Burr Oak Community School District
Saint Joseph County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year ended June 30, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Burr Oak Community School District's (the District) financial performance provides a narrative overview of the District's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net assets decreased $126,692 (13 percent) as a result of this year's operations.
- Of the $812,156 total net assets reported, $339,842 is available to be used to meet future operating and capital improvement needs.
- The General Fund's unreserved fund balance at the end of the fiscal year was $313,566, which represents 12 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The District's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements.
    - The governmental funds statements tell how general government services, like instruction and supporting services, were financed in the short term, as well as what remains for future spending.
    - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Government-wide statements (Continued)

The two government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors, such as changes in the condition of the District's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with schools (e.g., instruction, food service, and athletics). Intergovernmental revenues and property taxes finance these activities.

Fund financial statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has two kinds of funds:

- Governmental funds. Most of the District's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

- Fiduciary funds. The District is the trustee, or fiduciary, for certain assets that - because of a trust arrangement - can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were $812,156, a decrease of 13 percent compared to the prior year. Of this total, $472,314 is invested in capital assets. Consequently, unrestricted net assets were $339,842, or 42 percent of the total.

	2008	*2007*
Current assets	**$ 941,714**	$ 936,289
Capital assets	**472,314**	502,025
Total assets	**1,414,028**	1,438,314
Current liabilities	**601,872**	499,466
Net assets:		
Invested in capital assets	**472,314**	502,025
Unrestricted	**339,842**	436,823
Total net assets	**$ 812,156**	$ 938,848

Changes in net assets. The District's total revenues are $2,767,786, with approximately 75 percent coming from unrestricted state aid. The total cost of all the District's programs amounted to $2,894,478.

	2008	*2007*	*Percentage change*
Program revenues:			
Charges for services	**$ 60,713**	$ 71,574	-15%
Operating grants	**448,330**	500,607	-10%
General revenues:			
Unrestricted state aid	**2,082,059**	2,096,736	-1%
Property taxes	**147,399**	155,288	-5%
Other	**29,285**	43,773	-33%
Total revenues	**2,767,786**	2,867,978	-3%
Expenses:			
Instruction	**1,819,059**	1,874,176	-3%
Supporting services	**807,613**	887,231	-9%
Food service	**151,817**	128,420	18%
Athletics	**115,989**	121,076	-4%
Total expenses	**2,894,478**	3,010,903	-4%
Decrease in net assets	**$ (126,692)**	$ (142,925)	

Governmental activities. Governmental activities decreased the District's net assets by $126,692 compared to a $142,925 decrease in the prior year. The District's net assets continue to decrease because revenues are not sufficient to cover all operating costs of the District due to decreases in enrollment and increased costs. The decrease is less than the prior year because expenses decreased more than revenues in the current year because of elimination of positions and programs associated with instructions and support services.

The cost of all governmental activities this year was $2,894,478. After subtracting the direct charges to those who directly benefited from the programs ($60,713), and operating grants ($448,330), the "public benefit" portion covered by state aid, property taxes, and other general revenues was $2,385,435.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental funds. At June 30, 2008, the District's governmental funds reported a combined fund balance of $339,842, a decrease of $96,981 in comparison with the prior year.

The General Fund is the chief operating fund of the District. At the end of the fiscal year, unreserved fund balance was $313,566. Total fund balance decreased by $96,230 during the fiscal year primarily because of the decrease noted above. The General Fund continues to maintain an unreserved fund balance approximating 12 percent of expenditures.

General Fund budgetary highlights

Total budgeted expenditures were increased by $19,046 during the year to reflect anticipated cost increases. Revenues were $8,888 higher than anticipated while expenditures and transfers were $78,610 and $7,177 less than the amounts appropriated. These variances resulted in a $94,675 positive budget variance and a $96,230 decrease in fund balance compared to a budgeted decrease of $190,905.

Capital assets and debt administration

Capital Assets
The District's investment in capital assets as of June 30, 2008, amounts to $472,314 (net of accumulated depreciation). This investment includes a broad range of assets. The decrease in the District's net investment in capital assets for the current fiscal year was $29,711.

Major capital asset events occurred during the current fiscal year included the following:

- Purchase of 30 refurbished lab computers for $12,772
- Purchase of 15 new computers for $5,910

More detailed information about the District's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt administration
The District had no long-term debt at the beginning or end of the current fiscal year.

Economic factors and next year's budget

The District's budget for the next year projects further reductions in state aid. The District has set aside enough net assets to offset this loss in revenues.

Contacting the District's financial management

This financial report is designed to provide a general overview of the District's finances to those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Business Manager
Burr Oak Community School District
326 East Eagle Street
P.O. Box 337
Burr Oak, Michigan 49030

Phone: (269) 489-2213

Siegfried Crandall PC
Certified Public Accountants & Advisors

246 E. Kilgore Road
Kalamazoo, MI 49002-5599
www.siegfriedcrandall.com

Telephone 269-381-4970
800-876-0979
Fax 269-349-1344

INDEPENDENT AUDITORS' REPORT

Board of Education
Burr Oak Community School District

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Burr Oak Community School District, as of June 30, 2008, and for the year then ended, which collectively comprise the Burr Oak Community School District's basic financial statements as listed in the contents. These financial statements are the responsibility of the Burr Oak Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Burr Oak Community School District at June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, as listed in the contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Burr Oak Community School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burr Oak Community School District's basic financial statements. The supplementary information, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have issued our report dated October 17, 2008, on our consideration of Burr Oak Community 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Siegfried Crandall P.C.

October 17, 2008

BASIC FINANCIAL STATEMENTS

Burr Oak Community School District

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental activities
ASSETS	
Current assets:	
Cash	$ 454,100
Receivables	468,317
Prepaid expenditures	4,946
Inventories	14,351
Total current assets	941,714
Noncurrent assets:	
Capital assets, net of accumulated depreciation	472,314
Total assets	1,414,028
LIABILITIES	
Current liabilities:	
Payables	201,872
Short-term notes payable	400,000
Total current liabilities	601,872
NET ASSETS	
Invested in capital assets	472,314
Unrestricted	339,842
Total net assets	$ 812,156

See notes to the financial statements

Burr Oak Community School District

STATEMENT OF ACTIVITIES

Year ended June 30, 2008

		Program revenues		Net (expenses) revenues and changes in net assets
	Expenses	*Charges for services*	*Operating grants and contributions*	*Governmental activities*
Functions/Programs				
Governmental activities:				
Instruction	$ 1,819,059	$ 15,661	$ 322,454	$ (1,480,944)
Supporting services	807,613	6,956	-	(800,657)
Food service	151,817	22,877	125,876	(3,064)
Athletics	115,989	15,219	-	(100,770)
Total governmental activities	$ 2,894,478	$ 60,713	$ 448,330	(2,385,435)

General revenues:	
State aid not restricted to specific purposes	2,082,059
Property taxes	147,399
Interest income	9,172
Other	20,113
Total general revenues	2,258,743
Change in net assets	(126,692)
Net assets - beginning	938,848
Net assets - ending	$ 812,156

See notes to the financial statements

Burr Oak Community School District
BALANCE SHEET - *governmental funds*
June 30, 2008

	General	Nonmajor governmental funds	Total governmental funds
ASSETS			
Cash	$ 436,923	$ 17,177	$ 454,100
Receivables	468,317	-	468,317
Due from other funds	5,252	-	5,252
Prepaid expenditures	4,946	-	4,946
Inventories	5,000	9,351	14,351
Total assets	$ 920,438	$ 26,528	$ 946,966
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	$ 201,872	$ -	$ 201,872
Note payable	400,000	-	400,000
Due to other funds	-	5,252	5,252
Total liabilities	601,872	5,252	607,124
Fund balances:			
Reserved for inventories	5,000	9,351	14,351
Unreserved:			
Undesignated	313,566	-	313,566
Undesignated, reported in nonmajor - special revenue funds	-	11,925	11,925
Total fund balances	318,566	21,276	339,842
Total liabilities and fund balances	$ 920,438	$ 26,528	$ 946,966

Total fund balances - all governmental funds	$ 339,842
Amounts reported for governmental activities in the statement of net assets (page 5) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	472,314
Net assets of governmental activities	$ 812,156

See notes to the financial statements

Burr Oak Community School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds*

Year ended June 30, 2008

	General	*Nonmajor governmental funds*	*Total governmental funds*
REVENUES			
Local sources:			
Property taxes	$ 147,399	$ -	$ 147,399
Food service	-	22,877	22,877
Athletic gate receipts	-	15,219	15,219
Other	50,671	1,331	52,002
State sources	2,288,734	6,193	2,294,927
Federal sources	115,679	119,683	235,362
Total revenues	2,602,483	165,303	2,767,786
EXPENDITURES			
Instruction	1,782,988	-	1,782,988
Supporting services	790,014	-	790,014
Food service	-	151,817	151,817
Athletics	-	109,110	109,110
Capital outlay	30,838	-	30,838
Total expenditures	2,603,840	260,927	2,864,767
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,357)	(95,624)	(96,981)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	94,873	94,873
Transfers out	(94,873)	-	(94,873)
Total other financing sources (uses)	(94,873)	94,873	-
NET CHANGE IN FUND BALANCES	(96,230)	(751)	(96,981)
FUND BALANCES - BEGINNING	414,796	22,027	436,823
FUND BALANCES - ENDING	$ 318,566	$ 21,276	$ 339,842

See notes to the financial statements

Burr Oak Community School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds* (Continued)

Year ended June 30, 2008

	Total governmental funds
Net change in fund balances - total governmental funds	$ (96,981)
Amounts reported for governmental activities in the statement of activities (Page 6) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.	
Add: assets acquired	19,881
Less: provision for depreciation	(49,592)
Change in net assets of governmental activities	$ (126,692)

See notes to the financial statements

Burr Oak Community School District

STATEMENT OF FIDUCIARY NET ASSETS - *fiduciary funds*

June 30, 2008

	Private-purpose trusts	*Agency*
ASSETS		
Cash	$ 39,408	$ 48,810
Loans receivable	2,341	-
Total assets	41,749	48,810
LIABILITIES		
Due to student groups	-	48,810
NET ASSETS		
Held in trust for other purposes	$ 41,749	$ -

See notes to the financial statements

Burr Oak Community School District

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - *fiduciary funds*

June 30, 2008

	Private-purpose trusts
ADDITIONS	
Interest:	
Investments	$ 1,253
Loans	500
Total additions	1,753
DEDUCTIONS	
Scholarships awarded	300
CHANGE IN NET ASSETS	1,453
NET ASSETS - BEGINNING	40,296
NET ASSETS - ENDING	$ 41,749

See notes to the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Burr Oak Community School District (the District) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

a) Reporting entity:
In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the District. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The District has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the District's financial statements.

b) Government-wide and fund financial statements:
The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of all interfund activity has been removed from these statements. Governmental activities, normally supported by intergovernmental revenues and taxes, are reported in these statements. All of the District's activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (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 and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are 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 expected to be 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 relating to compensated absences and claims and judgments, are recorded only when payment is due.

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

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund types:

The private-purpose trust funds are used to account for resources legally held in trust for use by students seeking higher education. All resources of the funds, including any earnings on invested resources, may be used to provide scholarships and loans to students seeking higher education. There is no requirement that any portion of these resources be preserved as capital.

The Agency Fund accounts for assets held for student groups in an agency capacity.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board. The District has elected not to follow subsequent private-sector standards.

As a general rule the effect of interfund activity has been eliminated from the government-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 revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:
i) Deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." All receivables are considered to be fully collectible.

iii) Inventories - All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

iv) Capital assets - Capital assets, which include property, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 20 years
Vehicles	8 years

v) Compensated absences - It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. The contingent liability for unpaid accumulated vacation and sick leave has been reported in Note 9.

vi) 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.

vii) Property tax recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the District. Property tax revenue is recognized in the year for which taxes have been levied and become available. The District levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service fund, which is not required to adopt a budget. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Board is the functional level. All annual appropriations lapse at the end of the fiscal year. The District did not experience any significant budget variances during the current fiscal year.

NOTE 3 - CASH:

Cash as of June 30, 2008, is classified in the accompanying financial statements as follows:

Statement of net assets	$ 454,100
Fiduciary funds - cash	88,218
Total cash	$ 542,318

Cash as of June 30, 2008, consists of the following:

Deposits with financial institutions	$ 542,118
Cash on hand	200
Total cash	$ 542,318

State statutes and the District's investment policy authorize the District to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The District's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the District will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2008, $467,413 of the District's bank balances of $589,983 was exposed to custodial credit risk because it was uninsured. The District believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the District evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories. As of June 30, 2008, all deposits of the District are held by one financial institution.

NOTE 4 - RECEIVABLES:

At June 30, 2008, the District's receivables were as follows:

	Property taxes	*Inter-governmental*	*Totals*
Governmental funds:			
General Fund	$ 10,104	$ 458,213	$ 468,317

All receivables are due within one year and are considered to be fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Governmental activities:				
Capital assets being depreciated:				
Buildings	1,177,846	-	-	1,177,846
Furniture and equipment	1,225,617	19,881	-	1,245,498
Vehicles	204,810	-	-	204,810
Subtotal	2,608,273	19,881	-	2,628,154
Less accumulated depreciation for:				
Buildings	(797,052)	(12,927)	-	(809,979)
Furniture and equipment	(1,117,220)	(30,264)	-	(1,147,484)
Vehicles	(191,976)	(6,401)	-	(198,377)
Subtotal	(2,106,248)	(49,592)	-	(2,155,840)
Total capital assets being depreciated, net	$ 502,025	$ (29,711)	$ -	$ 472,314

NOTE 5 - CAPITAL ASSETS (Continued):

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

Instruction	$ 24,704
Supporting services	18,009
Athletics	6,879
Total	$ 49,592

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At June 30, 2008, the composition of the District's interfund balances is as follows:

Fund	*Receivable*	*Fund*	*Payable*
General	$ 5,252	Food service	$ 5,252

The interfund receivable and payable balances resulted from the time lag between the dates that interfund goods and services are provided and payments between funds are made.

A summary of interfund transfers for the year ended June 30, 2008, is as follows:

Fund	*Transfers in*	*Fund*	*Transfers out*
Other governmental funds	$ 94,873	General	$ 94,873

The transfers out of the General Fund moved unrestricted resources to supplement operational costs of the Athletic Fund and the Food Service Fund in accordance with budgetary requirements.

NOTE 7 - PAYABLES:

At June 30, 2008, the District's payables were as follows:

Fund	*Accounts*	*Payroll*	*Totals*
General	$ 34,542	$ 167,330	$ 201,872

NOTE 8 - NOTE PAYABLE:

At June 30, 2008 the District has outstanding a $400,000 state aid note dated September 13, 2007. The note, with an interest rate of 3.94%, matures August 20, 2008. The note is secured by the full faith and credit of the District as well as pledged state aid.

NOTE 9 - DEFINED BENEFIT PENSION PLAN:

Plan description - The District participates in the Michigan Public School Employees' Retirement System (MPSERS), a cost-sharing, multiple-employer defined benefit pension plan that covers all employees of the District. MPSERS provides retirement, survivor, and disability and death benefits to plan members and their beneficiaries. Public Act 300 of 1980 of the State of Michigan assigns the authority to establish and amend benefit provisions to the MPSERS Board of Trustees. MPSERS 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 MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8103, or, by calling 1-800-381-5111.

Funding policy - Employer contributions to MPSERS result from the implementing effects of the School Finance Reform Act. Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

Annual pension costs - The District is currently required to contribute 16.72 percent of its annual covered payroll. The contribution requirements of the plan members are established, and may be amended, by the MPSERS Board of Trustees. The District's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were $250,381, $278,103, and $248,030, respectively, equal to the required contributions for each year.

NOTE 10 - CONTINGENT LIABILITIES:

The District is a reimbursing employer to the Michigan Employment Security Commission (MESC) and, as such, is responsible to pay MESC for those benefits paid and charged to its account. As of June 30, 2008, appropriate liabilities have been recorded for all claims paid by MESC. However, no provision has been made for future payments that might result from claims in process or unfiled claims.

The District is contingently liable at June 30, 2008, for approximately $319,000 of nonvested accumulated sick pay benefits.

NOTE 11 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The District has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - *General Fund*
Year ended June 30, 2008

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
REVENUES FROM LOCAL SOURCES				
Property taxes	$ 142,074	$ 140,274	$ 147,399	$ 7,125
Interest	10,000	8,500	9,172	672
Other	18,900	34,454	41,499	7,045
Total revenues from local sources	170,974	183,228	198,070	14,842
REVENUES FROM STATE SOURCES				
Direct appropriations from the state - state school aid	2,010,000	2,081,500	2,082,059	559
Restricted grants:				
Special education	70,000	68,200	63,519	(4,681)
At-risk	95,000	105,138	105,056	(82)
Michigan school readiness	56,100	38,100	38,100	-
Total revenues from state sources	2,231,100	2,292,938	2,288,734	(4,204)
REVENUES FROM FEDERAL SOURCES				
Appropriations from the state representing:				
Title I	72,000	71,108	70,281	(827)
Title II	21,931	21,931	17,978	(3,953)
Title V	640	640	712	72
REAP grant	22,000	22,000	24,557	2,557
Safe and drug free schools	1,750	1,750	2,151	401
Total revenues from federal sources	118,321	117,429	115,679	(1,750)
Total revenues	2,520,395	2,593,595	2,602,483	8,888

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
EXPENDITURES				
Instruction:				
Elementary grades:				
Salaries of teachers	$ 227,182	$ 259,354	$ 251,250	$ 8,104
Salaries of substitutes and aides	31,900	44,000	49,963	(5,963)
Teaching supplies	5,000	5,000	5,100	(100)
Textbooks	2,000	2,900	2,874	26
Consumable books	2,500	3,900	3,866	34
Fringe benefits	121,088	143,850	140,457	3,393
Other	3,500	1,050	1,857	(807)
Total elementary grades	393,170	460,054	455,367	4,687
Secondary grades:				
Salaries of teachers	396,664	395,627	372,132	23,495
Salaries for extra duty assignments	21,000	14,700	14,508	192
Salaries of substitutes	7,000	13,500	15,411	(1,911)
Teaching supplies	10,000	14,000	14,116	(116)
Textbooks	6,000	4,500	4,331	169
Consumable books	1,500	1,700	1,666	34
Fringe benefits	241,780	237,691	224,239	13,452
Dual enrollment tuition	9,000	11,900	13,747	(1,847)
E learning	18,000	6,500	6,018	482
Other	9,195	6,520	4,870	1,650
Total secondary grades	720,139	706,638	671,038	35,600
Guidance services:				
Salaries of guidance counselors	48,204	48,204	48,257	(53)
Salaries of secretaries	-	-	-	-
Fringe benefits	18,520	18,720	18,066	654
Other	1,500	700	259	441
Total guidance services	68,224	67,624	66,582	1,042

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
EXPENDITURES (Continued)				
Instruction (continued):				
Michigan School Readiness:				
Salaries of teachers	$ 15,011	$ 15,011	$ 15,011	$ -
Salaries of substitutes and aides	17,282	17,282	11,346	5,936
Fringe benefits	10,370	11,870	8,132	3,738
Other	2,800	2,800	1,690	1,110
Total Michigan School Readiness	45,463	46,963	36,179	10,784
Principals' offices:				
Salaries of principals	88,878	88,878	88,878	-
Salaries of secretaries	58,636	60,000	57,280	2,720
Fringe benefits	65,325	64,305	64,427	(122)
Travel, workshops, and conferences	1,500	1,700	1,685	15
Miscellaneous supplies	5,800	7,500	7,200	300
Total principals' offices	220,139	222,383	219,470	2,913
Summer school:				
Salaries of teachers	2,200	1,500	1,220	280
Salaries of aides and substitutes	900	900	715	185
Teaching supplies	-	100	-	100
Fringe benefits	692	600	486	114
Total summer school	3,792	3,100	2,421	679
Special education:				
Salaries of teachers	68,560	68,560	68,610	(50)
Salaries of aides and substitutes	21,150	27,400	23,665	3,735
Fringe benefits	41,945	42,850	40,766	2,084
Supplies	1,650	350	428	(78)
Other	2,600	1,800	382	1,418
Total special education	135,905	140,960	133,851	7,109

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - *General Fund* (Continued)
Year ended June 30, 2008

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
EXPENDITURES (Continued)				
Instruction (continued):				
Compensatory education:				
Salaries of teachers	$ 84,522	$ 84,522	$ 89,420	$ (4,898)
Salaries of aides and substitutes	10,775	10,775	10,431	344
Fringe benefits	52,220	49,220	45,555	3,665
Other	8,520	9,520	3,793	5,727
Total compensatory education	156,037	154,037	149,199	4,838
Tuition to other schools	59,973	50,300	48,881	1,419
Total instruction	1,802,842	1,852,059	1,782,988	69,071
Supporting services:				
Library:				
Salary	20,019	20,019	15,370	4,649
Library books	700	100	87	13
Newspaper and periodicals	250	250	134	116
Audio visual and computer supplies	1,100	1,100	984	116
Fringe benefits	8,250	8,850	7,959	891
Total library	30,319	30,319	24,534	5,785
Instructional improvement	26,730	27,430	25,024	2,406
Suspension aide:				
Salary	-	7,000	6,900	100
Fringe benefits	-	1,722	1,682	40
Total suspension aide	-	8,722	8,582	140
Summer recreation program	11,067	9,650	9,002	648
Career preparation	5,051	4,891	4,285	606
Health services - contracted services	700	200	60	140

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - *General Fund* (Continued)
Year ended June 30, 2008

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
EXPENDITURES (Continued)				
Supporting services (continued):				
Administration:				
Salaries of board of education	$ 4,200	$ 4,200	$ 3,660	$ 540
Salary of superintendent	77,380	77,380	78,172	(792)
Salary of business manager	40,629	40,629	40,629	-
Office clerk salary	3,314	3,314	3,534	(220)
Legal fees	4,000	3,500	2,795	705
Audit fees	11,250	9,000	9,000	-
Office supplies	6,700	5,200	4,829	371
Postage	4,200	3,500	3,502	(2)
Travel, workshops, and conferences	6,900	6,650	7,173	(523)
Publishing and printing	400	400	450	(50)
Fringe benefits	63,525	61,117	59,539	1,578
Insurance	4,950	3,000	4,105	(1,105)
Interest expense	10,000	11,732	14,350	(2,618)
Miscellaneous	12,600	16,337	15,122	1,215
Total administration	250,048	245,959	246,860	(901)
Transportation:				
Salaries of bus drivers	42,200	46,700	42,444	4,256
Salaries for special events	7,000	6,300	4,126	2,174
Salaries of bus aides	5,500	7,000	7,776	(776)
Gasoline, oil, and grease	32,000	30,000	29,068	932
Tires, tubes, and batteries	1,700	1,700	1,692	8
Vehicle repairs/parts	19,500	17,500	19,795	(2,295)
Vehicle insurance	2,400	2,175	2,175	-
Fringe benefits	19,200	11,500	9,770	1,730
Miscellaneous	2,850	1,950	3,214	(1,264)
Total transportation	132,350	124,825	120,060	4,765
Operation and maintenance:				
Salaries and custodial services	53,098	52,533	51,903	630
Heating fuel	45,000	35,000	33,389	1,611
Utilities	55,000	49,300	47,774	1,526
Telephone	4,000	4,500	4,407	93

Burr Oak Community School District
BUDGETARY COMPARISON SCHEDULE - *General Fund* (Continued)
Year ended June 30, 2008

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
EXPENDITURES (Continued)				
Supporting services (continued):				
Operation and maintenance (continued):				
Insurance	$ 13,000	$ 11,338	$ 11,338	$ -
Custodial supplies	45,000	45,000	47,896	(2,896)
Contracted plant maintenance	26,500	27,500	22,917	4,583
Fringe benefits	30,000	30,000	27,050	2,950
Miscellaneous	3,000	3,000	7,023	(4,023)
Total operation and maintenance	274,598	258,171	253,697	4,474
Technology coordinator:				
Salary	48,134	48,134	48,134	-
Fringe benefits	26,665	26,665	26,205	460
Contracted services	30,000	23,500	23,098	402
Travel, workshops, and conferences	1,200	725	473	252
Total technology coordinator	105,999	99,024	97,910	1,114
Total supporting services	836,862	809,191	790,014	19,177
Capital outlay - new and replacement furniture and equipment	23,700	21,200	30,838	(9,638)
Total expenditures	2,663,404	2,682,450	2,603,840	78,610
DEFICIENCY OF REVENUES OVER EXPENDITURES	(143,009)	(88,855)	(1,357)	87,498
OTHER FINANCING USES				
Transfers out	(105,595)	(102,050)	(94,873)	7,177
NET CHANGE IN FUND BALANCES	(248,604)	(190,905)	(96,230)	94,675
FUND BALANCES - BEGINNING	414,796	414,796	414,796	-
FUND BALANCES - ENDING	$ 166,192	$ 223,891	$ 318,566	$ 94,675

SUPPLEMENTARY INFORMATION

Burr Oak Community School District
COMBINING BALANCE SHEET - *nonmajor governmental funds*
June 30, 2008

	Special revenue funds		*Total nonmajor governmental funds*
	Food Service	*Athletic Activities*	
ASSETS			
Cash	$ 16,585	$ 592	$ 17,177
Inventory	9,351	-	9,351
Total assets	$ 25,936	$ 592	$ 26,528
LIABILITIES AND FUND BALANCES			
Liabilities - due to other funds	$ 5,252	$ -	$ 5,252
Fund balances:			
Reserved for inventory	9,351	-	9,351
Unreserved, undesignated	11,333	592	11,925
Total fund balances	20,684	592	21,276
Total liabilities and fund balances	$ 25,936	$ 592	$ 26,528

Burr Oak Community School District

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *nonmajor governmental funds*

Year ended June 30, 2008

	Special revenue funds		*Total nonmajor governmental funds*
	Food Service	*Athletics*	
REVENUES			
Local sources:			
Food service	$ 22,877	$ -	$ 22,877
Athletic gate receipts	-	15,219	15,219
Other	205	1,126	1,331
State grants	6,193	-	6,193
Federal grants	119,683	-	119,683
Total revenues	148,958	16,345	165,303
EXPENDITURES			
Current:			
Food purchases	58,906	-	58,906
Salaries and wages	54,167	76,145	130,312
Fringe benefits	23,276	16,560	39,836
Commodity usage	288	-	288
Supplies	5,791	5,600	11,391
Contracted services	1,205	-	1,205
Miscellaneous	8,184	10,805	18,989
Total expenditures	151,817	109,110	260,927
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,859)	(92,765)	(95,624)
OTHER FINANCING SOURCES			
Transfers in - General Fund	1,790	93,083	94,873
NET CHANGE IN FUND BALANCES	(1,069)	318	(751)
FUND BALANCES - BEGINNING	21,753	274	22,027
FUND BALANCES - ENDING	$ 20,684	$ 592	$ 21,276

Burr Oak Community School District
COMBINING BALANCE SHEET - *private-purpose trust funds*
June 30, 2008

	Educational Loan	*Endowment Scholarship*	*Totals*
ASSETS			
Cash	$ 31,381	$ 8,027	$ 39,408
Loans receivable	2,341	-	2,341
Total assets	$ 33,722	$ 8,027	$ 41,749
NET ASSETS	$ 33,722	$ 8,027	$ 41,749

Burr Oak Community School District

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *private-purpose trust funds*

Year ended June 30, 2008

	Educational Loan	*Endowment Scholarship*	*Totals*
REVENUES			
Local sources:			
Interest	$ 933	$ 320	$ 1,253
Donations	500	-	500
Total revenues	1,433	320	1,753
EXPENDITURES - Scholarships	-	300	300
EXCESS OF REVENUES OVER EXPENDITURES	1,433	20	1,453
NET ASSETS - BEGINNING	32,289	8,007	40,296
NET ASSETS - ENDING	$ 33,722	$ 8,027	$ 41,749

Siegfried Crandall PC
Certified Public Accountants & Advisors

246 E. Kilgore Road
Kalamazoo, MI 49002-5599
www.siegfriedcrandall.com

Telephone 269-381-4970
800-876-0979
Fax 269-349-1344

INDEPENDENT AUDITORS' 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*

Board of Education
Burr Oak Community School District

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Burr Oak Community School District, as of and for the year ended June 30, 2008, which collectively comprise Burr Oak Community School District basic financial statements and have issued our report thereon dated October 17, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Burr Oak Community 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 Burr Oak Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Burr Oak Community School District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Burr Oak Community 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 Burr Oak Community School District's financial statements that is more than inconsequential will not be prevented or detected by Burr Oak Community School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Burr Oak Community School District's internal control. We consider the deficiency described below to be a material weakness in internal control over financial reporting.

- The District does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures. This is a recurring comment.

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

Compliance and other matters

As part of obtaining reasonable assurance about whether Burr Oak Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

This report is intended for the information of management and the Board of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

October 17, 2008