>\$ 4,165,474</u>	<u>\$ 16,542,569</u>

For the year ended June 30, 2007, the total interest paid on bonded debt was \$599,180.

NOTE 7—Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. During the year, the School District carried commercial insurance for the above risks of loss.

FRANKENMUTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8--Pension Plan

The School District's defined benefit pension plan provides retirement, survivor and disability benefits to its employees. The School District participates in the Michigan Public School Employees Retirement System (MPSERS), a cost sharing multiple-employer, statewide plan governed by the State of Michigan. Benefit provisions are established by state statute. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the MPSERS Directors, PO Box 30673, Lansing, Michigan 48909 or by calling (517) 322-6235.

Funding Policy

The School District is required to contribute at an actuarially determined rate; the current rate is 17.74% of covered payroll. Employees hired before January 1, 1990, contribute 3.9% of their gross pay. Employees hired January 1, 1990, or later contribute between 3% and 4.3%. The contribution requirements are established and may be amended by the State of Michigan.

The School District's contributions to MPSERS for the current year and the preceding two years were \$1,106,887, \$1,006,229, and \$902,135, respectively, which was 100% of the annual required contribution.

NOTE 9--Self-Funded Insurance

The School District offers a self-insured dental plan to all full-time employees. Participants and their eligible dependents are entitled to benefits as outlined in the program booklet entitled, "Frankenmuth School District Dental Insurance Plan".

NOTE 10—Leases

The School District leased copiers under an operating lease from an unrelated party. In addition to lease payments, the School District is responsible for taxes and insurance on the copiers. Lease expense was \$28,778 and \$28,778, for the fiscal years ended June 30, 2007, and 2006, respectively.

NOTE 11--Sinking Funds

The Frankenmuth School District's Capital Projects Fund-Sinking Fund records capital projects activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of section 1212(1) of the Revised School Code.

FRANKENMUTH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

NOTE 12--Fund Balance Reservations

Frankenmuth School District has reserved the following amounts in fund balance:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Reserved for debt retirement	\$ -	\$ -	\$ 328,475	\$ -	\$ 328,475
Reserved for inventories	3,712	5,843	-	-	9,555
Reserved for capital projects	-	-	-	447,994	447,994
Total Reservations	<u>\$ 3,712</u>	<u>\$ 5,843</u>	<u>\$ 328,475</u>	<u>\$ 447,994</u>	<u>\$ 786,024</u>

NOTE 13--Advance Refund of Bond Resulting in Defeasance of Debt

In January of 2005, the District issued \$9,580,000 in general obligation refunding bonds with interest rates ranging between 2.50% and 5.00%. The District issued the bonds to advance refund \$9,580,000 of the outstanding series 2001 general obligation bonds with interest rates ranging from 5.5% to 5.75%. The District used the net proceeds along with other sources to purchase State and Local Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded 2001 series bonds. As a result, a portion of the 2001 series bonds are considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$9,475,000 as of June 30, 2007.

The advance refunding reduced the total debt service payments over the next 16 years by \$717,489. This results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$520,817.

SUPPLEMENTAL INFORMATION

FRANKENMUTH SCHOOL DISTRICT
SCHEDULES OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2007

2001 ISSUE \$14,890,000

\$9,580,000 of original issue refunded

Interest Rate: 5.5%

Year Ending June 30,	Annual	Semiannual		Total Fiscal Year Requirement
	Principal 1-May	Interest Payment 1-Nov	Interest Payment 1-May	
2007-08	\$ 645,000	\$ 77,137	\$ 77,137	\$ 799,274
2008-09	680,000	59,400	59,400	798,800
2009-10	720,000	40,700	40,700	801,400
2010-11	760,000	20,900	20,900	801,800
Totals	<u>\$ 2,805,000</u>	<u>\$ 198,137</u>	<u>\$ 198,137</u>	<u>\$ 3,201,274</u>

2005 Refunding Bonds

\$9,580,000

Interest Rate: 2.5-4.1%

Year Ending June 30,	Annual	Semiannual		Total Fiscal Year Requirement
	Principal 1-May	Interest Payment 1-Nov	Interest Payment 1-May	
2007-08	\$ 55,000	\$ 204,990	\$ 204,990	\$ 464,980
2008-09	60,000	204,234	204,234	468,468
2009-10	60,000	203,409	203,409	466,818
2010-11	60,000	202,509	202,509	465,018
2011-12	860,000	201,534	201,534	1,263,068
2012-13	890,000	186,484	186,484	1,262,968
2013-14	925,000	170,352	170,352	1,265,704
2014-15	970,000	147,227	147,227	1,264,454
2015-16	1,020,000	122,977	122,977	1,265,954
2016-17	1,075,000	97,477	97,477	1,269,954
2017-18	1,125,000	70,602	70,602	1,266,204
2018-19	1,170,000	48,103	48,103	1,266,206
2019-20	1,205,000	24,702	24,702	1,254,404
	<u>\$ 9,475,000</u>	<u>\$ 1,884,600</u>	<u>\$ 1,884,600</u>	<u>\$ 13,244,200</u>

See independent auditor's report.



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

**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 11, 2007

To the Board of Education
Frankenmuth School District
Frankenmuth, Michigan

We have audited the financial statements of the governmental activities of Frankenmuth School District as of and for the year ended June 30, 2007, which comprise Frankenmuth School District's basic financial statements, and have issued our report thereon dated September 11, 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 Frankenmuth School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Saginaw Preparatory Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Saginaw Preparatory Academy'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.

To the Board of Education
Frankenmuth School District
Page Two

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 Frankenmuth School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Frankenmuth School District's financial statements that is more than inconsequential will not be prevented or detected by Frankenmuth School District's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

We noted an absence of appropriate segregation of duties consistent with appropriate control objectives.

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 Frankenmuth School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting 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

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

To the Board of Education
Frankenmuth School District
Page Three

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

Gardner, Provenzano, Schumann & Thomas, P.C.

Certified Public Accountants